



**Health Services**  
LOS ANGELES COUNTY

April 08, 2025



**Health Services**  
LOS ANGELES COUNTY

Los Angeles County  
Board of Supervisors

Hilda L. Solis  
First District

Holly J. Mitchell  
Second District

Lindsey P. Horvath  
Third District

Janice K. Hahn  
Fourth District

Kathryn Barger  
Fifth District

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:

**APPROVAL OF CONTINUED SOLE SOURCE CONTRACTING FOR  
CENTRAL FILL PHARMACY AND AUTOMATION SYSTEM  
(ALL SUPERVISORIAL DISTRICTS) (3 VOTES)**

Christina R. Ghaly, M.D.  
Director

Nina J. Park, M.D.  
Chief Deputy Director, Clinical Affairs & Population Health

Aries Limbaga, DNP, MBA  
Chief Deputy Director, Operations

Elizabeth M. Jacobi, J.D.  
Administrative Deputy

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and our communities by providing  
extraordinary care"*



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**SUBJECT**

Authorize continued sole source contracting with Cardinal Health Pharmacy Services, LLC, a subsidiary of Cardinal Health, Inc., for provision of a Central Fill Pharmacy and Automation System for the Department of Health Services (DHS) outpatient pharmacies.

**IT IS RECOMMENDED THAT THE BOARD:**

1. Delegate Authority to the Director of Health Services (Director), or authorized designee, to (i) execute Amendment No. 8 to the current sole source Agreement No. H-705406 (Current Agreement) with Cardinal Health Pharmacy Services, LLC (Cardinal) to extend the term for a period not to exceed one (1) year through April 30, 2026, with an estimated maximum contract sum of \$5,329,685 for the full extension period, for the continued provision of Central Fill Pharmacy and Automation System (CFPAS) for the DHS outpatient pharmacies; and (ii) effect termination of the Current Agreement upon execution of a superseding successor agreement with Cardinal (Successor Agreement) as referenced in Recommendation 2 below, with all actions subject to prior review and approval by County Counsel.
2. Delegate authority to the Director, or authorized designee, to negotiate and execute a Successor Agreement with Cardinal, effective upon execution by May 1, 2026 through April 30, 2028, with two (2) one-year extension

options through April 30, 2030, with an estimated maximum contract sum of \$31,500,000 (this includes the estimated maximum contract sum for the full extension period of the Current Agreement in Recommendation 1 plus the Successor Agreement) and terms that may deviate from County standard contractual terms (including but not limited to terms involving indemnification), subject to the availability of adequate funding and review and approval by County Counsel, and advance written notice to the Board of Supervisors (Board) and Chief Executive Office (CEO).

3. Delegate authority to the Director, or authorized designee, to amend the Current Agreement and the Successor Agreement (Agreement(s)) in accordance with the respective terms of each Agreement to (i) add, delete, and/or modify terms and conditions as required by law, Los Angeles County (LA County) policy, the Board or the CEO; (ii) modify the Agreements, including scope of services, for operational efficiencies and to address changes in service needs or requirements, with corresponding changes to the pricing terms, if applicable; (iii) incorporate and/or revise non-substantive and administrative provisions; (iv) increase and otherwise adjust rates and fees by up to ten percent (10%) annually to account for changes in technology and unanticipated work, including unexpected increases in the volume of prescription refills and direct patient mail delivery costs, and to remain competitive with market rates, with corresponding adjustments to the maximum contract sum; (v) exercise Agreement term extension options, if any; and (vi) effect termination of each Agreement, with all such actions that require an amendment per terms of the Agreement subject to prior review and approval by County Counsel.

## **PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

### Background

On August 7, 2012, the Board approved a sole source Current Agreement with Cardinal as part of the implementation of a CFPAS to be utilized for offsite dispensing of medication refills to augment DHS outpatient pharmacy functions. The Current Agreement also provided for implementation of a direct patient mail delivery option for High Desert Regional Health Center (HDRHC) as a pilot program, which was expanded to the remaining DHS facilities in response to high patient satisfaction. The Current Agreement was amended on several occasions to update the terms and conditions and extend the term through April 30, 2025 without increase in the CFPAS rates.

