Health Services
LOS ANGELES COUNTY

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Interim Director

Robert G. Splawn, M.D.
Interim Chief Medical Officer

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June 2, 2009

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

18 JUNE 2, 2009

SACHI A. HAMAI
EXECUTIVE OFFICER

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

APPROVAL TO EXTEND COMMUNITY HEALTH PLAN PHARMACY BENEFIT MANAGEMENT AGREEMENT
(ALL SUPERVISORIAL DISTRICTS)
(3 VOTES)

SUBJECT:

Request approval of Amendment to extend the Agreement with informedRX, a SXC Health Solutions company, for the continued provision of pharmacy benefit management services for the Community Health Plan, and delegate authority to execute limited amendments.

IT IS RECOMMENDED THAT YOUR BOARD:

1. Authorize the Interim Director of Health Services, or his designee, to execute Amendment No. 5 to Agreement No. H-207932 with informedRX (IRX) for the continued provision of pharmacy benefit management services, effective July 1, 2009 through June 30, 2010, at an annual estimated maximum cost of $18,200,000.

2. Delegate authority to the Interim Director, or his designee, subject to review and approval by the Chief Executive Office and County Counsel, to extend the term of the Agreement, month-to-month, for a maximum of six months, effective July 1, 2010 through December 31, 2010, for an additional estimated cost of $9,100,000, bringing the total estimated cost to $27,300,000.

3. Delegate authority to the Interim Director, or his designee, subject to approval by the Chief Executive Officer and County Counsel, to execute future Amendments to IRX during the extended term of the Agreement to: a) incorporate provisions consistent with the related funding Agreement, all applicable State law and regulations, County Ordinance, and Board policy;

b) make any necessary and appropriate changes to the Agreements to improve clarity and/or correct errors and omissions; and, c) adjust maximum obligation of the contract by ten percent to adjust for plan growth opportunities; d) adjust rates as appropriate to conform with industry guidelines and practices that apply to activities described in Agreement.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTIONS

Approval of the first two recommendations will allow the Interim Director to execute an Amendment, substantially similar to Exhibit I, to extend the Agreement to ensure the continued provision of Pharmacy Benefit Management (PBM) services for all Community Health Plan (CHP) product lines until PBM services can be procured through a new solicitation. The current Agreement expires June 30, 2009.

CHP is a full-service *Knox-Keene Act* licensed and federally qualified Health Maintenance Organization (HMO) publicly operated by the County of Los Angeles and administered by the Department's Office of Managed Care, providing health services at low or no cost through the Medi-Cal Managed Care Program, Healthy Families Program, and Personal Assistance Services Council – Service Employees International Union (PASC-SEIU) Homecare Worker Health Care Plan.

The PBM allows CHP to manage its pharmacy needs including, but not limited to, the provision of patient medications through network providers, administrative management, obtaining patient medications from drug manufacturers and providers at discounted prices, processing claims for payment of prescriptions for plan members, encouraging cost effective medication utilization by offering lower cost generics to members and saving on brand medications which have higher pharmacoeconomic value, etc.

Delegated authority is necessary to execute future Amendments to the IRX Agreement to ensure required County standard provisions are updated appropriately, that changes in operational and programmatic requirements are addressed as necessary, and rate adjustments under the formulary are implemented timely to support the uninterrupted provision of services to CHP Members.

Implementation of Strategic Plan Goals

The recommended actions support Goal 4, Health and Mental Health, of the County's Strategic Plan.

FISCAL IMPACT/FINANCING

Under the Agreement, IRX is compensated at rates which are set to remain the same during the recommended extension.

The total annual estimated cost is $18,200,000 for one year, and an additional estimated cost of $9,100,000 for a six month extension, for a total estimated cost of $27,300,000. Funding is 100 percent offset by premiums received from the State's Managed Risk Medical Insurance Board for Healthy Families Program, L.A. Care Health Plan for the Medi-Cal Managed Care Program and the Personal Assistance Services Council for the PASC-SEIU Homecare Worker Health Care Plan members.

The rates are on file with the Office of Managed Care and are confidential. The payment rates have been shared with your Board Office, the Chief Executive Office, and County Counsel.

