



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

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

Rimmi Hundal, M.A.  
Chief Deputy Director

May 06, 2025

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 A SOLE SOURCE CONTRACT EXTENSION WITH MAGELLAN PHARMACY  
SOLUTIONS, LLC, FOR PHARMACY BENEFIT MANAGEMENT SERVICES  
(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 substantially similar to Attachment I, to the existing contract with Magellan Pharmacy Solutions, LLC (Magellan). This extension will be effective July 1, 2025 through June 30, 2026. 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 or Department) 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 (SOW)/Service Exhibit (SE); 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; and 2) sufficient funds are available. The 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**

DMH maintains financial responsibility for uninsured clients who require pharmacy services, and the Department dispenses approximately 3,000 prescriptions monthly through PBM contracted network retail pharmacies.

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) solicitation process for PBM services.

Board approval of Recommendation 2 will allow DMH to amend the contract to revise the contract language, revise the estimated annual cost; add, delete, modify, or replace the SOW/SE; and reflect federal, State, and County regulatory and/or policy changes.

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) 2025-26, the estimated annual cost for this contract is \$7,172,541, fully funded by State MHSA and 2011 Sales Tax Realignment revenues. Funding is included in DMH's annual budget for FY 2025-26.

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

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

Magellan was awarded the original PBM contract in 2017. Since the inception of this contract, the Department has decreased medication costs, improved quality of care, and expanded access to pharmacies for clients.

Magellan currently provides the following PBM services: (1) contracts with retail pharmacies to fill prescriptions for uninsured DMH clients; (2) processes prescription drug claims submitted electronically to Magellan by retail pharmacies; (3) reimburses retail pharmacies for prescription drugs dispensed to uninsured DMH clients; (4) operates a customer service call center to answer questions posed by participating pharmacies, DMH staff, contracted clinic staff, and uninsured DMH

clients; (5) maintains updates to DMH's drug formulary; (6) provides administrative oversight of a pharmacy network; (7) negotiates discounts and rebates with drug manufacturers; (8) provides clinical services, such as prior authorizations, which are required when medication is not on the DMH formulary; and (9) handles client appeals.

In anticipation of the June 30, 2025, contract expiration, DMH released a new RFP solicitation for PBM services on November 27, 2023. One bidder has initiated the County's solicitations protest process, delaying execution of the new contract. Given this, DMH is requesting authority to extend the current contract to avoid disruption of existing PBM services while the RFP process is completed.

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

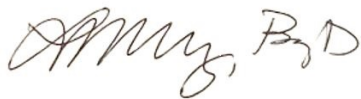
In accordance with Board Policy No. 5100 (Sole Source Contracts and Amendments), on January 24, 2025, DMH notified the Board of its intent to execute a sole source contract extension with Magellan for the continued provisions of PBM services (Attachment II). DMH considers this request approved, as no objections were received from the Board offices. Attachment III is the required CEO approved Sole Source Checklist.

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 that uninsured clients have access to a variety of licensed pharmacies throughout Los Angeles County for their pharmaceutical needs.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Lisa H. Wong" with a stylized flourish at the end.

LISA H. WONG, Psy.D.

Director

LHW:RH:KN:SK:DO:atm

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 \_\_\_\_\_, 2025, 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 Board letter date, 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 make other designated changes; 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, 2025 through June 30, 2026, 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 revises 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, 2025, to extend the term of the Contract through June 30, 2026.
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, 2026, 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. 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 Billy Thomas

SVP Account Management  
Title & Growth Office  
(AFFIX CORPORATE SEAL HERE)

APPROVED AS TO FORM:  
OFFICE OF THE COUNTY COUNSEL

By: Rachel Kleinberg  
Senior Deputy County Counsel



## DEPARTMENT OF MENTAL HEALTH

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LISA H. WONG, Psy.D.  
Director

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

Rimmi Hundal, M.A.  
Chief Deputy Director

January 24, 2025

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

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

SUBJECT: **NOTICE OF INTENT TO EXTEND THE EXISTING CONTRACT WITH  
MAGELLAN PHARMACY SOLUTIONS, LLC, ON A SOLE SOURCE  
BASIS FOR THE CONTINUED PROVISION OF 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 or Department) intends to extend the current contract with Magellan Pharmacy Solutions, LLC (Magellan), to continue the provision of the Pharmacy Benefit Management (PBM) services.

DMH will request your Board to approve a sole source contract extension amendment effective July 1, 2025, to June 30, 2026. There is no total contract amount for this contract as PBM services are paid on a fee-for-service basis. The total estimated annual cost for the management of DMH's prescription drug program is \$7,172,541, fully funded by State Mental Health Services Act and 2011 Sales Tax Realignment revenues.

### **JUSTIFICATION**

DMH maintains financial responsibility for uninsured clients who require pharmacy services, and the Department dispenses approximately 4,000 prescriptions monthly through PBM contracted network retail pharmacies. Magellan currently provides the following PBM services: (1) contracts with retail pharmacies to fill prescriptions for uninsured DMH clients; (2) processes prescription drug claims submitted electronically to

Magellan by retail pharmacies; (3) reimburses retail pharmacies for prescription drugs dispensed to uninsured DMH clients; (4) operates a customer service call center to answer questions posed by participating pharmacies, DMH staff, contracted clinic staff, and uninsured DMH clients; (5) maintains updates to DMH's drug formulary; (6) provides administrative oversight of a pharmacy network; (7) negotiates discounts and rebates with drug manufacturers; (8) provides clinical services, such as prior authorizations, which are required when medication is not on the DMH formulary; and (9) handles client appeals. Since the inception of the contract with Magellan in 2017, the Department has decreased medication costs, improved quality of care, and expanded access to pharmacies for clients.

Magellan was awarded the original PBM contract through a competitive solicitation. In anticipation of the contract expiration, DMH released a new Request for Proposals (RFP) solicitation for PBM services on November 27, 2023. At this time, due to the anticipated RFP protest requests, DMH is taking steps to avoid disruption of existing PBM services while working on the RFP. DMH will return to your Board to request an additional one-year extension, if necessary.

### **NOTIFICATION TIMELINE**

Pursuant to Board Policy No. 5.100, DMH is required to notify the Board at least six months prior to the expiration of an existing contract to extend the term when the Department does not have delegated authority to execute such an amendment. DMH is late submitting this notification as the expectation was for the RFP process to be completed by June 30, 2025. However, we anticipate delays caused by the solicitation protest process and are unable to determine a completion date. 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 the Board a letter for approval to execute a sole source contract extension amendment with Magellan to continue the PBM services.

If you have any questions, or require additional information, please contact me by email at [LWong@dmh.lacounty.gov](mailto: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](mailto:SKrikorian@dmh.lacounty.gov) or (213) 943-9146.

LHW:RH:KN  
SK:DO:atm

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



# SOLE SOURCE CHECKLIST

Attachment III

Department Name: \_\_\_\_\_

☐ New Sole Source Contract

☐ Sole Source Amendment to Existing Contract

Magellan Pharmacy Solutions, LLC

Date Existing Contract First Approved: \_\_\_\_\_

Check (✓)	<b>JUSTIFICATION FOR SOLE SOURCE CONTRACTS AND AMENDMENTS</b> 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