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To ensure access to high-quality, patient-centered, cost-effective health care to Los Angeles County residents through direct services at DHS facilities and through collaboration with community and university partners.

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February 7, 2012

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

#A-4 FEBRUARY 7, 2012

SACHI A. HAMAI
EXECUTIVE OFFICER

TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Mitchell H. Katz, M.D.
Director

SUBJECT: **RECOMMENDATION FOR DELEGATED AUTHORITY TO EXECUTE AN AGREEMENT WITH RAMSELL PUBLIC HEALTH RX FOR 340B HEALTHY WAY L.A. HIV CONTRACT PHARMACY ADMINISTRATOR SERVICES, AS REQUIRED FOR THE CALIFORNIA 1115 WAIVER (Board agenda Item A-4, February 7, 2012)**

On November 2, 2010, the California Department of Health Services (CDHS) and Centers for Medicare and Medicaid Services (CMS) entered into a new 1115 Waiver, commonly known as the *California Bridge to Reform*, for a five year period, commencing November 1, 2010. This Waiver provides the framework to federal Health Care Reform in 2014 for Medicaid Coverage Expansion (MCE) enrollees who are adults, aged 19-64, with incomes at or below 133% of the Federal Poverty Level (FPL) and who meet citizenship or legal residence requirements. The Waiver will provide health care coverage expansion, continued partial funding of public hospitals' uncompensated costs, new funding for delivery system improvements at public hospitals, Medi-Cal Managed Care for Seniors and Persons with Disabilities, and federal matching funds for various State-only funded programs.

On December 14, 2010, your Board authorized the Department of Health Services (DHS) to submit action items related to the 1115 Waiver to your Board on a standing agenda item designated as A-4. This memo requests your Board's approval of a recommendation of delegated authority to execute an agreement with Ramsell Public Health Rx (Ramsell) for 340B Healthy Way L.A. – Matched (HWLA – Matched) contract pharmacy administrator services.

BACKGROUND

As previously reported to your Board, the federal agencies, CMS and the Health Resources and Services Administration (HRSA), determined that Low Income Health Program (LIHP) – eligible persons with HIV must

enroll in the LIHP, rather than receiving their medical care through the Ryan White Part A program and receiving their pharmaceuticals through the State and Ryan White-funded AIDS Drug Assistance Program (ADAP). The federal agencies confirmed that Ryan White funding is funding of "last resort" and thus determined that HIV patients who are LIHP eligible must enroll in the LIHP to receive federal funding for their LIHP covered services. The mandatory transition of these patients will occur when the State requires LIHP eligibility screening as part of the ADAP enrollment/re-enrollment process.

On September 20, 2011, your Board approved delegated authority for the Departments of Health Services and Mental Health to offer and execute amendments to existing HWLA-Matched agreements to incorporate HIV services and offer and execute HWLA-Matched agreements with Ryan White providers which did not have HWLA-Matched agreements. Your Board also delegated authority to the Department of Public Health to make necessary changes to Ryan White agreements. At this time, DHS has executed agreements or amendments with virtually all CPs and Ryan White providers in anticipation of the State's transition of these patients.

HIV PHARMACEUTICALS

The Ryan White patient care transition plan, *Ensuring Continuity of Care for Ryan White Beneficiaries*, was submitted to your Board by the three departments on October 20, 2011. In that report, DHS notified your Board that the Department was working with County Counsel to negotiate an agreement, to be presented to your Board as soon as possible, with a 340B contract pharmacy administrator. The purpose of this agreement is to 1) provide pharmacy access to Community Partners (CPs) currently lacking an onsite pharmacy or contract arrangement with an offsite pharmacy, (2) maximize access to Federal 340B pricing for those CPs who qualify for such pricing; and 3) streamline billing and reimbursement for CPs with onsite pharmacies. This memo recommends your approval of a 340B Contract Pharmacy Administrator agreement with Ramsell.

Under this agreement, Ramsell will establish agreements with a network of pharmacies, through which the CPs that do not have pharmacies may access pharmaceuticals for their patients. Ramsell also will establish contracts with CP clinics which have onsite pharmacies. For all CPs, Ramsell will process electronic claims and handle billings and reports, including inventory tracking and other key items required for 340B program compliance.

