



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
Health System



Date: October 18, 2016
Board Meeting Date: December 13, 2016
Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

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

Subject: Agreement with Safeway Inc. for 340B Discount Pharmacy Drug Services

RECOMMENDATION:

Adopt a resolution authorizing an agreement with Safeway Inc. for 340B discount pharmacy drug services, for the term of January 1, 2017, through December 31, 2021, to an amount not to exceed \$10,000,000.

BACKGROUND:

The United States 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. On March 4, 2016, SMMC completed a Request for Proposals (RFP) for 340B pharmacy service providers. SMMC chose five of the eight proposers that responded to the RFP based on pricing and access to SMMC's patients. Given the need to have as many agreements in place by July 15, 2016 per HRSA requirements, SMMC moved forward with four of the vendors while continuing to negotiate with Safeway.

DISCUSSION:

As a result of the protracted negotiations with the vendor, the Director of SMMC Pharmacy Services requested an extension of the then-current agreement so negotiations could continue and to avoid inconveniencing SMMC's patients who use Safeway's pharmacies. On June 30, 2016, the Chief Executive Officer approved an amendment to extend the term of the agreement through September 30, 2016, with no increase in the not to exceed amount. SMMC has now reached agreement with Safeway and is requesting that your Board approve an agreement with Safeway to

allow SMMC patients continued access to the Safeway pharmacy locations for the next five years. This agreement will allow SMMC to further its efforts to purchase medication at the reduced 340B Program rates and permits the County to use funds that would otherwise go to medication expenses for other important programs.

The County's Contract Compliance Committee has approved a waiver request for this agreement's five-year term.

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

The agreement and resolution have been reviewed and approved by County Counsel as to form.

This agreement contributes to the Shared Vision 2025 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 Actual	FY 2016-17 Projected
Prescription refills will be accurately provided within 24 hours	95%	95%

FISCAL IMPACT:

The term of the agreement is January 1, 2017, through December 31, 2021. The amount of the agreement is not to exceed \$10,000,000 for the five-year term. Funds in the amount of \$1,000,000 are included in the SMMC FY 2016-17 Adopted Budget. Funds in the amount of \$2,000,000 will be included in the SMMC FY 17-18 Recommended Budget. Similar arrangements will be made for future budget years.

The payment provisions of this agreement are different from prior years due to an anticipated 10% increase in the number of prescriptions filled at contract pharmacies each fiscal year going forward.

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