



**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: ADMHS
Department No.: 043
For Agenda Of: 5/20/14
Placement: Administrative
Estimated Tme:
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Department Takashi Wada, MD MPH, Interim Director Alcohol, Drug and
Director(s) Mental Health Services 805-681-5220
Contact Info: Michael C. Evans, Deputy Director – Finance and Administration
805- 681-4517

SUBJECT: Request for Bid Waiver for Local Pharmacy Contract Increases

County Counsel Concurrence

As to form: Yes

Other Concurrence: Purchasing

As to form: Yes

Auditor-Controller Concurrence

As to form: N/A

Recommended Actions:

That the Board of Supervisors consider the recommendations to authorize the County Purchasing Manager to amend the Alcohol Drug, and Mental Health Services (ADMHS) contracts without requiring a formal bid process, for two (2) local pharmacies, who provide ADMHS Medi-Cal formulary billing rate (the lowest billing rate), retroactively bill Medi-Cal, and provide services in the patient's community for the following pharmacies with the following changes:

1. Authorize the County Purchasing Manager to execute an amendment to the FY 13-14 contract with Medicine Shoppe Pharmacy of Santa Barbara (a local vendor), and a subsequent renewal for FY 14-15, to continue to provide pharmaceuticals for ADMHS clients through June 30, 2015 in the increased amount of \$75,000 for a total contract amount not to exceed \$100,000 without a formal competitive bid.
2. Authorize the County Purchasing Manager to execute an amendment to the FY 13-14 contract with JDX Pharmacy of Santa Maria (a local vendor), and a subsequent renewal for FY 14-15, to continue to provide pharmaceuticals for ADMHS clients through June 30, 2015 in the increased amount of \$75,000 for a total contract amount not to exceed \$100,000 without a formal competitive bid.
3. Determine that the above actions are government fiscal activities or funding mechanisms which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment, and are therefore not a project under the

California Environmental Quality Act (CEQA) pursuant to section 15378(b)(4) of the CEQA guidelines.

Summary Text:

Pursuant to County Code Section 2-39, ADMHS is requesting that the Board waive the requirement for a competitive bid process for the purchase of psychiatric medications for ADMHS clients. The additional costs are attributed to increases in the number of prescriptions for indigent clients; higher prices and higher volume of non-formulary medications; and pending Medi-Cal clients who are temporarily uninsured due to the lengthy processing delays with Department of Social Services for the new expanded Medi-Cal applications but whose service can be retroactively billed to Medi-Cal to recuperate the cost. A bid waiver is necessary due to the numerous restrictions in the specifications for the pharmaceuticals needed, including, but not limited to: retroactive billing of Medi-Cal; uncertainty of specific pharmaceuticals and volume to be required under waiver; bubble packing of medications; and necessity for pharmacy to accept waivers and invoice County rather than receiving immediate payment.

Background:

Since 1998, ADMHS has contracted with local pharmacies to dispense medication for psychiatric stabilization and treatment of ADMHS clients who do not qualify for Medi-Cal and have no insurance or other means of payment for medication or for prescriptions that are not covered by other payor sources. This has occurred via purchase orders to disburse pharmaceuticals and deliver medication to ADMHS clients within the larger Santa Barbara, Goleta and Santa Maria communities due to the local vendors offering the lowest pricing rates based on Medi-Cal formulary costs, no fees for delivery services, and who provide re-billing of Medi-Cal insurance and credit to ADMHS for any eligible retroactive Medi-Cal client services.

In the event clients receive Medi-Cal retroactively, the pharmacies reimburse ADMHS for the medication costs. Also, ADMHS compensates contracted pharmacies for prescriptions that are not covered by insurance or Medi-Cal which are typically newer medications for which generics have not yet been made available. In addition, effective FY 07-08, ADMHS implemented a policy wherein clients will only be provided medications under approved formularies to control costs. ADMHS will continue to actively monitor the Medi-Cal eligibility of indigent clients receiving medication in an effort to recover reimbursement from pharmacies.

These steps were taken to assist patients who were experiencing lengthy delays in transitioning over to the new Medi-Cal, with the Affordable Care Act (ACA) expansion. MHSA funds are currently available to cover medication demands that up to this point have been met, for instance, by drug company samples. For those without ability to pay, MHSA will pay and once the patient becomes retroactively covered by Medi-Cal, the pharmacy will retroactively bill Medi-Cal. We anticipate over 60% of the clients will be covered retroactively by Medi-Cal due to the new ACA expansion. Waiver of formal bidding requirements for increased medication purchases through the end of this fiscal year will allow ADMHS to ensure that: everyone needing medications will have access to medications at the lowest Medi-Cal formulary rates, and allows the pharmacies to bill for retroactive Medi-Cal dollars. Also the local pharmacies provide the following for clients:

- Access to service in the client's local community
- Packs medications into bubble packs, at no additional fee, for ease of use
- Delivers, once a day, medications at no cost to ADMHS sites for monitored distribution.

The expanded pharmaceutical contracts will allow ADMHS staff time to be devoted to self-sufficiency activities such as: educating about medication actions, benefits and potential side effects, helping clients communicate with pharmacies, assisting clients to get to and interact with pharmacies, teaching clients to pack/organize their own medications, delivering pharmacy-prepared bubble-packed medications and helping clients to focus on other recovery-oriented behaviors. This will insure ADMHS resources and staff are best utilized effectively and efficiently.

The additional costs are primarily attributed to:

- a.) Increase in the number of prescriptions for indigent clients
- b.) Higher prices and higher volume of non-formulary medications
- c.) Pending Medi-Cal clients who are temporarily uninsured due to the lengthy processing delays with Department of Social Services for the new expanded Medi-Cal applications but whose service can be retroactively billed to Medi-Cal to recuperate the cost.

ADMHS has used Medicine Shoppe and JDX pharmacy for over five years, and has established processes with these pharmacies in place to ensure that they collect waivers from ADMHS and immediately provide needed medications to clients, ensuring proper signatures by authorized ADMHS physicians, retroactively billing Medi-Cal where appropriate, and invoicing ADMHS monthly for all waived medications. Providing consistency in vendors ensures continuity of care for clients, as clients are familiar with the vendors and processes, and clients have current standing orders with these vendors. In addition, bidding pharmaceuticals poses a challenge because ADMHS clients may be prescribed any pharmaceutical available on the market. Both Medicine Shoppe and JDX Pharmacy bill ADMHS at the Medi-Cal reimbursement rate for pharmaceuticals, which is the lowest published rate available. In addition, both pharmacies offer bubble packing of medication free of charge to ADMHS clients, making it easier for clients to manage multiple medications. Finally, both pharmacies are currently linked to ADMHS' e-prescribing software, allowing ADMHS to electronically send prescriptions for filling.

Budgeted: Yes

Fiscal Analysis:

<u>Funding Sources</u>	<u>Current FY Cost:</u>	<u>Annualized On-going Cost:</u>	<u>Total One-Time Project Cost</u>
General Fund			
State	\$ 200,000.00	\$ 200,000.00	
Federal			
Fees			
Other:			
Total	\$ 200,000.00	\$ 200,000.00	\$ -

Narrative:

The above referenced contract amendments are funded by State funds. The funding sources are included in the FY 2013-14 Adopted Budget.

Please send one (1) fully executed copy of the minute order to:

Alcohol, Drug & Mental Health Services
ATTN: Contracts
300 N. San Antonio Road Bldg. 3
Santa Barbara, CA 93110

Authored by:

D. Morales