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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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March 18, 2014

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

26 March 18, 2014

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:

**AGREEMENTS TO PARTICIPATE IN THE PHARMACY BENEFIT MANAGEMENT NETWORKS ASSOCIATED WITH MEDICARE PART D PRESCRIPTION DRUG PLANS, CONTRACTED HEALTH PLANS AND OTHER PHARMACY NETWORKS (ALL SUPERVISORIAL DISTRICTS) (3 VOTES)**

## SUBJECT

Request delegated authority for contractual actions necessary to ensure participation by the County of Los Angeles, Department of Health Services' (DHS) Outpatient Pharmacies with DHS-contracted health plan Pharmacy Benefit Management companies and the Centers for Medicare and Medicaid Services (CMS) approved Medicare Part D Prescription Drug Plans for pharmacy network participation, and prescription drug claims electronic submissions and reimbursements. This authority would: (1) allow DHS Outpatient Pharmacies to be included in the pharmacy networks of Medi-Cal managed care health plans, CMS approved Medicare Part D Prescription Drug Plans and other Pharmacy Benefit Management companies so that DHS patients participating in public health insurance programs (e.g., Medi-Cal and Medicare) can access medications at a DHS pharmacy, (2) provide DHS with the ability to submit online prescription claims for prescriptions that it fills at its pharmacies, and (3) ensure that DHS pharmacy dispensing and claims data is available to the health plan which is responsible for maintaining the medication history for each member.

## IT IS RECOMMENDED THAT THE BOARD:

1. Delegate authority to the Director of Health Services (Director), or his designee, to negotiate and execute a new Participating Pharmacy Network Agreement with MedImpact Healthcare Systems, Inc. (MedImpact) for Non-Medicare Part D line of business (e.g., Medi-Cal Program) at prevailing market rates with nominal participation and transaction fees, if any, effective upon the date of full execution of the agreement. MedImpact is the current contracted PBM for all LA Care

patients. This agreement will be co-terminus with the term of the associated DHS Provider Services Agreements with LA Care Health Plan (LA Care) or the term of Pharmacy Benefit Management Agreement between MedImpact and LA Care, whichever is sooner, subject to prior review and approval by County Counsel and written notification to the Board of Supervisors (Board) and the Chief Executive Office (CEO).

2. Delegate authority to the Director, or his designee, to negotiate and execute a replacement Participating Pharmacy Network Agreement with CVS Caremark for Non-Medicare and Medicare Part D lines of business at prevailing market rates with nominal participation and transaction fees, if any, effective upon the date of full execution of the agreement, subject to prior review and approval by County Counsel and written notification to the Board and the CEO. CVS Caremark is the current contracted PBM for all Health Net patients. As to the Non-Medicare Part D line of business, the agreement will be co-terminus with the term of the associated DHS Provider Services Agreements with Health Net of California, Inc. (Health Net) (collectively LA Care and Health Net shall be referred to as "Health Plans") or the term of Pharmacy Benefit Management Agreement between CVS Caremark and Health Net, whichever is sooner. As to the Medicare Part D line of business, the agreement will remain in effect contingent upon CVS Caremark's continued inclusion in the Centers for Medicare and Medicaid Services (CMS) approved list of prescription drug plans.

3. Delegate authority to the Director, or his designee, to negotiate and execute future Participating Pharmacy Network Agreements with other Pharmacy Benefit Management (PBM) companies, at prevailing market rates with nominal participation and transaction fees, if any, that are affiliated with health plans contracting with DHS. The term of each agreement will be co-terminus with the term of the associated DHS Provider Services Agreements with health plans or the term of Pharmacy Benefit Management Agreement between the PBM and health plan, whichever is sooner, subject to review and approval by County Counsel and written notification to the Board and the CEO.

4. Delegate authority to the Director, or his designee, to negotiate, execute and terminate future Participating Pharmacy Network Agreements with other Medicare Part D prescription plans, at prevailing market rates, from the CMS approved list of prescription drug plans as DHS determines additional needs. The term of each agreement will remain in effect contingent upon the plan's continued inclusion in the CMS approved list of prescription drug plans, subject to prior review and approval by County Counsel and written notification to the Board and the CEO.

5. Delegate authority to the Director, or his designee, to negotiate, execute and terminate future amendments to Participating Pharmacy Network Agreements, described in Recommendation Number 1 through 4 above, and existing Medicare Part D Pharmacy Network Agreements to: a) add new health plan/payor and/or new lines of

business/programs consistent with each DHS Provider Services Agreements at prevailing market rates; b) add/delete Outpatient Pharmacy sites to/from PBM or Medicare Part D Prescription Drug Plan network participation; c) add new services, (e.g. mail order, specialty pharmacy, clinical management and/or disease management, and other PBM value added services); d) update and/or incorporate new State/federal law and regulations, County provisions and other regulatory/contractual requirements; e) make appropriate changes to contract language for clarity and efficiency (administrative, programmatic and operational); and f) modify the term of existing Participating Pharmacy Network Agreements with Medicare Part D Prescription Drug Plans for agreements to remain in effect contingent upon its continued inclusion in the CMS approved listing, subject to prior review and approval by County Counsel and written notification to the Board and the CEO.

