

**BOARD OF SUPERVISORS
AGENDA LETTER**

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name: Public Health
Department No.: 041
For Agenda Of: January 7, 2014
Placement: Administrative
Estimated Tme: N/A
Continued Item: No
If Yes, date from:
Vote Required: 4/5

TO: Board of Supervisors
FROM: Department Takashi Wada, MD, MPH, Director and Health Officer
Director Public Health Department
Contact Info: Dan Reid, Assistant Deputy Director 681-5173
SUBJECT: Amendment to the SUNRx Prescription Drug Administrative Services Agreement
and Agreement with Walgreens, Company

County Counsel Concurrence

As to form: Yes

Other Concurrence: Risk Management

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Recommended Actions:

That the Board of Supervisors:

- a) Approve and authorize the Chair to execute the attached First Amendment (effective January 1, 2014) to the SUNRx Prescription Drug Administrative Services Agreement for the ongoing development and administration of a 340B Pharmacy Network administered by the Public Health Department.
- b) Approve and authorize the Chair to execute the attached 340B Pharmacy Services Agreement with the Walgreens Company, effective January 1, 2014 through December 31, 2016, to provide pharmaceuticals to Public Health Department eligible patients under the 340B federal discount drug program for Fiscal Years 2013-14, 2014-15 and 2015-16. This Agreement is projected to generate approximately \$50,000 for the remainder of Fiscal Year 2013-14 and up to \$200,000 revenue annually thereafter.
- c) Approve and authorize Budget Revision Request BJE 0003212 to amend the FY 2013-14 adopted budget for projected unanticipated revenue of \$50,000 for pharmaceuticals savings share revenues under the 340B Pharmacy Services Agreement with the Walgreens Company.
- d) Determine that these activities are exempt from California Environmental Quality Act review per CEQA Guideline Section 15378(b)(4), since this is a government fiscal activity that does not involve commitment to a specific project that may result in a potentially significant physical impact on the environment.

Summary Text:

This item is on the agenda to execute a First Amendment to the Agreement with SUNRx for Prescription Drug Administrative Services, effective January 1, 2014 and to execute a new Agreement with Walgreens to become a Public Health Department 340B pharmaceutical provider.

First Amendment to SUNRx Agreement: The Public Health Department (PHD) operates three in-house pharmacies at three of its Health Care Centers in Santa Barbara County. PHD, in partnership with SUNRx, also administers the PHD 340B Contract Pharmacy Network. The current SUNRx Prescription Drug Administrative Services Agreement does not adequately describe this dual role relationship that PHD has with SUNRx for the administration of both its in-house pharmacies and the 340B Contract Pharmacy Network. This First Amendment describes this relationship, clarifies the roles of the two entities and further clarifies, but does not change, the current SUNRx administrative services fee schedule. This First Amendment also provides an exception to the SUNRx Agreement exclusivity clause to allow for PHD to establish an agreement with Walgreens Company pharmacies under the 340B program.

Agreement with Walgreens Company: Because of its Federally Qualified Health Center (FQHC) status, PHD has the ability to participate in the Federal Section 340B Drug Discount program as a “covered entity”. As a covered entity, PHD is able to purchase certain drugs at the lowest market price made available in order to provide access to affordable medications for its patients. This Agreement will establish Walgreens Company (Walgreens) as a new 340B pharmacy and 340B services administrator for the Public Health Department and will include three current Walgreens pharmacy locations within Santa Barbara County. Eligible County patients will benefit from the Walgreens Agreement by gaining increased access through the three Walgreens pharmacy locations, including a 24 hour location in Santa Maria.

Because of its existing commitments to SUNRx, MedImpact and CenCal Health Systems under the existing Savings Share Agreement for CenCal members, this Walgreens Agreement does not include Medi-Cal eligible Public Health Department patients.