Cardinal currently provides CFPAS for the automated, individualized patient dispensing through a central pharmacy facility for refilling prescriptions at all DHS outpatient pharmacies. This service improves pharmacy operational efficiency and reduces overall prescription dispensing costs of DHS. The Current Agreement has enabled DHS pharmacies to allocate pharmacy resources more efficiently by sending prescriptions for refills to Cardinal's central fill site in Valencia, California. The prescriptions sent to Cardinal are verified for accuracy, labeled, filled, packaged and shipped back to the originating DHS pharmacy, where medications can then be picked up by patients 24-36 hours later or delivered to patients' homes within 3-5 business days of the request, while taking into consideration any special conditions or guidelines. As a licensed pharmacy, Cardinal is regulated by the California State Board of Pharmacy with respect to the preparation and packaging of medications for shipment.

The CFPAS and direct patient mail delivery service have improved customer service and allowed DHS outpatient pharmacy staff additional time to focus on first-time prescription patient care activities, including medication therapy management and other services that help improve medication compliance, patient satisfaction and quality measures. CFPAS has streamlined DHS operations by reducing inventory holding costs, optimizing supply chain management, improving pharmacist accessibility, reducing the use of registry staff and lowering patient wait times.

#### Purpose/Justification

Due to the age of the Current Agreement with Cardinal, DHS determined that it is in the best interest of LA County to enter into a multi-year Successor Agreement with Cardinal for the continued provision of CFPAS and direct patient mail delivery option for DHS outpatient pharmacies in lieu of a long-term extension amendment to the Current Agreement. The short-term extension of the Current Agreement under Recommendation 1 will allow DHS to complete its negotiations with Cardinal and execute the Successor Agreement under Recommendation 2.

DHS does not have the capability to perform the services provided pursuant to the Current Agreement as it does not have a central fill pharmacy license, a high capacity and volume automated dispensing system or the infrastructure to provide central fill mail services itself. The expense of instituting such services is far beyond DHS' budgetary means, necessitating continued contracting for these services.

During the term of the Current Agreement, DHS' CFPAS services and mail delivery utilization by patients have grown considerably. The mail-to-home prescription service enables DHS to relieve the busy pharmacies of excessive workloads. The central fill services proved to be extremely valuable during the COVID health emergency as it facilitated DHS to keep staff and patients safe from unnecessary exposure in crowded clinics and waiting areas. In addition, it enabled DHS to redeploy staff to provide care for acute patients and to aid in the distribution, preparation, and administration of vaccines and therapies. Cardinal central fill services allow DHS to also augment dispensing capabilities and to provide clinical services and more direct patient care. The CFPAS has provided an immense positive impact on DHS pharmacy operations and patient care.

#### Recommendations

Approval of the first recommendation will allow the Director, or authorized designee, to extend the term of the Current Agreement for a period not to exceed one (1) year through April 30, 2026 to allow sufficient time for the negotiation and execution of a Successor Agreement with Cardinal, without interruption of the CFPAS and direct patient mail delivery option for DHS outpatient pharmacies and terminate the Current Agreement in accordance with its termination provisions, including for the convenience of LA County effective upon execution of the Successor Agreement, which will supersede the Current Agreement.

Approval of the second recommendation will allow the Director, or authorized designee, to execute a Successor Agreement with Cardinal upon execution through April 30, 2028, with two (2) one-year extension options through April 30, 2030, to be coterminous with DHS pharmacy distribution Agreements with other subsidiaries of Cardinal Health, Inc., namely Cardinal Health's 110, LLC and Cardinal Health 411 Inc.

Approval of the third recommendation will allow the Director, or authorized designee, the flexibility to execute amendments to the Agreements and take such other actions as are permitted under the terms of the Agreements, making it possible for DHS to swiftly administer the Agreements to address

healthcare needs without returning to the Board. These actions would include exercising term extension options, modifying terms and conditions, including the scope of services, and adjust rates and fees by up to ten percent (10%) of the annual maximum contract sum to account for unscheduled changes, including systems upgrades and unanticipated increases in the volume of services provided under the Agreements.

