



DEPARTMENT OF MENTAL HEALTH
hope. recovery. wellbeing.

JONATHAN E. SHERIN, M.D., Ph.D.
Director

Gregory C. Polk, M.P.A.
Chief Deputy Director

Curley L. Bonds, M.D.
Chief Medical Officer

Lisa H. Wong, Psy.D.
Senior Deputy Director

April 20, 2021

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

Dear Supervisors:

APPROVED

BY DELEGATED AUTHORITY

CHIEF EXECUTIVE OFFICE
COUNTY OF LOS ANGELES

April 20, 2021

FESIA A. DAVENPORT
CHIEF EXECUTIVE OFFICER

**APPROVAL OF A SOLE SOURCE CONTRACT EXTENSION FOR PHARMACY
BENEFIT MANAGEMENT SERVICES WITH MAGELLAN PHARMACY SOLUTIONS
(ALL SUPERVISORIAL DISTRICTS)
(3 VOTES)**

SUBJECT

Request approval of a Sole Source Contract extension with Magellan Pharmacy Solutions for the continued provision of pharmacy benefit management services for the term of July 1, 2021 – June 30, 2022.

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve and authorize the Director of Mental Health (Director), or his designee, to prepare, sign, and execute an amendment (Attachment I) to extend the Contract with Magellan Pharmacy Solutions (Magellan) for the term of July 1, 2021 – June 30, 2022, with an option to extend the Contract one additional fiscal year, as necessary, for the continued provision of pharmacy benefit management (PBM) services. There is no Total Contract Amount for this Contract, and the estimated annual cost for the management of the Department of Mental Health's (DMH) prescription drug services is \$7,200,000 fully funded by Mental Health Services Act (MHSA) and 2011 Sales Tax Realignment revenues.
2. Delegate authority to the Director, or his designee, to prepare, sign, and execute future amendments to the Contract in Recommendation 1, to reaffirm the authority delegated

by the Board on January 10, 2017, provided that: sufficient funds are available and any amendments will be subject to prior review and approval as to form by County Counsel, with written notice to the Board and Chief Executive Officer (CEO).

3. Delegate authority to the Director, or his designee, to terminate the Contract described in Recommendation 1 in accordance with the termination provisions, including Termination for Convenience. The Director, or his designee, will notify the Board and CEO, in writing, of such termination action.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Board approval of Recommendation 1 will allow for the continued provision of prescription drug services to DMH uninsured clients via Magellan's network of 1,700 contracted pharmacies. It is projected that DMH clients will utilize at least 481 of the network's pharmacies during the extension period.

Board approval of Recommendation 2 will allow DMH to amend the Contract in Recommendation 1, to extend the term for an additional year and reaffirm previously approved delegated authority so that the agreement may be amended, as necessary, for the continuous provision of prescription drug services without interruption to clients who are in need of these services.

Board approval of Recommendation 3 will allow DMH to terminate the Contract in accordance with the termination provisions, including Termination for Convenience, in a timely manner, as necessary.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The recommended actions are consistent with the County's Strategic Plan Goal I, Make Investments that Transform Lives, specifically Strategy 1.1 — Increase Our Focus on Prevention Initiatives, and Strategy 1.2 — Enhance Our Delivery of Comprehensive Interventions.

FISCAL IMPACT/FINANCING

For Fiscal Year (FY) 2021-22, the total estimated annual cost for this Contract is \$7,200,000, fully funded by MHSA and 2011 Sales Tax Realignment revenues. Funding will be included in the DMH's annual budget request process for FY 2021-22.

There is no increase in net County costs associated with the recommended actions. Funding for future fiscal years will be requested through DMH's annual budget request process.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

DMH maintains financial responsibility for uninsured clients who require pharmacy services. DMH is extending the Contract to allow time for the completion of a solicitation which will result in a new PBM Contract.

