



# County of San Mateo

## Inter-Departmental Correspondence

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**Department:** HEALTH

**File #:** 16-588

Board Meeting Date: 9/26/2017

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**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 Cardinal Health 132, LLC for 340B Discount Pharmacy Drug Services

**RECOMMENDATION:**

Adopt a resolution authorizing an agreement with Cardinal Health 132, LLC for 340B discount pharmacy drug services for the term of October 1, 2017 through December 31, 2022, in an amount not to exceed \$10,000,000.

**BACKGROUND:**

The US Health Resources and Services Administration operates the 340B Drug Pricing 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. In March 2016, SMMC was informed by Safeway, that it would no longer occupying the retail pharmacy space in the Fair Oaks Health Center (FOHC). In September 2016, SMMC completed a Request for Proposals for a 340B Contract Pharmacy to be located in FOHC and Cardinal Health 132, LLC (Cardinal Health) submitted the winning proposal. The County's Real Property division will be executing a lease agreement with Cardinal Health for the pharmacy space located in FOHC separately.

**DISCUSSION:**

In accordance with applicable regulations, SMMC must enter into a separate agreement with each pharmacy that provides services for the County under the 340B Program. This agreement will allow Cardinal Health to dispense prescriptions using 340B Program pricing at the FOHC location. SMMC's patient volume continues to grow; quality pharmacy care is a critical component of both effective treatment and prevention of future medical costs.

The County's Contract Compliance Committee has approved the waiver request for the agreement 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).

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

Approval of this agreement contributes 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 2016-17 Actual	FY 2017-18 Projected
Prescription refills will be accurately provided within 24 hours	N/A*	95%

New measure\*

**FISCAL IMPACT:**

The term of the agreement is October 1, 2017 through December 31, 2022. The amount of the agreement is not to exceed \$10,000,000 for the 63-month term. Funds in the amount of \$1,000,000 are included in the SMMC FY 2017-18 Adopted Recommended Budget. Funds in the amount of 2,000,000 will be included in the SMMC FY 2018-19 Recommended Budget. Similar arrangements will be made in future years.

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.