### **Implementation of Strategic Plan Goals**

The recommended actions support the following strategic goals of LA County's Strategic Plan. North Star 1: "Make Investments That Transform Lives, Focus Area Goal A -Healthy Individual and Families – Strategy ii - Improve Health Outcomes" and North Star 3: "Realize Tomorrow's Government Today, Focus Area Goal A - Communication & Public Access – Strategy i - Customer Services."

### **FISCAL IMPACT/FINANCING**

LA County's maximum obligation for the one-year extension term of the Current Agreement through April 30, 2026, is \$5,329,685.

LA County's maximum obligation for the Current Agreement extension period and the Successor Agreement combined with Cardinal through April 30, 2030, including two (2) one-year extension periods, is \$31,500,000.

Funding is included in the DHS Fiscal Year 2024-25 Final Budget, and if the Successor Agreement is extended beyond April 30, 2028, funding will be requested in future fiscal years as needed, with no increase to net County cost.

### **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

The Current Agreement provides for dispensing of outpatient prescription refills and direct patient mail delivery, which improves access for patients that are unable to travel because of infirmity or transportation-related issues. The cost of medication/drugs is a separate cost and is handled under separate agreements with other subsidiaries of Cardinal Health, Inc., including Cardinal Health's 110, LLC, and Cardinal Health 411 Inc. LA County purchases its drugs through the distributor agreements using either 340B discount pricing or group purchasing organization prices.

The recommended Successor Agreement with Cardinal will include the most current contractual provisions as required by the Board and the CEO.

The Successor Agreement is not a Proposition A service agreement, as it provides for the acquisition of infrastructure and automation authorized by Health and Safety Code section 1445 and 1451 as well as Government Code section 31000.

County Counsel has approved Attachment I as to form.

**CONTRACTING PROCESS**

Following a successful DHS pilot program that allowed outpatients to receive prescription refills by mail at no cost from HDRHC, on August 7, 2012, the Board approved the sole source Current Agreement with Cardinal for the provision of CFPAS, which was later expanded to also provide for the direct patient mail delivery option to all DHS outpatient pharmacy sites. The Current Agreement was extended by amendments through April 30, 2025.

In accordance with Board Policy No. 5.100, Sole Source Contracts and Amendments, DHS notified the Board on August 6, 2024 (Attachment II), of its intent to enter into sole source negotiations for a successor long-term agreement with Cardinal.

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

Approval of the recommendations will ensure Cardinal can continue to provide uninterrupted access of CFPAS that enhance patient satisfaction by reducing outpatient congestion at local DHS pharmacies and improve access for those patients that are unable to travel because of infirmity or transportation-related issues. Utilizing CFPAS leads to a more efficient allocation of pharmacy resources resulting in a lowering of overall costs for refill prescription fulfillment.

Respectfully submitted,



Christina R. Ghaly, M.D.

Director

CRG:bm

Enclosures

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

Agreement No. H-705406

AGREEMENT BY AND BETWEEN COUNTY OF LOS ANGELES AND CARDINAL  
HEALTH PHARMACY SERVICES, LLC FOR CENTRAL FILL PHARMACY AND  
AUTOMATION SYSTEM (CFPAS)

AMENDMENT NO. 8

THIS AMENDMENT No. 8 ("Amendment") is made and entered into on this XX  
day of April 2025,

By and between

COUNTY OF LOS ANGELES  
(hereinafter "County")

And

CARDINAL HEALTH  
PHARMACY SERVICES, LLC  
(hereinafter "Contractor")

Business Address:  
7000 Cardinal Place  
Dublin, OH 43017

WHEREAS, reference is made to that certain Agreement No. H-705406 by and between the County of Los Angeles, on behalf of its Department of Health Services (hereinafter "DHS"), and Contractor for Central Fill Pharmacy and Automation System (hereinafter "CFPAS" or "Services"), dated August 7, 2012, including any amendments and other modifications thereto (cumulatively hereinafter referred to as "Agreement"); and