## PURPOSE/JUSTIFICATION OF RECOMMENDED ACTIONS

### Background

A PBM company is most often a contracted third party administrator of prescription drug programs for health plans, other managed care organizations and payors. They are primarily responsible for processing and paying prescription drug claims, as well as, maintaining member prescription history for the health plan. They are also responsible for developing and maintaining the health plan's formulary, contracting with network pharmacies, and negotiating discounts and rebates with drug manufacturers on behalf of the health plan. PBM companies do not dispense medication or prescription drugs.

Currently, the DHS essentially maintains two capitated Provider Services Agreements, namely with: 1) LA Care for Medi-Cal Managed Care and PASC-SEIU Workers Health Care Programs, and 2) Health Net for Medi-Cal Managed Care Program (referred to as "Non-Medicare Part D" lines of business). MedImpact and CVS Caremark, respectively, are the Health Plans' contracted PBM companies. MedImpact and CVS Caremark contract with a network of pharmacies, while LA Care and Health Net provide the funding to reimburse the pharmacies.

DHS has seventeen Outpatient Pharmacies (Attachment A) that dispense over-3.8 million prescriptions per year to DHS patients, and are available to directly dispense prescription drugs to LA Care and Health Net eligible members assigned to DHS. Under the DHS Provider Services Agreements with both Health Plans, the financial responsibility for outpatient self-administered pharmacy services is assumed by LA Care and Health Net. By DHS participating in the MedImpact and CVS Caremark pharmacy networks, DHS will have the ability to: 1) submit pharmaceutical claims electronically for prescriptions dispensed, and 2) receive reimbursement at contracted rates for prescription drugs dispensed to Health Plan eligible members at DHS Outpatient Pharmacies. Health plan pharmacy network participation provides DHS outpatient pharmacies with a direct method of billing for prescriptions that it fills at its pharmacies and ensures that these claims are

included in the medication history that the health plan maintains for each health plan member.

Medicare Part D

CMS is the federal agency charged with administering the Medicare Part D Prescription Drug Plans to provide prescription drug coverage program for eligible patients. There are multiple private prescription drug plans that contract with CMS to execute the program. These private prescription drug plans contract further with retail pharmacies to dispense medications to Medicare Part D patients. Within California, there are over 50 separate Medicare Part D prescription drug plans with different levels of prescription benefits approved to fill Medicare Part D prescriptions, with each having a pharmacy network. These private prescription drug plans bid for contracts with CMS annually. DHS reviews these plans every year to determine which Medicare Part D prescription drug plans need to be contracted with to ensure coverage for DHS patients.

While DHS is currently contracted with Envisions RxOptions and OptumRx, and has had agreements in the past with other CMS approved Medicare Part D prescription drug plans (Attachment B) for medications dispensed to low income and Medi-Cal/Medicare at low or no cost patients, only two DHS Outpatient pharmacies (located at Martin Luther King, Jr. Multi-Service Ambulatory Care Center and Rancho Los Amigos National Rehabilitation Center) are part of the CVS Caremark and other Prescription Drug Plan networks for Medicare Part D. This limited availability has been due to historical limitations with respect to claims functionality within DHS' outpatient pharmacy information system. Pursuant to the new Cardinal central fill contract, which was approved by the Board on April 2, 2013, DHS will be replacing the pharmacy information system within on-site pharmacies, providing the ability to expand access to Medicare Part D claims throughout all DHS Outpatient Pharmacies as the new pharmacy information system is installed and implemented.

On October 29, 2013, the Board approved a similar delegated authority for DHS to sign pharmacy network agreements with Medicare Part D plans on an annual basis. Under this new delegation letter, DHS is requesting an expanded delegated authority to modify the terms of the existing Participating Pharmacy Network Agreements with Medicare Part D Prescription Drug Plans, such that each agreement shall remain in effect contingent upon its continuous inclusion in the CMS approved listing. By doing so, it will eliminate any interruption in submitting claims and receiving payments for prescriptions dispensed at DHS pharmacy sites. This new/consolidated delegation letter will cover all contractual delegations related to pharmacy agreements for both Medicare Part D and Non-Medicare Part D lines of business and will supersede the October 29, 2013 delegation letter.