Background/Contract History

Through its network of six ambulatory Health Care Centers and three satellites countywide, PHD serves a significant number of CenCal Health assigned members in Santa Barbara County (over 13,000). In addition, three Health Care Center locations (Santa Barbara, Santa Maria and Lompoc) provide in-house pharmacies to serve PHD patients for their prescription needs.

Your Board executed the SUNRx Prescription Drug Administrative Services Agreement on June 19, 2012. This Amendment clarifies the SUNRx administrative services and associated fees specific to the PHD in-house pharmacies.

Current with the SUNRx Agreement, on June 19, 2012, your Board also authorized the Public Health Department to establish a 340B Contract Pharmacy Network. Working with SUNRx, CenCal Health and MedImpact, PHD has established this 340B Contract Pharmacy network with multiple independent and chain pharmacies in Santa Barbara County. However, utilization data indicates a significant population of PHD patients is accessing the three Walgreens pharmacies in Santa Barbara County. By entering into the Walgreens Agreement, PHD will be able to generate revenue with eligible patients with Medicare Part D coverage that can be used to support and enhance medical and pharmaceutical services for its FQHC patients. This revenue initially can offset budget deficits created through serving the uninsured and underinsured patient populations as the safety net provider in Santa Barbara County. These three Walgreens locations average over \$200,000 of utilization for PHD Medicare Part D patients

annually. One Walgreens location in Santa Maria operates as a 24 hour pharmacy. Existing PHD in-house pharmacies as well as many of the retail pharmacies in the current PHD 340B contract pharmacy network do not offer late night, weekend or 24 hour pharmacy access.

The replacement 340B pharmaceuticals dispensed by Walgreens pharmacies for PHD patients will be supplied by Amerisource Bergen. The cost for these medications will be paid to PHD by Walgreens upon claims payment from Medicare Part D. PHD has an existing agreement with Amerisource Bergen as a pharmaceutical wholesaler under a previous bid waiver approved by the Board of Supervisors on September 18, 2012. Although this action will add pharmaceutical purchasing costs that are reimbursed by Medicare, the current Amerisource Bergen agreement maximum will not need to be changed as overall pharmaceutical costs in this agreement have been dropping as a result of eligibility of generic medications at reduced rates over brand medications.

Mandates

PHD is mandated to provide access to medical care under Sections 330 (e) and 330 (h) of the Public Health Service Act which also establishes its Federally Qualified Health Center status. These pharmaceuticals are necessary in order for PHD to deliver the necessary medical care.

Performance Measure:

There is no performance measures currently associated with the 340B Contract Pharmacy Network. However, an extensive system of 340B claims adjudication, monitoring and auditing of 340B claims has been put into place to ensure capture of appropriate 340B claims and associated drug manufacturer discounts while concurrently ensuring compliance with complex 340B regulations.

Fiscal and Facilities Impacts:

Budgeted: Yes

Fiscal Analysis:

There is no fiscal impact impacts associated with the SUNRx Administrative Services Amendment. The Walgreens Agreement will expand the eligible pharmaceuticals and is projected to provide approximately \$200,000 in annual savings share revenue to the Public Health Department. Because of the work and process involved with setting up the mechanisms to generate the savings share revenues after the initial agreement is signed, only \$50,000 of revenue is projected to be received for Fiscal Year 2013-14.

Key Contract Risks:

Walgreens Company is self-insured for General and Professional Liability. Their self-insurance retention levels are \$2,000,000 per occurrence with a \$20 million annual aggregate deductible for products liability claims. Walgreens self-insurance is also backed by a commercial insurance company in the event of insolvency.

Special Instructions:

Please retain one (1) executed First Amendment to SUNRx Agreement, one (1) executed Agreement with Walgreens, and one (1) Minute Order. Email PHDCU@SBPCPHD.ORG when ready for pick-up.

Attachments:

1. First Amendment to Agreement for SUNRx Prescription Drug Administrative Services
2. Walgreens 340B Contract Pharmacy Services Agreement

Authored by:

Dan Reid, Assistant Deputy Director, Primary Care & Family Health Division 681-5173