WHEREAS, on April 8, 2025 the County's Board of Supervisors (hereinafter "Board") delegated authority to the Director of Health Services (hereinafter "Director"), or designee, to, among others, extend the term of the Agreement for a period not to exceed one (1) year through April 30, 2026 and to adjust the Contract Sum accordingly, as well as to negotiate and execute a superseding sole source agreement with Contractor for CFPAS for a term, including optional years, through April 30, 2030; and

WHEREAS, the term of the Agreement expires on April 30, 2025; and

WHEREAS, it is the intent of the parties hereto to amend the Agreement, to (i) extend the term for one (1) year through April 30, 2026, (ii) increase the Contract Sum by \$5,329,685 for the continued provision of CFPAS for the DHS outpatient pharmacies; and (iii) provide for the other changes as may be set forth herein; and

WHEREAS, Paragraph 8.3 (Amendments) of the Base Agreement under the Agreement provides that such changes may be made in the form of a written Amendment, which is formally approved and executed by the parties; and

WHEREAS, the parties acknowledge that time is of the essence with regards to a superseding sole source agreement with Contractor for CFPAS and agree to work expeditiously and in good faith toward negotiation and execution of such superseding agreement pursuant to the delegated authority also granted by the Board on April 8, 2025, for a term, including optional years, through April 30, 2030; and

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

NOW, THEREFORE, THE PARTIES HERETO AGREE AS FOLLOWS:

1. This Amendment shall be effective upon execution.
2. The Agreement is hereby incorporated by reference, and all of its terms and conditions, including capitalized terms defined herein, shall be given full force and effect as it fully set for herein.
3. Paragraph 5.1 (Initial Term) of the Base Agreement under the Agreement is deleted in its entirety and replaced to read as follows:

"5.1 INITIAL TERM

The term of this Agreement shall commence upon the Effective Date and shall continue in full force and effect until and through April 30, 2026, unless sooner terminated or extended, in whole or in part, as provided in this Agreement (hereinafter "Initial Term")."

4. Paragraph 5.2 (Extended Term) of the Base Agreement under the Agreement is deleted in its entirety and replaced to read as follows:

"5.2 INTENTIONALLY OMITTED."

5. Paragraph 6.1 (Contract Sum) of the Base Agreement under the Agreement is deleted in its entirety and replaced to read as follows:

"6.1 CONTRACT SUM

The Contract Sum under this Agreement shall be the total monetary amount payable by County to Contractor for supplying all the tasks, subtasks, deliverables, goods, services and other work requested and specified hereunder for the term of this Agreement.

All work completed by Contractor must be approved in writing by County in accordance with Paragraph 2.4 (Approval of Work). If County does not approve work in writing, no payment shall be due to the Contractor for that work.

The Contract Sum, including all applicable taxes, authorized by County hereunder for the term of the Agreement shall not exceed **Forty Eight Million, Six Hundred Fifty Five Thousand, Seven Hundred Twenty Four Dollars (\$48,655,724)**, which includes the amounts for required work provided under the Agreement (hereinafter "Base Contract Sum") and a ten percent (10%) contingency (hereinafter "Contingency Amount"), as set forth in Section 2 (Contract Sum) of Exhibit B-5 (Payment Schedule), unless the Contract Sum is modified pursuant to an Amendment to this Agreement duly approved by County and Contractor's authorized representative(s) in accordance with Paragraph 8 (Changes to Agreement).

Exhibit B-5 (Payment Schedule) includes the Contingency Amount, which is ten percent (10%) of the Base Contract Sum (as defined above), allocated for the term of this Agreement for expenses related to any unanticipated work, including but not limited to unexpected increases in the volume of medication refills, direct patient mail delivery costs and next day delivery options. Any unused monies allocated under the ten percent (10%) Contingency Amount of the Base Contract Sum shall be carried over for use through April 30, 2026.

Contractor shall maintain a system of record keeping that will allow Contractor to determine when it has incurred seventy-five percent (75%) of the Contract Sum authorize for this Agreement. Upon occurrence of this event, Contractor shall provide written notification to County's Project Director at the address set forth in Section I (County's Key Personnel) of Exhibit D-3 (Administration of Agreement), but Contractor's failure to do so shall not constitute a breach of this Agreement."