Approval of Recommendations

Approval of the first and second recommendations will allow DHS to become part of the MedImpact and CVS Caremark pharmacy networks for Non-Medicare Part D line of business (e.g., Medi-Cal Program), expand DHS' outpatient pharmacy sites with CVS Caremark for Medicare Part D prescription drugs plan to include all seventeen DHS Outpatient Pharmacies, and enable the DHS to electronically submit and bill prescription drug claims and receive reimbursements accordingly. Doing so will enable DHS patients participating in these public health insurance programs to access medication at a DHS pharmacy.

As DHS expands its market and enters into new provider relationships with other health plans and other payors, whom may be contracted with PBM companies other than MedImpact and CVS Caremark, approval of the third and fourth recommendations will allow DHS to timely negotiate and enter into new Participating Pharmacy Network Agreement with corresponding PBM companies; thus allowing the DHS to submit on-line prescription drug claims and receive claims reimbursement promptly. Likewise, DHS, after reviewing and selecting from the CMS' annually approved listing of Medicare Part D prescription drug plans, will be allowed to execute the pertinent contract expeditiously to assure coverage for low-income and Medi-Cal/Medicare at low or no cost patients across all DHS facilities and clinics.

Approval of the fifth recommendation will permit DHS to effectively manage the Participating Pharmacy Network Agreements by being able to amend the Pharmacy Network Agreements in a timely manner to add new health plan/payor or lines of business/program at prevailing market rates, add/delete pharmacy sites, add new services, e.g. mail order, specialty pharmacy, clinical/disease management, and other PBM value added services, update and/or incorporate new State/federal law and regulations, County provisions and other regulatory/contractual requirements, make appropriate changes to contract language for clarity and efficiency (administrative, programmatic and operational), and modify the terms of the existing Participating Pharmacy Network Agreements with Medicare Part D Prescription Drug Plans, such that each agreement shall remain in effect contingent upon its continued inclusion in the CMS approved listing; otherwise such agreements terminate effective upon the CMS approved listing release date.

**IMPLEMENTATION OF STRATEGIC PLAN GOALS**

The recommended actions support Goal 1, Operational Effectiveness, and Goal 2, Fiscal Sustainability of the County's Strategic Plan.

## FISCAL IMPACT/FINANCING

The Participating Pharmacy Network Agreements with MedImpact and CVS Caremark for Non-Medicare Part D line of business (e.g., Medi-cal) to be executed under the Director's delegated authority are intended to maximize the ability for DHS to obtain ongoing pharmaceutical claims revenue. As pharmacy utilization is dependent on LA Care and Health Net eligible members' choice of pharmacy site, and the Health Plans' formulary, the total cost and volume of claims generated from these contracts cannot be estimated at this time. All seventeen DHS Outpatient Pharmacies will be listed in the Participating Pharmacy Provider Directories by both LA Care and Health Net as available for DHS assigned members use.

Likewise, the estimated additional Medicare Part D revenue resulting from the CVS Caremark and other Medicare Part D Prescription Drug Plans across DHS Outpatient Pharmacy sites cannot be estimated at this time. Based on actual experience, as this is implemented, DHS will assess the overall fiscal impact.

The program costs associated with participating in PBM and CMS approved Medicare Part D Prescription Drug Plan pharmacy networks is expected to be minimal and includes applicable enrollment application and transaction fees.

Funding for the transaction fees is included in the Fiscal Year 2013-14 Final Budget and will be requested as continuing appropriation as needed in future fiscal years.

The contracted pharmacy reimbursement rates are confidential and subject to Section 1457 of the Health and Safety Code. This information will be provided to your Board under a separate confidential memorandum.

## FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Participation by DHS Outpatient Pharmacies to MedImpact, CVS Caremark, other PBM companies and Medicare Part D Prescription Drug Plans pharmacy networks are contingent upon the review, approval and acceptance by these entities of DHS pharmacy credentialing, and DHS' ability to meet contractual requirements set forth in the pharmacy provider agreements and operation manuals.

## CONTRACTING PROCESS

Delegated authority to enter into Participating Pharmacy Network Agreements with PBM companies for Non-Medicare (e.g., Medi-Cal) and/or Medicare Part D line of business and Medicare Part D Prescription Drug Plans does not require DHS to undergo a competitive contracting process to determine which PBM or Medicare Part D Prescription Drug Plans require agreements. This determination is made by the DHS-contracted health plan or CMS (for Medicare Part D plans), as the health plan or CMS decide on the specific PBM's

that receive contracts for enrolled members. DHS will enter into pharmacy network agreements only with PBM's that are affiliated with health plans, managed care organizations or other payors whom the DHS has existing or will have future contractual relationships, and for line(s) of business/program(s) covered under each Provider Services Agreements. For Medicare Part D line of business, DHS will select and contract with prescription drug plans approved by CMS. These pharmacy services agreements will bring in ongoing revenue to DHS.

