



DEPARTMENT OF MENTAL HEALTH
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LISA H. WONG, Psy.D.
Director

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

Connie D. Draxler, M.P.A.
Acting Chief Deputy Director

May 16, 2023

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:

ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

49 May 16, 2023

CELIA ZAVALA
EXECUTIVE OFFICER

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

SUBJECT

Request approval of a Sole Source Contract Extension with Magellan Pharmacy Solutions, Inc., for the continued provision of pharmacy benefit management services.

IT IS RECOMMENDED THAT THE BOARD:

1. Approve and authorize the Department of Mental Health's Director (Director), or designee, to sign and execute an amendment substantially similar to Attachment I, with Magellan Pharmacy Solutions, Inc. (Magellan). This Sole Source Contract Extension will be effective July 1, 2023 through June 30, 2024. There is no total contract amount for this Contract, as Pharmacy Benefit Management (PBM) services are paid on a fee-for-service basis. The estimated annual cost for the management of Department of Mental Health's (DMH) prescription drug program is \$7,172,541 fully funded by State Mental Health Services Act (MHSA) and 2011 Sales Tax Realignment revenues.
2. Delegate authority to the Director, or designee, to prepare, sign, and execute future amendments to the Contract in Recommendation 1 to revise the Contract language; revise the estimated annual cost; add, delete, modify, or replace the Statement of Work; and/or reflect federal, State, and County regulatory and/or policy changes, provided that: 1) the County's total payment will not exceed an increase of 10 percent of the estimated annual cost; 2) sufficient funds are available; and 3) such amendments will be subject to the prior review and approval as to form by County Counsel, with

written notice to your Board and the Chief Executive Office (CEO).

3. Delegate authority to the Director, or designee, to terminate the Contract described in Recommendation 1 in accordance with the Contract's termination provisions, including Termination for Convenience. The Director, or designee, will notify your 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 through Magellan's network of 1,700 contracted pharmacies.

Board approval of Recommendation 2 will allow DMH to amend the Contract in Recommendation 1 in a timely manner, as necessary, for the continued delivery of PBM services without interruption to uninsured DMH clients in need of pharmacy 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 support the County's Strategic Plan Goal I, Make Investments that Transform Lives, specifically Strategy 1.2 – Enhance Our Delivery of Comprehensive Interventions.

FISCAL IMPACT/FINANCING

The annual estimated cost for this Contract is \$7,172,541, fully funded by State MHSA and 2011 Sales Tax Realignment revenues. Appropriation and funding will be requested in the FY 2023-24 Recommended Budget.

There is no net County cost impact associated with the recommended actions.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

In October 2020, DMH was in the process of developing and releasing a new solicitation for PBM services, but due to the COVID-19 pandemic, this process was put on hold. In order to ensure the continuity of prescription services to DMH's uninsured clients, on April 20, 2021, your Board approved a Sole Source Contract Extension through June 30, 2023. DMH has reinitiated the solicitation process to develop and release the Request for Proposals for PBM services. However, during this process, in order to avoid undue disruption of PBM services, DMH is returning to your Board to request a one year extension.

Magellan's PBM services include the following: (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.

The Amendment (Attachment I) has been reviewed and approved as to form by County Counsel.

In accordance with Board Policy No. 5.100 (Sole Source Contracts and Amendments), DMH is required to notify your Board at least six months prior to the expiration of an existing contract when there is not existing delegated authority to execute a new contract. On November 15, 2022 (Attachment II), DMH notified your Board of its intent to execute a new Sole Source Contract Extension amendment. The required Sole Source Checklist (Attachment III), approved by the CEO, is also attached.

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.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

Board approval of the recommended actions will allow DMH ensure indigent clients have access to a variety of licensed pharmacies throughout Los Angeles County for their psychiatric medications.

Respectfully submitted,



LISA H. WONG, Psy.D.

Director

LHW:CDD:KNSK:RLR:sc

Enclosures

- c: Executive Office, Board of Supervisors
- Chief Executive Office
- County Counsel
- Chairperson, Mental Health Commission

CONTRACT NO. MH190143AMENDMENT NO. 9

THIS AMENDMENT is made and entered into this ___ day of _____, 2023, by and between the COUNTY OF LOS ANGELES (hereafter "County") and Magellan Pharmacy Solutions, Inc. (hereafter "Contractor").

