



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
Health System



Date: May 9, 2016
Board Meeting Date: July 12, 2016
Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: Louise Rogers, Chief, Health System
Chester J. Kunnappilly, MD, Interim Chief Executive Officer, San Mateo Medical Center

Subject: Agreements with JAJCO, Inc. dba Anchor Drugs Pharmacy, San Mateo Neighborhood Pharmacy, Walgreens Co., and Wellpartner, Inc. for 340B Discount Pharmacy Services

RECOMMENDATION:

Adopt a resolution authorizing an agreement with JAJCO, Inc. dba Anchor Drugs Pharmacy in an amount not to exceed \$5,000,000, San Mateo Neighborhood Pharmacy in an amount not to exceed \$2,500,000, Walgreens Co. in an amount not to exceed \$10,000,000, and Wellpartner, Inc. in an amount not to exceed \$2,500,000 for pharmacy services, with each agreement having a term of July 1, 2016, through June 30, 2021, for a combined amount not to exceed \$20,000,000.

BACKGROUND:

The US Health Resources and Services Administration (HRSA) operates the 340B Drug Pricing (340B) Program, which requires drug manufacturers to provide outpatient drugs to eligible health care organizations at significantly reduced prices. Because San Mateo Medical Center (SMMC) participates in the 340B Program, certain SMMC patients can fill medication prescriptions at SMMC or pharmacies that contract with SMMC at a significantly reduced cost to the County.

SMMC currently has agreements with local pharmacies, including Safeway (now owned by Albertsons) and Anchor Drugs, to permit these vendors to dispense lower-cost drugs to qualifying SMMC patients. These agreements expire within the next three months. Pharmacies that contract with the County to provide 340B Program-related prescriptions typically charge SMMC a per-prescription cost for administering and dispensing the medication; these charges exceed the actual reimbursement cost of the medications. However, given the substantial discount for drugs obtained through the 340 Program,

using these vendors still saves the County money and gives SMMC patients the most flexibility in terms of where and when they can fill qualifying prescriptions.

A Request for Proposals (RFP) was conducted in January 2016 for pharmacy service providers that are authorized to dispense drugs through the 340B Program to eligible SMMC patients.

DISCUSSION:

In accordance with applicable regulations, SMMC must enter into separate agreements with each pharmacy that will provide services for the County under the 340 Program. SMMC's continued participation in the 340B Program will help address SMMC's immediate and long-term issues of providing prescription medications to the County's growing low-income population despite increasing costs. As SMMC's patient volume continues to grow, quality pharmacy care is a critical component of both effective treatment and prevention of future medical costs. SMMC has chosen five of the eight proposers that responded to the RFP based on pricing and access to SMMC's patients. JAJCO, Inc. has provided services under this program for the last ten years. In June 2015, Albertsons merged with Safeway, which has been a provider since 2013. San Mateo Neighbor Pharmacy and Walgreens are new providers that seem well-situated to serve SMMC's eligible patients. Wellpartner, Inc. is able to provide specialty mail order prescriptions through the 340B Program with a focus on expensive drugs that have a limited distribution network, and/or that require close monitoring.

Together, these five vendors will allow SMMC to expand patient options and provide flexibility should any problems arise with any of the vendors during the term of the agreements. This expanded collaboration with community pharmacies allows for increased access and less interventional healthcare, and purchasing medications at the reduced 340B Program rates permits the County to use funds that would otherwise go to medication expenses for other important programs.

SMMC is working to finalize an agreement with Albertsons with a maximum amount of \$10 million. Given the need to get as many agreements in place by July 15, 2016, due to HRSA requirements, SMMC is moving forward with four of the vendors. SMMC may return to the Board with an agreement with Albertsons or, in the alternative, a request to increase the total amount of one or more of the four agreements accompanying this memo and resolution depending on the outcome of the negotiations with Albertsons.

The term of these agreements technically begins July 1, 2016, although services will not begin until October 1, 2016, due to HRSA restrictions.

The County's Contract Compliance Committee has approved waiver requests for each of the agreements to have a five-year term.

The resolution contains the County's standard provision allowing amendment of the County's fiscal obligations of each agreement by a maximum of \$25,000 (in aggregate).

Each of the agreements and the resolution have been reviewed and approved by County Counsel as to form.

Approval of these agreements contribute to the Shared Vision 2025 outcome of a Healthy Community by improving access to affordable healthcare. It is anticipated that 95% of prescription refills will be accurately provided within 24 hours.

PERFORMANCE MEASURE:

Measure	FY 2015-16 Estimated	FY 2016-17 Projected
Refill prescriptions will be accurately provided within 24 hours	95%	95%

FISCAL IMPACT:

The term of the agreements with San Mateo Neighborhood Pharmacy, JAJCO, Inc., Walgreens Co., and Wellpartner, Inc. is July 1, 2016 through June 30, 2021, in an aggregate amount of \$20,000,000 for the five-year term. Funds in the amount of \$6,000,000 will be included in the SMMC FY 2016-17 Recommended Budget to cover those agreements, and funds in the amount of \$6,000,000 will be included in the SMMC FY 2017-18 Recommended Budget. Similar arrangements will be made for future years.

The payment provisions of these agreements are different from prior years due to an anticipated 10% increase in the number of prescriptions filled at contract pharmacies each fiscal 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

1	Where was the RFP advertised?	San Mateo Medical Center Website San Mateo County Procurement Website Public Purchase Website
2	In addition to any advertisement, list others to whom the RFP announcement was sent:	A&O Peninsula Pharmacy Albertsons Companies Anchor Drugs Pharmacy Baneth Pharmacies Care4U Pharmacy, Inc. Mariner Advanced Pharmacy Corp. Pharm. D Pharm,Life RxStrategies, Inc. Safeway, Inc. San Mateo Neighborhood Pharmacy Ted's Village Pharmacy Walgreens Co.
3	State the total number of RFP's sent to prospective proposers:	13
4	How many proposals did you receive?	8
5	List in alphabetical order the names of the proposers and the location:	Albertsons Companies; Boise, ID Care4U Pharmacy, Inc.; San Bruno, CA JAJCO Inc. dba Anchor Drugs; S. San Francisco, CA Mariner Advanced Pharmacy Corp.; San Mateo, CA Mission Wellness Pharmacy; San Francisco, CA San Mateo Neighborhood Pharmacy; San Mateo, CA Walgreens Co.; Deerfield, IL Wellpartner; Portland, OR