In addition, DHS will use the standard pharmacy network agreement template provided by each PBM and Medicare Part D Prescription Drug Plan in order to expedite negotiations and execution of each Participating Pharmacy Network Agreements. Such contractual documents will comply with all applicable laws and to the extent possible, may contain mutual indemnification clauses and require use of binding arbitration to resolve disputes.

**IMPACT ON CURRENT SERVICES (OR PROJECTS)**

Successful implementation of the recommended actions will allow DHS to participate in the pharmacy network of each of DHS contracted health plan/payor respective PBM companies and CMS approved Medicare Part D Prescription Drug Plans, thus allowing DHS to submit claims electronically and receive reimbursement for prescriptions dispensed at DHS Outpatient Pharmacies.

Respectfully submitted,

Mitchell H. Katz, M.D.
Director

MHK:TMB:ln

Enclosures (2)

cc: Chief Executive Office
County Counsel
Executive Office, Board of Supervisors
Board of Supervisors

## Attachment A

## COUNTY OF LOS ANGELES-DEPARTMENT OF HEALTH SERVICES
## OUTPATIENT PHARMACIES

| | Pharmacy Name | NCPDP Number | Address |
|---|---|---|---|
| 1 | Edward R. Roybal Comprehensive Health Center Pharmacy | 0541905 | 245 South Fetterly Avenue Los Angeles, CA 90022 |
| 2 | El Monte Comprehensive Health Center Pharmacy | 0541549 | 10953 Ramona Blvd. El Monte, CA 91731 |
| 3 | H. Claude Hudson Comprehensive Health Center Pharmacy | 0541866 | 2829 South Grand Avenue Los Angeles, CA 90007 |
| 4 | Harbor/UCLA Medical Center FMC Pharmacy | 0559964 | 1403 West Lomita Boulevard, 2nd Floor Harbor City, CA 90710 |
| 5 | Harbor/UCLA Medical Center N-22 Pharmacy | 0507648 | 1000 W. Carson Street, Location N-22 Torrance, CA 90502 |
| 6 | Harbor/UCLA Medical Center OPD Pharmacy | 0575665 | 1000 W. Carson Street, Room 1-07 Torrance, CA 90502 |
| 7 | High Desert Multi-Ambulatory Care Center Trailer Pharmacy | 0534544 | 44900 N. 60th Street W. Lancaster, CA 93536 |
| 8 | Hubert H. Humphrey Comprehensive Health Center Pharmacy | 0541599 | 5850 Main St., Room 1102 Los Angeles, CA 90003 |
| 9 | LAC+USC Medical Center Clinic Tower Pharmacy | 0541715 | 1200 N. State St., Room A1C109 Los Angeles, CA 90033 |
| 10 | LAC+USC Medical Center OPD Pharmacy | 5632496 | 2010 Zonal Ave., Room 2P82 Los Angeles, CA 90033 |
| 11 | Long Beach Comprehensive Health Center Pharmacy | 0541525 | 1333 Chestnut Avenue Long Beach, CA 90813 |
| 12 | Martin Luther King/Medical Ambulatory Care Center Pharmacy | 0541791 | 12021 South Wilmington Avenue Los Angeles, CA 90059 |
| 13 | Midvalley Comprehensive Health Center Pharmacy | 0519592 | 7515 Van Nuys Boulevard Van Nuys, CA 91405 |
| 14 | Olive View Medical Center Outpatient Pharmacy | 0572479 | 14445 Olive View Drive Sylmar, CA 91342 |
| 15 | Rancho Los Amigos National Rehabilitation Center Pharmacy | 0542337 | 7601 East Imperial Highway Downey, CA 90242 |
| 16 | San Fernando Comprehensive Health Center Pharmacy | 0519580 | 1212 Pico Avenue San Fernando, CA 91340 |
| 17 | Wilmington Family Health Center Pharmacy | 0577950 | 1325 Broad Avenue Wilmington, CA 90744 |

**NCPDP - National Council for Prescription Drug Programs**

## Attachment B

## COUNTY OF LOS ANGELES-DEPARTMENT OF HEALTH SERVICES MEDICARE PART D PHARMACY NETWORK AGREEMENTS

Participating Pharmacy Sites:

- Martin Luther King, Jr. – Multi-Ambulatory Care Network
- Rancho Los Amigos National Rehabilitation Center

| | Prescription Drug Plan | Status |
|---|---|---|
| 1 | CVS Caremark | Inactive/Expired |
| 2 | Envisions RxOptions | Active until 12/31/2014 |
| 3 | Health Net | Inactive/Expired |
| 4 | Medco | Inactive/Expired |
| 5 | OptumRx | Active until 12/31/2014 |
| 6 | RxAlly | Inactive/Expired |
| 7 | RxAmerica | Inactive/Expired |
| 8 | Walgreen Health Initiative | Inactive/Expired |
| 9 | Wellpoint | Inactive/Expired |