



DEPARTMENT OF MENTAL HEALTH
hope. recovery. wellbeing.

LISA H. WONG, Psy.D.
Director

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

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

June 04, 2024

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

47 June 4, 2024

EDWARD YEN
EXECUTIVE OFFICER

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

SUBJECT

Request approval of a sole source contract extension with Magellan Pharmacy Solutions, LLC, for the continued provision of pharmacy benefit management services.

IT IS RECOMMENDED THAT THE BOARD:

1. Approve and authorize the Director of Mental Health (Director), or designee, to prepare, sign, and execute an amendment (Attachment I), to the existing contract with Magellan Pharmacy Solutions, LLC (Magellan). This extension will be effective July 1, 2024 through June 30, 2025. 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 increase will not exceed ten percent of the estimated annual cost in Recommendation 1; 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 termination provisions, including Termination for Convenience. The Director, or designee, will provide written notification to your Board and CEO 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 contracted pharmacies while DMH completes the Request for Proposals (RFP) for PBM services.

Board approval of Recommendation 2 will allow DMH to amend the contract to revise the estimated annual cost; add, delete, modify, or replace the Statement of Work; and reflect federal, State, and County regulatory and/or policy changes given that the increase does not exceed ten percent of the estimated annual cost.

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

These recommended actions are consistent with the County's Strategic Plan Goals, North Star 1, Focus Area Goal A., Make Investments that Transform Lives, Healthy Individuals and Families.

FISCAL IMPACT/FINANCING

For Fiscal Year (FY) 2024-25, the estimated annual cost for this contract is \$7,172,541, fully funded by State MHSA and 2011 Sales Tax Realignment revenues. Funding will be requested in DMH's adopted FY 2024-25 budget request process.

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

Funding for future fiscal years will be requested through DMH's annual budget process.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

On November 27, 2023, DMH released an RFP to solicit proposals for PBM services. This RFP will allow DMH an opportunity to assess all interested and qualified organizations that can provide PBM services. In the meantime, as DMH proceeds with the completion of the RFP process, approval is required from your Board to amend the current contract with Magellan for a one-year extension.

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.

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

On December 26, 2023, DMH notified your Board of its intent to request a sole source contract extension with Magellan for the continued provision of PBM services (Attachment II). DMH considers this request approved, as no objections were received from the Board offices. The required sole source checklist (Attachment III) was also approved by 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.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

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

Respectfully submitted,



LISA H. WONG, Psy.D.

Director

LISA H. WONG,
Psy.D.DirectorLHW:CDD:KN:SK:MG:at
mAttachments (3)

Enclosures

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

CONTRACT NO. MH190143

AMENDMENT NO. ___

THIS AMENDMENT is made and entered into this ___ day of _____, 2024, by and between the COUNTY OF LOS ANGELES (hereafter "County") and Magellan Pharmacy Solutions, LLC. (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 _____ 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; revise the contract language; 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 intend to amend the Contract to extend the term for one additional Fiscal Year beginning July 1, 2024 through June 30, 2025, 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, County and Contractor intend to amend the Contract to revise the contract language; 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 hereby incorporated into the original Contract, and all its terms and conditions, including capitalized terms defined therein, shall be given full force and effect as if fully set forth herein.
2. This amendment is effective July 1, 2024, to extend the term of the Contract through June 30, 2025.
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, 2025, 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”.

4. Subparagraph 8.59 (Campaign Contribution Prohibition Following Final Decision in Contract Proceeding), shall be added to the Agreement as follows:

“8.59 Campaign Contribution Prohibition Following Final Decision in Contract Proceeding

Pursuant to [Government Code Section 84308](#), Contractor and its Subcontractors, are prohibited from making a contribution of more than

\$250 to a County officer for twelve (12) months after the date of the final decision in the proceeding involving this Contract. Failure to comply with the provisions of [Government Code Section 84308](#) and of this paragraph, may be a material breach of this Contract as determined in the sole discretion of the County.”

5. Exhibit S (Contribution Agent and Declaration Form), attached hereto and incorporated herein by reference, is added to the Agreement.
6. Except as provided in this amendment, all other terms and conditions of the Contract shall remain in full force and effect.

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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, LLC
CONTRACTOR

By _____
Name Meredith A. Delk

SVP & GM
Title State Government Solutions
(AFFIX CORPORATE SEAL HERE)

APPROVED AS TO FORM:
OFFICE OF THE COUNTY COUNSEL

By: Rachel Kleinberg
Senior Deputy County Counsel

COH: Amd to Extend FY 24-25_SRF 327

EXHIBIT S

CONTRIBUTION AND AGENT DECLARATION FORM

This form must be completed separately by all bidders/proposers, including all prime contractors and subcontractors, and by all applicants for licenses, permits, and other entitlements for use issued by the County of Los Angeles ("County").