In addition, under this agreement, DHS facilities with HIV clinics will also have the option to enter into contracts with retail pharmacies to supplement DHS pharmacies and provide additional patient pharmacy access on an as-needed basis. Under 340B regulations, each facility is a "covered entity" and, under the 340B contract pharmacy model approved by HRSA, would be required to have a pharmacy administrator contract with Ramsell and the pharmacies in its network. DHS will establish a separate agreement or agreements with Ramsell for the DHS "covered entity" facilities.

Currently, some pharmacies provide delivery of medications to HIV patients via courier. While this arrangement is not currently possible for HWLA patients, the agreement with Ramsell would allow mail delivery service, to increase options for patients to conveniently access medications.

The contract pharmacy administrator model that Ramsell proposes to use in Los Angeles County has been successful in other jurisdictions, including Oregon, where Ramsell has a similar program. Federal 340B regulations and guidance permit the use of contract pharmacy arrangements as a means to increase access to 340B pricing and pharmaceuticals by 340B "covered entities." Through this program, DHS anticipates that CPs who are 340B covered entities, primarily Federally Qualified Health Centers (FQHCs) and/or HIV/AIDS clinics, will be able to utilize multiple contract pharmacies to access pharmaceuticals for the transitioning population at significant cost savings (as compared to retail price) and that billing and reimbursement likewise will be easier. While not a replacement for the ADAP, it is the hope that this contract arrangement will ease the burden placed on the CPs by the transition of these patients to the LIHP.

FUNDING

Under the agreement, and consistent with the contract pharmacy administrator model, DHS will provide funds to Ramsell to allow for it to reimburse the CPs for pharmaceuticals dispensed (either directly by the CP or by the contract pharmacies) at the established 340B price for brand name drugs or MAC (maximum allowable cost) for generic drugs. The County also will pay Ramsell administrative fees. In addition, DHS will provide funds to Ramsell to allow for payment of dispensing fees to contracted pharmacies. The estimated total cost for pharmaceuticals, administrative fees, dispensing fees and mailing fees for this contract is $75 million annually. As part of the HWLA – Matched program, federal reimbursement is 50% of the costs. DHS does not expect implementation of the program to have significant fiscal impact on FY 2011-12. For FY 2012-13 the fiscal impact will depend on the number of patients who transition to HWLA, but in no way should the cost exceed $75 million annually.

Rates associated with this agreement will be kept confidential to protect the County's bargaining position in contract negotiations. This information has been provided to your Board confidentially under separate cover.

CONTRACTING PROCESS

The agreement with Ramsell is a sole-source agreement. DHS did not have time for a standard RFP process, as that would not allow an HIV 340B pharmacy administrator agreement to be in place before the State starts requiring ADAP patients to move to the LIHP. DHS is only aware of two entities which can offer 340B contract pharmacy

administrator services with a wide network of pharmacies in Los Angeles County. DHS approached Ramsell initially because it is the vendor for the State agreement for the ADAP program and thus had experience with HIV pharmaceuticals, as well as other California counties. DHS also approached the other known vendor, which ultimately determined that its business needs and model were not compatible with DHS's needs. Therefore, DHS entered into negotiations with Ramsell. The pricing negotiated with Ramsell is consistent with industry standards.

RECOMMENDATION

It is recommended that your Board approve and delegate authority to the Director of Health Services, or his designee, to:

1) Execute an agreement with Ramsell Public Health Rx, effective on date of execution by both parties following Board approval for a term of three years, for 340B Healthy Way L.A. – Matched (HWLA – Matched) pharmaceutical costs and contract pharmacy administrator services, at an estimated cost not to exceed $75 million annually, subject to final review and approval by County Counsel; and

2) Execute an agreement or agreements with Ramsell and retail pharmacies on behalf of each DHS "covered entity" as needed to maximize patient access to necessary medications, subject to final review and approval by County Counsel; and

3) Modify the County's standard contract provisions with respect to mutual indemnification, insurance and/or other standard provisions set forth as the policy of your Board, upon review and approval by County Counsel and the Chief Executive Office (CEO), and with notice to your Board.

If you have any questions or need additional information, please contact me or your staff may contact John Schunhoff, Ph.D., Chief Deputy Director of Health Services, at (213) 240-8370.

MHK:JFS:jp

c: Chief Executive Office
County Counsel
Executive Office, Board of Supervisors
Public Health