6. Exhibit B-4 (Payment Schedule) to the Agreement is deleted in its entirety and replaced with Exhibit B-5 (Payment Schedule), attached hereto and incorporated herein by reference. Any and all references in the Agreement to Exhibit B-4 shall hereafter be replaced with Exhibit B-5.
7. Except for the changes set forth hereinabove, the Agreement shall not be changed in any respect by this Amendment.

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

COUNTY OF LOS ANGELES

By: \_\_\_\_\_ for  
Christina R. Ghaly, M.D.  
Director of Health Services

CONTRACTOR:

CARDINAL HEALTH PHARMACY  
SERVICES, LLC

By: \_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Title

APPROVED AS TO FORM:  
DAWYN HARRISON  
County Counsel

By \_\_\_\_\_  
VICTORIA MANSOURIAN  
Principal Deputy County Counsel

**EXHIBIT B-5**

**PAYMENT SCHEDULE**

**FOR**

**CENTRAL FILL PHARMACY  
AND  
AUTOMATION SYSTEM  
(CFPAS)**

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**APRIL 2025**

**PAYMENT SCHEDULE**

This Exhibit B-5 sets forth the pricing and payment terms for the work to be provided under the Agreement, including Central Fill Pharmacy and Automation System (hereinafter "CFPAS") implementation and CFPAS functions, whether by Contractor itself or by utilizing subcontractor(s).

**1.A CFPAS FEES**

County shall pay Contractor for the provision of CFPAS functions at the maximum CFPAS Fees per a successfully completed prescription refill pursuant to the terms of Exhibit A (Statement of Work), subject to the provisions of Paragraph 6 (Pricing Terms and Fees) of the Agreement. The CFPAS Fees shall not increase during the term of the Agreement.

Contractor shall be reimbursed based on the volume scripts filled annually under this Agreement, as provided in the table below.

<b>CENTRAL FILL PHARMACY AND AUTOMATION SYSTEM (CFPAS)</b>		
<b>VOLUME/DESCRIPTION</b>	<b>CFPAS FEES MAY 1, 2025 – OCTOBER 31, 2025</b>	<b>CFPAS FEES NOVEMBER 1, 2025 – APRIL 30, 2026</b>
Up to 719,999 scripts annually	\$3.85 / script	\$4.85 / script
720,000-839,999 scripts annually	\$3.80 / script	\$4.80 / script
840,000-959,999 scripts annually	\$3.75 / script	\$4.75 / script
960,000 + scripts annually	\$3.70 / script	\$4.70 / script
* The CFPAS Fees shall include all processing and delivery costs related to prescription fulfillment services back to the originating pharmacy. Prescriptions mailed to patient homes will be subject to additional pass-through shipping and packaging costs to the County as described in Section 1B (All DHS Pharmacy Outpatient Mail-Order Fees).		

**1.B ALL DHS PHARMACY OUTPATIENT MAIL-ORDER FEES**

County shall reimburse Contractor for Outpatient Mail-Order Fees at the maximum flat package and handling rate per package, plus the actual shipping costs set forth below, as specified in Section 3.2.2 (Direct Patient Delivery Option) of Exhibit A (Statement of Work). Should the cost of packaging materials increase, the parties agree, upon Contractor's request, to meet sixty (60) days prior to the contract year following such increase in order to discuss in good faith the flat package and handling rate increase for the following contract year. Any increases to the cost of package and handling rate specified herein shall be implemented by an Amendment to the Agreement executed by both parties.

Contractor shall be reimbursed based on the volume packages mailed under this Agreement, as provided in the table below.