Pursuant to the Levine Act (Government Code section 84308), a member of the Board of Supervisors, other elected County officials (the Sheriff, Assessor, and the District Attorney), and other County employees and/or officers ("County Officers") are disqualified and not able to participate in a proceeding involving contracts, franchises, licenses, permits and other entitlements for use if the County Officer received more than \$250 in contributions in the past 12 months from the bidder, proposer or applicant, any paid agent of the bidder, proposer, or applicant, or any financially interested participant who actively supports or opposes a particular decision in the proceeding.

State law requires you to disclose information about contributions made by you, your company, and lobbyists and agents paid to represent you. Failure to complete the form in its entirety may result in significant delays in the processing of your application and potential disqualification from the procurement or application process.

You must fully answer the applicable questions below. You ("Declarant"), or your company, if applicable, including all entities identified below (collectively, "Declarant Company") must also answer the questions below. The term "employee(s)" shall be defined as employees, officers, partners, owners, or directors of Declarant Company.

An affirmative response to any questions will not automatically cause the disqualification of your bid/proposal, or the denial of your application for a license, permit or other entitlement. However, failure to answer questions completely, in good faith, or providing materially false answers may subject a bidder/proposer to disqualification from the procurement.

This material is intended for use by bidders/proposers, including all prime contractors and subcontractors, and by all applicants for licenses, permits, and other entitlements for use issued by the County of Los Angeles and does not constitute legal advice. If you have questions about the Levine Act and how it applies to you, you should call your lawyer or contact the Fair Political Practices Commission for further guidance.

EXHIBIT S
CONTRIBUTION AND AGENT DECLARATION FORM

Complete each section below. State "none" if applicable.

A. **COMPANY OR APPLICANT INFORMATION**

1) Declarant Company or Applicant Name:

[Click or tap here to enter text.](#)

a) If applicable, identify all subcontractors that have been or will be named in your bid or proposal: [Click or tap here to enter text.](#)

b) If applicable, variations and acronyms of Declarant Company's name used within the past 12 months: [Click or tap here to enter text.](#)

c) Identify all entities or individuals who have the authority to make decisions for you or Declarant Company about making contributions to a County Officer, regardless of whether you or Declarant Company have actually made a contribution:

[Click or tap here to enter text.](#)

[IF A COMPANY, ANSWER QUESTIONS 2 - 3]

2) Identify only the Parent(s), Subsidiaries and Related Business Entities that Declarant Company has controlled or directed, or been controlled or directed by. "Controlled or directed" means shared ownership, 50% or greater ownership, or shared management and control between the entities.

a) Parent(s):

[Click or tap here to enter text.](#)

b) Subsidiaries:

[Click or tap here to enter text.](#)

c) Related Business Entities:

[Click or tap here to enter text.](#)

3) If Declarant Company is a closed corporation (non-public, with under 35 shareholders), identify the majority shareholder.

[Click or tap here to enter text.](#)

4) Identify all entities (proprietorships, firms, partnerships, joint ventures, syndicates, business trusts, companies, corporations, limited liability companies, associations, committees, and any other organization or group of persons acting in concert) whose contributions you or Declarant Company have the authority to direct or control.

[Click or tap here to enter text.](#)

EXHIBIT S

CONTRIBUTION AND AGENT DECLARATION FORM

- 5) Identify any individuals such as employees, agents, attorneys, law firms, lobbyists, and lobbying firms who are or who will act on behalf of you or Declarant Company and who will receive compensation to communicate with a County Officer regarding the award or approval of **this** contract or project, license, permit, or other entitlement for use.

*(Do **not** list individuals and/or firms who, as part of their profession, either (1) submit to the County drawings or submissions of an architectural, engineering, or similar nature, **or** (2) provide purely technical data or analysis, **and** who will not have any other type of communication with a County agency, employee, or officer.)*

[Click or tap here to enter text.](#)

- 6) If you or Declarant Company are a 501(c)(3) non-profit organization, identify the compensated officers of your organization and the compensated members of your board.

[Click or tap here to enter text.](#)

B. CONTRIBUTIONS

- 1) Have you or the Declarant Company solicited or directed your employee(s) or agent(s) to make contributions, whether through fundraising events, communications, or any other means, to a County Officer in the past 12 months? If so, provide details of each occurrence, including the date.

Date (contribution solicited, or directed)	Recipient Name (elected official)	Amount
<u>Click or tap here to enter text.</u>	<u>Click or tap here to enter text.</u>	<u>Click or tap here to enter text.</u>
<u>Click or tap here to enter text.</u>	<u>Click or tap here to enter text.</u>	<u>Click or tap here to enter text.</u>
<u>Click or tap here to enter text.</u>	<u>Click or tap here to enter text.</u>	<u>Click or tap here to enter text.</u>

*Please attach an additional page, if necessary.

- 2) Disclose all contributions made by you or any of the entities and individuals identified in Section A to a County officer in the past 12 months.