Magellan currently provides the following PBM services: (1) contracting with retail pharmacies to fill prescriptions for uninsured DMH clients; (2) processing prescription drug claims submitted electronically to Magellan by retail pharmacies; (3) reimbursing retail pharmacies for prescription drugs dispensed to uninsured DMH clients; (4) operating a customer service call center to answer questions posed by participating pharmacies, DMH staff, contracted clinic staff, and uninsured DMH clients; (5) maintaining updates to DMH's drug formulary; (6) providing administrative oversight of a pharmacy network; (7) negotiating discounts and rebates with drug manufacturers; and (8) providing clinical services, such as prior authorizations, which are required when prescribers prescribe a medication that is not on the DMH formulary, and handling client appeals.

In compliance with Los Angeles County Code Section 2.121.420, DMH conducted a Proposition (Prop) A cost analysis prior to execution of this Contract and determined that it was cost effective to have the PBM services provided by Magellan. For the requested extension period, the Auditor Controller advised that a new Prop A analysis was not required, as there is no change to the estimated annual Contract amount or the services provided.

Under Board Policy No. 5.100 (Sole Source Contracts), DMH is required to notify your Board six months in advance of amending existing Contracts when DMH does not have delegated authority to extend the current Contract. On October 1, 2020 (Attachment II), DMH notified your Board of its intent to execute a Sole Source Contract extension with Magellan for the continued provision of PBM to uninsured clients throughout the County via its contracted network of retail pharmacies while DMH completes a new solicitation for contract award. As required by the policy, attached for reference is the signed Sole Source Checklist (Attachment III) approved by the CEO.

As mandated by your Board, Magellan's performance will continue to be evaluated by DMH on an annual basis to ensure Magellan's compliance with all Contract terms and performance standards, including compliance with the requirements of the Living Wage Program (Los Angeles County Code Chapter 2.201).

The Honorable Board of Supervisors
April 20, 2021
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IMPACT ON CURRENT SERVICES (OR PROJECTS)

Board approval of the recommended actions will ensure that uninsured DMH clients will continue to have access to a large number of licensed pharmacies throughout Los Angeles County for their pharmaceutical needs.

Respectfully submitted,



Jonathan E. Sherin, M.D., Ph.D.
Director

JES:GCP:SK
MP:atm

Attachments

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

CONTRACT NO. MH190143AMENDMENT NO. 5

THIS AMENDMENT is made and entered into this 1st day of July 2021, by and between the COUNTY OF LOS ANGELES (hereafter "County") and Magellan Pharmacy Solutions (hereafter "Contractor").

WHEREAS, reference is made to that certain document entitled "Department of Mental Health Pharmacy Benefit Management Contract," dated January 17, 2017, and further identified as County Contract No. MH190143, and any amendments thereto (hereafter collectively "Contract"); and

WHEREAS, on April 20, 2021, the County Board of Supervisors delegated authority to the Director of Mental Health, or designee, to extend the Contract for Fiscal Year (FY) 2021-22 for the continued provision of pharmacy benefit management services; and

WHEREAS, on January 10, 2017, the County Board of Supervisors delegated authority to the Director of Mental Health, or designee, to execute amendments to the Contract; and

WHEREAS, said Contract provides that changes may be made in the form of a written amendment which is formally approved and executed by the parties; and

WHEREAS, Contractor warrants that it continues to possess the competence, expertise, and personnel necessary to provide services consistent with the requirements of this Contract and consistent with the professional standard of care for these services.

NOW, THEREFORE, County and Contractor agree as follows:

1. This Amendment is effective July 1, 2021 through June 30, 2022.

2. Exhibit A-4 (BUSINESS ASSOCIATE AGREEMENT UNDER THE HEALTH INSURANCE PORTABILITY ACCOUNTABILITY ACT OF 1996 (“HIPAA”)) shall be deleted in its entirety and replaced with “Exhibit A-5 (BUSINESS ASSOCIATE AGREEMENT UNDER THE HEALTH INSURANCE PORTABILITY ACCOUNTABILITY ACT OF 1996 (“HIPAA”))”, attached hereto and incorporated by reference. All references to Exhibit A-4 shall be deemed amended to state “Exhibit A-5 (BUSINESS ASSOCIATE AGREEMENT UNDER THE HEALTH INSURANCE PORTABILITY ACCOUNTABILITY ACT OF 1996 (“HIPAA”))”.
3. Exhibit A-1-4 (INFORMATION SECURITY CONTRACT/AGREEMENT) shall be deleted in its entirety and replaced with “Exhibit A-1-5 (INFORMATION SECURITY AND PRIVACY REQUIREMENTS FOR CONTRACTS)”, attached hereto and incorporated by reference. All references to Exhibit A-1-4 shall be deemed amended to state “Exhibit A-1-5 (INFORMATION SECURITY AND PRIVACY REQUIREMENTS FOR CONTRACTS)”.
4. Exhibit A-2-4 (AGREEMENT FOR ACCEPTABLE USE AND CONFIDENTIALITY OF COUNTY INFORMATION ASSETS) shall be deleted in its entirety.
5. Exhibit A-3-4 (CONFIDENTIALITY OATH) shall be deleted in its entirety and replaced with “Exhibit A-3-5 (CONFIDENTIALITY OATH)”, attached hereto and incorporated by reference. All references to Exhibit A-3-4 shall be deemed amended to state "Exhibit A-3-5 (CONFIDENTIALITY OATH)".
6. Exhibit A-4-4 (DMH BUSINESS ASSOCIATE/CONTRACTOR’S COMPLIANCE WITH INFORMATION SECURITY REQUIREMENTS EXHIBIT) shall be deleted in its entirety and replaced with “Exhibit A-4-5 (DMH CONTRACTOR’S COMPLIANCE WITH INFORMATION SECURITY REQUIREMENTS)”, attached

hereto and incorporated by reference. All references to Exhibit A-4-4 shall be deemed amended to state "Exhibit A-4-5 (DMH CONTRACTOR'S COMPLIANCE WITH INFORMATION SECURITY REQUIREMENTS)".

7. Exhibit A-6-5 (ELECTRONIC DATA TRANSMISSION TRADING PARTNER EXHIBIT (TPE)) shall be added, attached hereto, and incorporated by reference.
8. Except as provided in this Amendment, all other terms and conditions of the Contract shall remain in full force and effect.

DRAFT

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IN WITNESS WHEREOF, the Board of Supervisors of the County of Los Angeles has caused this Amendment to be subscribed by County's Director of Mental Health or designee, and Contractor has caused this Amendment to be subscribed on its behalf by its duly authorized officer, on the day, month, and year first above written.

COUNTY OF LOS ANGELES

By _____
JONATHAN E. SHERIN, M.D., Ph.D.

CONTRACTOR

By _____

Name _____

Title _____
(AFFIX CORPORATE SEAL HERE)

APPROVED AS TO FORM:
OFFICE OF THE COUNTY COUNSEL

By: Emily D. Issa
Deputy County Counsel



DEPARTMENT OF MENTAL HEALTH

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JONATHAN E. SHERIN, M.D., Ph.D.
Director

Gregory C. Polk, M.P.A.
Chief Deputy Director

Curley L. Bonds, M.D.
Chief Medical Officer

Lisa H. Wong, Psy.D.
Senior Deputy Director

October 1, 2020

TO: Supervisor Kathryn Barger, Chair
Supervisor Hilda L. Solis
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Janice Hahn

FROM: Jonathan E. Sherin, M.D., Ph.D.
Director

SUBJECT: **NOTICE OF INTENT TO EXECUTE A SOLE SOURCE CONTRACT
EXTENSION WITH MAGELLAN PHARMACY SOLUTIONS FOR
PHARMACY BENEFIT MANAGEMENT SERVICES**

In accordance with the Los Angeles County Board of Supervisors' (Board) Policy No. 5.100 (Sole Source Contracts), the Department of Mental Health (DMH) is notifying your Board of our Department's intent to execute a sole source contract extension amendment with Magellan Pharmacy Solutions (Magellan) for the continued provision of Pharmacy Benefit Management (PBM) to administer medication prescriptions to uninsured DMH clients throughout the County through its contracted network retail pharmacies.

JUSTIFICATION

The current contract with Magellan expires June 30, 2021, and the sole source contract extension will allow for the continued uninterrupted provision of prescription drug services to DMH's uninsured clients for one year, with an optional one-year extension, while the department develops and issues a new solicitation for PBM services.