<b>Outpatient Mail-Order Fees*</b>	
<b>Description</b>	<b>Fee</b>
Flat Package and Handling Rate	\$2.35 / package through June 30, 2022
Flat Package and Handling Rate	\$2.80 / package effective July 1, 2022
<b>Shipping Type</b>	<b>Estimated Shipping Cost</b>
USPS First-Class Rate	\$3.00 / package
FedEx Priority Overnight	\$13.00 / package
<p>* The Outpatient Mail-Order Fees are considered pass-through costs to the County for packaging and shipping costs. Excluding the flat rate fee of \$2.80, the determination of the shipping fees will be based on the weight of the package and delivery method. Shipping rates are subject to increases by the United States Postal Service (USPS) and FedEx, which may be effected by an Amendment to the Agreement.</p>	

**2. CONTRACT SUM**

Contract Sum shall be the total maximum County obligation under the Agreement and shall include the Base Contract Sum for CFPAS and Outpatient Mail-Order Fees for CFPAS services and the Contingency Amount equal to 10% of the Base Contract Sum. The Contract Sum allocated for the term of the Agreement, including sales tax amounts, if any, is **\$48,655,724** as follows:

<b>AGREEMENT PERIOD</b>	<b>BASE CONTRACT SUM</b>	<b>CONTINGENCY AMOUNT (10%)</b>	<b>CONTRACT SUM</b>
August 7, 2012 – August 6, 2014	\$0		
August 7, 2014 – August 6, 2019	\$12,039,569		
August 7, 2019 – April 30, 2022	\$13,363,222		
May 1, 2022 – April 30, 2023	\$4,500,000		
May 1, 2023 – April 30, 2024*	\$4,500,000		
May 1, 2024 – April 30, 2025*	\$4,500,000		
May 1, 2025 – April 30, 2026	\$5,329,685		
<b>TOTAL AMOUNT</b>	<b>\$44,232,476</b>	<b>\$4,423,248</b>	<b>\$48,655,724</b>



August 6, 2024

**Los Angeles County  
Board of Supervisors**

**Hilda L. Solis**  
First District


**Holly J. Mitchell**  
Second District

**Lindsey P. Horvath**  
Third District

**Janice K. Hahn**  
Fourth District

**Kathryn Barger**  
Fifth District

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

FROM: Christina R. Ghaly, M.D.   
Director

SUBJECT: **ADVANCE NOTIFICATION OF INTENT TO  
NEGOTIATE A SUCCESSOR SOLE SOURCE  
AGREEMENT WITH CARDINAL HEALTH PHARMACY  
SERVICES, LLC**

**Christina R. Ghaly, M.D.**  
Director

**Nina J. Park, M.D.**  
Chief Deputy Director, Population Health

**Aries Limbaga, DNP, MBA**  
Chief Deputy Director, Operations

**Elizabeth M. Jacobi, J.D.**  
Administrative Deputy

This is to provide the Board of Supervisors (Board) with advanced notification of the Los Angeles County Department of Health Services' (DHS or Department) intent to enter into negotiations of a successor sole source Agreement with Cardinal Health Pharmacy Services, LLC (Cardinal), a subsidiary of Cardinal Health, Inc., for the continued provision of the Central Fill Pharmacy and Automation System (CFPAS), including direct patient mail delivery for DHS outpatient pharmacies for a period of five years. DHS intends to return to the Board with a recommendation for approval of the successor Agreement before the current term expires on April 30, 2025.

This notice is in compliance with Sole Source Board Policy No. 5.100 that requires at least six months prior written notice to the Board of a department's intent to enter into sole source negotiations prior to the expiration of an existing contract, when it is the department's intent to execute a new sole source contract for replacement services, when the department does not have delegated authority to execute such agreement, and allow four weeks for Board review of such notice prior to commencing contract negotiations. DHS appreciates your Board's continuing support of the Department's critical need to continue providing uninterrupted access of the CFPAS.

### **Background**

On August 7, 2012, the Board approved a sole source agreement with Cardinal as part of the implementation of a CFPAS to be utilized for offsite dispensing of medication refills to augment DHS outpatient

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Los Angeles, CA 90012

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Fax: (213) 481-0503

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pharmacy functions. The Agreement also provided for implementation of a direct patient mail delivery option for High Desert Regional Health Center as a pilot program. As a result of high patient satisfaction rates of the pilot program, the Agreement was amended on May 27, 2014, with the approval of the Board, to expand the direct patient mail delivery option for the remaining DHS facilities.