Date (contribution made)	Name (of the contributor)	Recipient Name (elected official)	Amount
<u>Click or tap here to enter text.</u>	<u>Click or tap here to enter text.</u>	<u>Click or tap here to enter text.</u>	<u>Click or tap here to enter text.</u>
<u>Click or tap here to enter text.</u>	<u>Click or tap here to enter text.</u>	<u>Click or tap here to enter text.</u>	<u>Click or tap here to enter text.</u>
<u>Click or tap here to enter text.</u>	<u>Click or tap here to enter text.</u>	<u>Click or tap here to enter text.</u>	<u>Click or tap here to enter text.</u>

*Please attach an additional page, if necessary.

EXHIBIT S

CONTRIBUTION AND AGENT DECLARATION FORM

C. DECLARATION

By signing this Contribution and Agent Declaration form, you (Declarant), or you and the Declarant Company, if applicable, attest that you have read the entirety of the Contribution Declaration and the statements made herein are true and correct to the best of your knowledge and belief. (Only complete the one section that applies.)

There are [Click or tap here to enter text.](#) additional pages attached to this Contribution Declaration Form.

COMPANY BIDDERS OR APPLICANTS

I, [Click or tap here to enter text.](#) (Authorized Representative), on behalf of [Click or tap here to enter text.](#) (Declarant Company), at which I am employed as [Click or tap here to enter text.](#) (Title), attest that after having made or caused to be made a reasonably diligent investigation regarding the Declarant Company, the foregoing responses, and the explanation on the attached page(s), if any, are correct to the best of my knowledge and belief. Further, I understand that failure to answer the questions in good faith or providing materially false answers may subject Declarant Company to consequences, including disqualification of its bid/proposal or delays in the processing of the requested contract, license, permit, or other entitlement.

IMPORTANT NOTICE REGARDING FUTURE AGENTS AND FUTURE CONTRIBUTIONS:

By signing this Contribution and Agent Declaration form, you also agree that, if Declarant Company hires an agent, such as, but not limited to, an attorney or lobbyist during the course of these proceedings and will compensate them for communicating with the County about this contract, project, permit, license, or other entitlement for use, you agree to inform the County of the identity of the agent or lobbyist and the date of their hire. You also agree to disclose to the County any future contributions made to members of the County Board of Supervisors, another elected County officer (the Sheriff, Assessor, and the District Attorney), or any other County officer or employee by the Declarant Company, or, if applicable, any of the Declarant Company's proposed subcontractors, agents, lobbyists, and employees who have communicated or will communicate with the County about this contract, license, permit, or other entitlement after the date of signing this disclosure form, and within 12 months following the approval, renewal, or extension of the requested contract, license, permit, or entitlement for use.

Signature

[Click or tap here to enter text.](#)

Date

EXHIBIT S

CONTRIBUTION AND AGENT DECLARATION FORM

INDIVIDUAL BIDDERS OR APPLICANTS

I, [Click or tap here to enter text.](#), declare that the foregoing responses and the explanation on the attached sheet(s), if any, are correct to the best of my knowledge and belief. Further, I understand that failure to answer the questions in good faith or providing materially false answers may subject me to consequences, including disqualification of my bid/proposal or delays in the processing of the requested license, permit, or other entitlement.

IMPORTANT NOTICE REGARDING FUTURE AGENTS AND FUTURE CONTRIBUTIONS:

If I hire an agent or lobbyist during the course of these proceedings and will compensate them for communicating with the County about this contract, project, permit, license, or other entitlement for use, I agree to inform the County of the identity of the agent or lobbyist and the date of their hire. I also agree to disclose to the County any future contributions made to members of the County Board of Supervisors, another elected County official (the Sheriff, Assessor, and the District Attorney), or any other County officer or employee by me, or an agent such as, but not limited to, a lobbyist or attorney representing me, that are made after the date of signing this disclosure form, and within 12 months following the approval, renewal, or extension of the requested contract, license, permit, or entitlement for use.

Signature

[Click or tap here to enter text.](#)

Date



DEPARTMENT OF MENTAL HEALTH
 hope. recovery. wellbeing.

LISA H. WONG, Psy.D.
 Director

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

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

December 26, 2023

TO: Supervisor Lindsey P. Horvath, Chair
 Supervisor Hilda L. Solis
 Supervisor Holly J. Mitchell
 Supervisor Janice Hahn
 Supervisor Kathryn Barger

FROM: Lisa H. Wong, Psy.D. *Connie D. Draxler*
 Director

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

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 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, 2024 through June 30, 2025, with an optional six months extension. The estimated annual cost for the management of DMH prescription drug program is \$7,172,541, fully funded by State Mental Health Services Act and 2011 Sales Tax Realignment revenues.

JUSTIFICATION

DMH released a new solicitation for PBM services on November 27, 2023, and it requires additional time for the process to be completed. In order to avoid undue disruption of PBM services, DMH will return to your Board to request a one-year extension, with an optional six months extension, if necessary.

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

Each Supervisor
December 26, 2023
Page 2

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 2023-24.

If you have any questions, or require additional information, please contact me at LWong@dmh.lacounty.gov or (213) 947-6670, or your staff may contact Stella Krikorian, Division Manager, Contracts Development and Administration Division, at SKrikorian@dmh.lacounty.gov or (213) 943-9146.

LHW:CDD:KN
SK:RLR: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