The services provided under the PBM contract are considered Proposition A services, and as such, DMH is currently conducting a financial analysis along with the Auditor-Controller, per Los Angeles County Code Section 2.121.420, for this extension.

DMH maintains financial responsibility for uninsured clients, and as such, these clients are dispensed approximately 5,000 prescriptions monthly by PBM contracted network retail pharmacies.

The PBM services provided by Magellan include: (1) contracting with retail pharmacies to fill prescriptions for uninsured DMH clients; (2) processing prescription drug claims submitted electronically to Magellan by retail pharmacies; (3) reimbursing retail pharmacies for prescription drugs dispensed to uninsured DMH clients; (4) operating a customer service call center to answer questions posed by participating pharmacies, DMH staff, contracted clinic staff, and uninsured DMH clients; (5) maintaining updates to DMH's drug formulary; (6) providing administrative oversight of a pharmacy network; (7) negotiating discounts and rebates with drug manufacturers; and (8) providing clinical services, such as prior authorizations which are required when prescribers prescribe a medication that is not on the DMH formulary, and handling client appeals.

NOTIFICATION TIMELINE

Pursuant to Board Policy No. 5.100 (Sole Source Contracts), DMH is required to notify your Board six months prior to executing a sole source extension amendment. If requested by a Board office or the Chief Executive Office, DMH will place this item on the Health and Mental Health Services Cluster Agenda.

Unless otherwise instructed by your Board office within four weeks of this notice, DMH will present your Board a letter for approval, prior to the end of Fiscal Year 2020-21, to execute a sole source contract extension amendment for the continued provision of prescription drug services.

If you have any questions or concerns, please contact me at (213) 738-4601, or your staff may contact Stella Krikorian, Division Manager, Contracts Development and Administration Division, at (213) 738-4023.

JES:GCP:ES:SK
MP:atm

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

SOLE SOURCE CHECKLIST

Department Name: Mental Health

- New Sole Source Contract
 - Sole Source Amendment to Existing Contract
- Date Existing Contract First Approved: January 17, 2017

Check (✓)	JUSTIFICATION FOR SOLE SOURCE CONTRACTS Identify applicable justification and provide documentation for each checked item.
<input type="checkbox"/>	➤ Only one bona fide source (monopoly) for the service exists; performance and price competition are not available. A monopoly is an “ <i>Exclusive control of the supply of any service in a given market. If more than one source in a given market exists, a monopoly does not exist.</i> ”
<input type="checkbox"/>	➤ Compliance with applicable statutory and/or regulatory provisions.
<input type="checkbox"/>	➤ Compliance with State and/or federal programmatic requirements.
<input type="checkbox"/>	➤ Services provided by other public or County-related entities.
<input type="checkbox"/>	➤ Services are needed to address an emergent or related time-sensitive need.
<input type="checkbox"/>	➤ The service provider(s) is required under the provisions of a grant or regulatory requirement.
<input type="checkbox"/>	➤ Additional services are needed to complete an ongoing task and it would be prohibitively costly in time and money to seek a new service provider.
<input checked="" type="checkbox"/>	➤ Services are needed during the time period required to complete a solicitation for replacement services; provided services are needed for no more than 12 months from the expiration of an existing contract which has no available option periods.
<input type="checkbox"/>	➤ Maintenance and support services are needed for an existing solution/system during the time to complete a solicitation for a new replacement solution/ system; provided the services are needed for no more than 24 months from the expiration of an existing maintenance and support contract which has no available option periods.
<input type="checkbox"/>	➤ Maintenance service agreements exist on equipment which must be serviced by the original equipment manufacturer or an authorized service representative.
<input type="checkbox"/>	➤ It is more cost-effective to obtain services by exercising an option under an existing contract.
<input type="checkbox"/>	➤ It is in the best economic interest of the County (e.g., significant costs to replace an existing system or infrastructure, administrative cost savings and excessive learning curve for a new service provider, etc.) In such cases, departments must demonstrate due diligence in qualifying the cost-savings or cost-avoidance associated with the best economic interest of the County.

Erika Bonilla

Chief Executive Office

January 17, 2017

Date