Funding is included in the Fiscal Year 2009-10 Proposed Budget.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

On November 19, 2002, your Board approved a sole source Agreement with Pharmaceutical Care Network (PCN) for the provision of PBM services for CHP and its Countywide pharmacy network consisting of: 1) on-line claims processing and adjudication for the CHP pharmacy network; 2) claims monitoring; 3) CHP pharmacy network maintenance and credentialing; 4) drug utilization review; and 5) provision of various administrative, financial and drug utilization reports.

On June 29, 2004, your Board approved Amendment No. 1 for the extension of pharmaceutical benefit management services through June 30, 2007.

On June 21, 2005, your Board approved Amendment No. 2 delegating the duties and assigning the rights of the Agreement with PCN to National Medical Health Card Systems, Inc. (NMHCS), as a result of PCN's acquisition by NMHCS.

On June 12, 2007, your Board granted delegated authority to the Director to execute amendments to Department of Health Services contracts for contract assignments resulting from acquisitions, mergers, or other changes in ownership subject to review and approval by County Counsel and the Chief Administrative Office and notification to your Board offices.

On June 19, 2007, your Board approved Amendment No. 3 for the extension of pharmaceutical benefit management services through June 30, 2009, and granted to

the Director delegated authority to execute future Amendments through the term of the Agreement to: Incorporate new or revised County standard provisions; make appropriate changes to improve clarity and/or correct errors and omissions; and adjust rates as appropriate to conform with industry guidelines and practices.

On September 24, 2008, the Interim Director exercised the authority granted by your Board on June 12, 2007, to execute Amendment No. 4 to the Agreement delegating the duties and assigning the rights of the Agreement with NMHCS to SXC Health Solutions (SXC) as a result of NMCHS' acquisition by SXC, with a registered name change of NMHC to IRX.

Exhibit I has been approved as to form by County Counsel.

CONTRACTING PROCESS

Not applicable.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

Approval of the recommended actions will ensure continuity of uninterrupted services to CHP members.

CONCLUSION

When approved, this Department requires three signed copies of the Board's action.

Respectfully submitted,

R. Splawn for

John F. Schunhoff, Ph.D.
Interim Director

JFS:ss

Attachment

c: Chief Executive Officer
Acting County Counsel
Executive Officer, Board of Supervisors

IRX BL

EXHIBIT I

Contract # H-207932-5

COMMUNITY HEALTH PLAN
PHARMACY BENEFIT MANAGEMENT SERVICES

Amendment No. 5

THIS AMENDMENT is made and entered into this _____ day of _____, 2009

by and between COUNTY OF LOS ANGELES (hereafter "County"),

and INFORMEDRX, INC. (hereafter "IRX")

WHEREAS, reference is made to that certain document entitled "COMMUNITY HEALTH PLAN PHARMACY BENEFIT MANAGEMENT SERVICES AGREEMENT", dated November 19, 2002, herein further identified as County Agreement No. H-207932 and all amendments thereto (all hereafter "Agreement"); and

WHEREAS, the parties wish to extend the term of the Agreement; and

WHEREAS, the Agreement provides that changes may be made in the form of a written amendment which is formally approved and executed by both parties.

NOW, THEREFORE, the parties agree as follows:

1. This Amendment extends the term of the Agreement from July 1, 2009 through June 30, 2010.

2. The term of this Agreement may be further extended by the Director on a month-to-month basis for a period of time not to exceed six (6) months, upon the mutual agreement of the

parties.

3. The maximum obligation of the extended term of this Agreement (July 1, 2009 through June 30, 2010), shall not exceed Eighteen Million, Two Hundred Thousand Dollars ($18,200,000). The maximum obligation of any month-to-month extension shall not exceed One Million, Five Hundred Sixteen Thousand, Six Hundred Sixty-Six Dollars ($1,516,666) per month.

4. Except for the changes set forth hereinabove, the Agreement shall not be changed or modified in any other respect by this Amendment.

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EXHIBIT I

IN WITNESS WHEREOF, the Board of Supervisors of the County of Los Angeles has caused this Amendment to be subscribed by its Director of Health Services, and Contractor has caused this Amendment to be subscribed in its behalf by its duly authorized officers, the day, month, and year first above written.

COUNTY OF LOS ANGELES

By _____
John F. Schunhoff, Ph.D
Interim Director

INFORMEDRX, INC.
Contractor

By _____
Signature

_____
Print Name

_____
Title

(AFFIX CORPORATE SEAL)

APPROVED AS TO FORM
BY THE OFFICE OF THE COUNTY COUNSEL