



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
Health System



Date: April 9, 2013
Board Meeting Date: May 7, 2013
Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: Jean S. Fraser, Chief, Health System
Susan Ehrlich, MD, MPP, Chief Executive Officer, San Mateo Medical Center

Subject: Agreement with Sentry Data System, Inc.

RECOMMENDATION:

Adopt a Resolution waiving the Request for Proposals process and authorizing an agreement with Sentry Data Systems, Inc. for pharmacy software processing of 340B claims, for the term of May 1, 2013 through April 30, 2018, in an amount not to exceed \$2,060,000.

BACKGROUND:

Sentry Data Systems, Inc. (Sentry) currently provides San Mateo Medical Center (SMMC) with software that assists the SMMC pharmacy in complying with new Federal regulations for prescriptions dispensed by the SMMC hospital pharmacy. Sentry's system uses actual purchasing data to update claim forms to include the required 11-digit National Drug Code (NDC) number and the actual cost paid for medications, and this system helps SMMC comply with federal requirements of the 340B drug purchase program. The contract for SMMC hospital pharmacy software expires April 30, 2013.

In May 2012 SMMC completed a Request for Proposals (RFP) process for a software product that will process 340B claims for prescriptions filled at third-party pharmacies which contract with the County to provide 340B medications to SMMC outpatients. There are numerous advantages to using such software, which include ensuring compliance with the federal 340B program rules and reducing our inventory carrying costs by allowing us to replenish drugs once they are dispensed.

DISCUSSION:

Through the RFP process, Sentry's Sentrex was selected to provide software needed to process 340B claims for prescriptions filled at third-party pharmacies which contract with the County to provide 340B medications to SMMC outpatient services.

The County's current contract with Sentry for inpatient pharmacy software (called Sentinel RCM) expires April 30, 2013. Sentry has proposed cost savings to SMMC if we extend our contract for the inpatient Sentinel RCM pharmacy software in addition to purchasing the outpatient Sentrex pharmacy software. In addition, given the recent implementation of the inpatient electronic health record, SMMC would have great difficulty in managing a change to its inpatient pharmacy software system.

Accordingly, SMMC is seeking a waiver of the RFP process to continue using Sentry's Sentinel RCM application for processing of 340B claims for prescriptions filled at the hospital. The Sentinel RCM application meets all the needs of the SMMC hospital-based pharmacy, and adheres to all current regulations. It is in the County's best interest to waive the RFP process in relation to the inpatient-related services.

This agreement includes both Sentrex and Sentinel RCM services to process 340B claims for prescriptions filled at the SMMC pharmacy and those filled at outpatient pharmacies. The contract also anticipates that there may be a change in outpatient pharmacy providers in FY 2013-14, so a provision provides compensation that will not exceed 10% of the fixed fees for any additional services that may be needed for that changeover.

The Contract Compliance Committee has approved a waiver request to extend the agreement beyond three years for another five years. Sentry does not comply with the County's Equal Benefits Ordinance; however, since Sentry is the sole source of their Sentinel RCM services, SMMC is asking that your Board waive that requirement.

County Counsel has reviewed and approved the agreement and Resolution as to form. Sentry meets insurance certification requirements.

Sentry has stated that it has no employees who reside in San Mateo County and is therefore exempt from compliance with the County's Contractor Employee Jury Service Ordinance. It has assured that it complies with all other contract provisions that are required by County ordinance and administrative memoranda, including but not limited to insurance, hold harmless and, non-discrimination.

SMMC also requests that your Board authorize the Chief of the Health System or designee to execute contract amendments which modify the County's maximum fiscal obligation by no more than \$25,000 (in aggregate), and/or modify the contract term and/or services so long as the modified term or services is/are within the current or revised fiscal provisions.

This Agreement contributes to the Shared Vision 2025 outcome of a Healthy Community by providing a tool that allows SMMC to recover pharmacy costs while ensuring that prescription drugs are available for prescriptions filled at SMMC as well as for prescriptions filled at outpatient pharmacies. It is anticipated that SMMC will realize a 22% annual reduction in pharmacy costs.

PERFORMANCE MEASURE:

Measure	FY 2012-13 Estimate	FY 2013-14 Projected
Percentage of reduction in SMMC's pharmacy cost	N/A*	22%

*New measure.

FISCAL IMPACT:

The term of the Agreement is May 1, 2013 through April 30, 2018, in the amount of \$2,060,000. Funds in the amount of \$68,666 are included in the SMMC FY 2012-13 Adopted Budget and funds in the amount of \$412,000 will be included in the SMMC FY 2013-14 Recommended Budget. Similar arrangements will be made for future years.

The payment provisions for this agreement are different from the prior agreement because the new agreement incorporates software to process 340B prescriptions filled at the hospital-based pharmacy and at outpatient pharmacies. Accordingly, there is an increased annual cost of \$295,000 for the Sentrex software. As a result of being able to access drugs at the 340B prices, the County will continue to pay 22% less, on average, for drugs purchased through the 340B program compared to non-340B drug prices. The total savings from using the 340B program is approximately \$3.2 million per year.

Expenses at SMMC are covered by fees for services or third-party payors whenever possible. The portion of expenses for services provided to the medically indigent or to those covered by programs that do not meet the full costs of care are covered by the County's General Fund contribution to SMMC, and are within the existing annual appropriation.

Request for Proposals – Matrix

<p>Where was the RFP advertised?</p>	<p>San Mateo Medical Center Website</p>	
<p>In addition to any advertisement, list others to whom the RFP announcement was sent:</p>	<p>Access Rx American Healthcare Envision Rx Equiscript Macrohelix Nechealth PDMI Ramsell Corp Sentry Sun Rx Well Partner</p>	
<p>State the total number of RFP's sent to prospective proposers:</p>	<p>10</p>	
<p>How many proposals did you receive?</p>	<p>9</p>	
<p>List in alphabetical order the names of the proposers (or finalists, if applicable) and the location:</p>	<p>American Health Care, Rocklin, CA CaptureRx, San Antonio, TX Envision, El Dorado Hills, CA PDMI, Poland, OH Ramsell, Oakland, CA Rx Strategies, Boca Raton, FL Sentry, Deerfield Beach, FL</p>	