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

WHEREAS, on May 16, 2023, the County Board of Supervisors delegated authority to the Director of Mental Health, or designee, to execute amendments to the Contract that include authority to extend the term of 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, County and Contractor intent to amend the Contract to extend the term for one additional Fiscal Year (FY) beginning July 1, 2023 through June 30, 2024, for the continued provision of pharmacy benefit management services without interruption to indigent clients who are in need of prescription drug services while the Department of Mental Health completes the Request for Proposals solicitation; and

WHEREAS, Contractor warrants that it continues to possess the competence, expertise, and personnel necessary to provide services consistent with the requirements of the 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, 2023 to extend the term of the Contract through June 30, 2024.
2. Except as provided in this amendment, all other terms and conditions of the Contract shall remain in full force and effect.
3. Paragraph 4.0 (TERM OF CONTRACT), Subparagraph 4.1, shall be deleted in its entirety and replaced as follows:

“4.1 The Contract will be effective upon Board approval, January 17, 2017, through June 30, 2024, unless either party desires to terminate this Contract in accordance with Section 8.0, Standard Terms and Conditions and/or give written notice to the other party”.

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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 _____
LISA H. WONG, Psy.D.
Director
County of Los Angeles
Department of Mental Health

Magellan Pharmacy Solutions, Inc.
CONTRACTOR

By _____

Name Meredith A. Delk

Title SVP & GM Government Markets
(AFFIX CORPORATE SEAL HERE)

APPROVED AS TO FORM:
OFFICE OF THE COUNTY COUNSEL

By: Emily D. Issa
Senior Deputy County Counsel



DEPARTMENT OF MENTAL HEALTH
hope. recovery. wellbeing.

LISA H. WONG, Psy.D.
Interim Director

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

Connie D. Draxler, M.P.A.
Acting Chief Deputy Director

November 15, 2022

TO: Supervisor Holly J. Mitchell, Chair
Supervisor Hilda L. Solis
Supervisor Sheila Kuehl
Supervisor Janice Hahn
Supervisor Kathryn Barger

FROM: Lisa H. Wong, Psy.D. 
Interim Director

**SUBJECT: NOTICE OF INTENT TO ENTER INTO A SOLE SOURCE CONTRACT
EXTENSION WITH MAGELLAN PHARMACY SOLUTIONS**

In accordance with 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 with Magellan Pharmacy Solutions (Magellan) to provide Pharmacy Benefit Management (PBM) services.

DMH will request that your Board approve a Sole Source Contract Extension effective July 1, 2023 through June 30, 2024. The funding for this Contract will be State Mental Health Services Act (MHSA) and sales tax realignment revenue.

JUSTIFICATION

In October 2020, DMH was in the process of developing and releasing a new solicitation for PBM services, but due to the COVID-19 pandemic, this process was put on hold. In order to ensure the continuity of prescription services to DMH's uninsured clients, on April 20, 2021, your Board approved a Sole Source Contract Extension through June 30, 2023. DMH has reinitiated the solicitation process to develop and release the Request for Proposal for PBM services. However, during this process, in order to avoid undue disruption of PBM services, DMH is returning to your Board to request a one year extension.

Each Supervisor
November 15, 2022
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For indigent clients, DMH is financially responsible for dispensing approximately 4,000 prescriptions monthly by PBM contracted network retail pharmacies.

The PBM services provided by Magellan include the following: (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 services 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. 5100 (Sole Source Contracts), DMH is required to notify your Board at least six months prior to the expiration of an existing contract when there is not existing delegated authority to execute a new contract. 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 begin contract negotiations and after the six month notification period, DMH will present to your Board a letter for approval to execute a new Sole Source Extension amendment, prior to the end of Fiscal Year 2022-23.

If you have any questions, or require additional information, please contact me by email at LWong@dmh.lacounty.gov or at (213) 738-4601, or your staff may contact Stella Krikorian, Division Manager, Contracts Development and Administration Division, at SKrikorian@dmh.lacounty.gov or at (213) 943-9146.

LHW:CDD:SK
RLR:JH:atm

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

SOLE SOURCE CHECKLIST

Department Name: _____

- New Sole Source Contract
 - Sole Source Amendment to Existing Contract
- Date Existing Contract First Approved: _____

Check ()	JUSTIFICATION FOR SOLE SOURCE CONTRACTS AND AMENDMENTS Identify applicable justification and provide documentation for each checked item.
	➤ 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> ”
	➤ Compliance with applicable statutory and/or regulatory provisions.
	➤ Compliance with State and/or federal programmatic requirements.
	➤ Services provided by other public or County-related entities.
	➤ Services are needed to address an emergent or related time-sensitive need.
	➤ The service provider(s) is required under the provisions of a grant or regulatory requirement.
	➤ 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.
	➤ 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.
	➤ Maintenance service agreements exist on equipment which must be serviced by the original equipment manufacturer or an authorized service representative.
	➤ It is more cost-effective to obtain services by exercising an option under an existing contract.
	➤ It is in the best economic interest of the County (e.g., significant costs and time to replace an existing system or infrastructure, administrative cost and time 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

Date