



**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: May 2, 2017
Placement: Administrative
Estimated Time:
Continued Item: No
If Yes, date from:
Vote Required: 4/5

TO: Board of Supervisors
FROM: Department Public Health Department, Carrie Topliffe, Interim Director
Director(s)
Contact Info: Dana Gamble, Assistant Deputy Director, 681-5171
SUBJECT: First Amendment to CenCal Health 340B Pharmacy Network Savings Share Agreement

County Counsel Concurrence

As to form: Yes

Other Concurrence: Risk

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Recommended Actions: That the Board of Supervisors consider the following recommendations:

- a) Approve and Authorize the Chair to ratify effective January 20, 2017 the First Amendment to the Santa Barbara San Luis Obispo Regional Health Authority dba CenCal Health 340B Pharmacy Network Savings Share Agreement (Attachment A) to modify the Agreement to delete and replace Section 3.1 in its entirety and to delete Section 4 "Annual Reconciliation" in its entirety.
- b) Approve budget revision request BJE 0004974 (Attachment C) to increase appropriation, Restricted Fund Balance and corresponding revenue by \$1,186,473 in the Public Health Department Fund 0042. Unanticipated revenues are funded by the CenCal Health Amendment which allows the Public Health Department to capture 100% of the 340B savings share effective January 20, 2017.
- c) Determine that the above action is not a Project under the California Environmental quality Act (CEQA) pursuant to CEQA Guidelines Sections 15378(b)(4) and 15378(b)(5) because the actions consist of government administrative and fiscal activities that will not result in direct or indirect physical changes in the environment.

Summary Text:

This item is on the Agenda to amend and ratify the CenCal Health 340B Savings Share Agreement to incorporate a new Section 3.1 and delete Section 4 effective January 20, 2017. This Amendment will adjust the 340B savings share of the legacy split to 100% to PHD and 0% to CenCal which became effective on January 20, 2017 as a result of a broader and internal CenCal Health adjustment that resulted in this positive impact to the PHD. The Public Health Department uses the savings generated

from the 340B program in accordance with 340B Program requirement that the savings be used to support health center services offered to the low income insured and uninsured population.

Background:

In July of 2015 the Board approved a 340B Savings Share Agreement (Attachment B) with CenCal Health allowing for the extension of 340B Drug Pricing Program discounts to retail and specialty pharmacies that provide pharmaceuticals for PHD patients. The Public Health Department uses the savings generated from the 340B program in accordance with 340B Program requirement that the savings are used to support health center services offered to the low income insured and uninsured population. The 340B program was created by Congress in 1992 to help vulnerable or uninsured patients gain access to needed prescription medicines, by requiring pharmaceutical manufacturers to provide discounts to health centers such as those operated by the PHD as a condition of their drugs being covered by Medicaid (Medi-Cal in California). This Amendment ensures the savings experienced by the PHD participation in the 340B program continue to benefit PHD Health Center patients including those who are CenCal Health members in Santa Barbara County.

Performance Measure:

No performance measures are currently associated with the 340B Savings Share Agreement. 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: No

Fiscal Analysis:

Executing this amendment will result in estimated additional revenues of \$1,186,473, and offsetting increased appropriations of \$481,616. The difference of \$704,857 will be designated in the PHD Special Revenue Fund for release and use in FY 2017-18. This additional \$1,186,473 in revenues is funded by the CenCal Health amendment which allows for a change in the savings share distribution formula. The Public Health Department will now capture 100% of the 340B savings share effective January 20, 2017. The additional appropriation of \$481,616 will cover increased pharmaceutical costs in FY 2016-17, and as mentioned previously, the \$704,857 will cover increasing costs of Health Center operations, as required by 340B policy, in FY 2017-18.

Budget Revision Request 0004974 is included to make these amendments to the current year FY 2016-17 Public Health Department Adopted budget and the release of funds in FY 2017-18 is included in the Department's Recommended FY 2017-18 Budget.

There is no increase in the use of County's General Fund resources as a result of executing this agreement.

Key Contract Risks:

The greatest risk to the Public Health Department is to be non-compliant with the federal 340B drug discount program. The County, as the covered entity eligible to participate in the program, bears all liability for ensuring compliance. These compliance issues are mitigated, to an extent, by inclusion of elements of oversight by SUNRx for PHD contracted retail and specialty pharmacies, ongoing regular meetings with SUNRx and CenCal Health to review program compliance and a robust monitoring and

auditing internal and external program. PHD has been recognized for comprehensive compliance programs and its Pharmacy Director has provided presentations on the PHD compliance program at national 340B conferences.

PHD has also increased its 340B Program staff through the budget process and is developing additional capacity, separate from these agreements, to monitor 340B claims and audit contracted retail and specialty pharmacies at least annually.

Staffing Impacts:

Legal Positions:

0

FTEs:

0

There are no impacts as a result of this action.

Special Instructions:

Please execute two (2) original First Amendments to the CenCal Health 340B Pharmacy Network Savings Share Agreement and retain one (1) original Amendment and one (1) Minute Order for pick-up by the department. Please email phdcu@sbcphd.org when available for pickup.

Attachments:

- A. First Amendment to CenCal Health 340B Pharmacy Network Savings Share Agreement
- B. CenCal Health 340B Pharmacy Network Savings Share Agreement
- C. Budget Revision Request 0004974

Authored by:

Dana Gamble, Assistant Deputy Director, PHD Primary Care and Family Health, 681-5171