Cardinal currently provides CFPAS for the automated, individualized patient dispensing, through a central pharmacy facility, for refill prescriptions at all DHS outpatient pharmacies. This service improves pharmacy operational efficiency and reduces overall prescription dispensing costs. The CFPAS Agreement has enabled DHS pharmacies to allocate pharmacy resources more efficiently by sending refill prescriptions to Cardinal's central fill site in Valencia, California. The prescriptions sent to Cardinal are verified for accuracy, labeled, filled, packaged, and shipped back to the originating DHS pharmacy, where the prescription can then be picked up by the patient 24-36 hours later, or delivered to a patient's home address within 3-5 business days after the patient's request. As a licensed pharmacy, Cardinal is regulated by the California State Board of Pharmacy when preparing and packaging medications for shipment. Consideration is given to any specialized packaging that a particular drug requires, and prescriptions not appropriate to send via mail are provided at DHS pharmacy sites to ensure appropriate handling conditions.

The CFPAS and direct patient mail delivery service have improved customer service and enabled DHS outpatient pharmacy staff additional time to focus on first-time prescription patient care activities, including medication therapy management and other services that help improve medication compliance, patient satisfaction, and quality measures. Central fill services are a widely accepted industry solution designed to enable outpatient pharmacies to streamline their operations by reducing inventory holding costs, optimizing supply chain management, improving pharmacist accessibility, reducing the use of registry staff, and lowering patient waiting times.

### **Justification**

DHS does not have the capability to perform the services provided for in the existing Agreement as it does not have a central fill pharmacy license, a high capacity and volume automated dispensing system, or the infrastructure to provide central fill mail services itself. The expense of instituting such services is far beyond DHS' budgetary means, necessitating a contract for these services.

DHS currently obtains over 98% of medications dispensed for patient care through Cardinal, via a Vizient contract which is separate from the existing Board approved CFPAS Agreement. Pursuant to the Vizient contract, Cardinal is DHS' current drug wholesaler, and is knowledgeable about federal 340B regulations, which uniquely situates Cardinal to continue to provide CFPAS and direct patient mail delivery options for DHS. Switching wholesalers would create a substantial impact on DHS pharmacy operations and patient care, particularly with obtaining 340B drugs, as the historical

relationship would be lost, and consequently result in DHS losing priority access to drugs that have shortages. DHS currently faces fewer problems when drug shortages occur because of its historical data with Cardinal, which enables DHS to still receive a high allocation supply of drugs with shortages. At the core of the federal 340B drug discount program are strict inventory tracking requirements. Therefore, central fill services customarily are closely integrated with pharmacy wholesaler services, with most central fill centers either being directly operated by the 340B entity or by the entity's drug wholesaler. Accordingly, it is in the County's best interest to continue contracting with DHS' current drug wholesaler for CFPAS services.

### **Conclusion**

DHS has determined that Cardinal is uniquely positioned to continue providing uninterrupted access of CFPAS that enhance patient satisfaction by reducing outpatient congestion at local DHS pharmacies and improve access for those patients that are unable to travel because of infirmity or transportation-related issues. Utilizing CFPAS leads to a more efficient allocation of pharmacy resources resulting in a lowering of overall costs for refill prescription fulfillment. DHS intends to commence negotiations to enter into a successor Agreement with Cardinal no earlier than four weeks from the date of this memo, unless otherwise instructed by the Board.

If you have any questions, you may contact me, or your staff may contact Jean Pallares, Chief Pharmacy Officer, DHS Pharmacy Affairs, at [jpallares@dhs.lacounty.gov](mailto:jpallares@dhs.lacounty.gov).

CRG:bm

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

# SOLE SOURCE CHECKLIST

Attachment II  
(For Cardinal Health  
Pharmacy Services, LLC)

Department Name: Health Services

- New Sole Source Contract
- Sole Source Amendment to Existing Contract
- Date Existing Contract First Approved: 08/7/12

Check (✓)	<b>JUSTIFICATION FOR SOLE SOURCE CONTRACTS AND AMENDMENTS</b> 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"/>	➤ 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 checked="" type="checkbox"/>	➤ 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

2/28/25  
Date