

C-11

February 18, 2020

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Increase appropriations in the Health Fund Group in the Health and Human Services Department by \$437,000, offset by 340B Pharmacy Program revenue. (Citywide)

DISCUSSION

On September 4, 2018 and February 12, 2019, the City Council authorized contracts with Wellpartner, LLC (Wellpartner), Bella Vida Pharmacy, Inc. (Bella Vida), Cardinal Health 110, LLC, and Cardinal Health 112, LLC (collectively, Cardinal), and Apexus, LLC, Inc. (Apexus), for the purpose of launching the 340B Pharmacy Program. The 340B Pharmacy Program allows the Health and Human Services Department (Health Department) to purchase outpatient prescription drugs at preferential, reduced prices to offset deficits in the HIV Clinic, as well as possibly expanding services. Under the 340B Pharmacy Program, Bella Vida acts as the Contract Pharmacy, Wellpartner acts as the Administrator, and Cardinal acts as the Distributor/Drug Wholesaler. Signing a Participation Agreement with Apexus has allowed the Health Department to participate in the 340B Prime Vendor Program, through which the Health Department is able to receive the 340B-eligible drugs from Cardinal.

Prior to the inception of the 340B Pharmacy Program, the City's anticipated annual cost was estimated at \$213,000 for prescription medications at the reduced 340B cost, offset by \$388,000 in annual gross revenue. Both revenues and expenditures exceeded expectations in FY 19; in the one quarter that the program was in operation, expenditures exceeded \$250,000 and net revenue was approximately \$364,000. The Health Department is estimating \$650,000 in expenditures for FY 20, which requires an increase of expenditure appropriation of \$437,000. Expenses are estimated to be offset by \$957,000 in gross revenue, less administrative and dispensing fees. The net revenue of \$307,000, up from \$175,000, will be used to offset deficits in the HIV Clinic, as well as possibly expanding services.

This matter was reviewed by Deputy City Attorney Taylor M. Anderson on January 15, 2020 and by Budget Analysis Officer Julissa José-Murray on January 29, 2020.

TIMING CONSIDERATIONS

City Council action is requested on February 18, 2020, to continue to provide these services without interruption.

FISCAL IMPACT

Based on the first six months of participation in the 340B Pharmacy Program, the Health Department anticipates a cost of \$650,000 per year for prescription medications at the reduced 340B cost, offset by an estimated \$957,000 in annual revenue. The net revenue of \$307,000 will be used to offset deficits in the HIV Clinic. There is \$213,000 of appropriation budgeted in the Health Fund Group in the Health and Human Services Department. An appropriation increase, offset by program revenue is requested in the Health Fund Group in the Health and Human Services Department in the amount of \$437,000 to increase budget to match the annual program costs. Subsequent years' appropriation will be requested through the annual budget process. This recommendation has no staffing impact beyond the normal budgeted scope of duties and is consistent with existing City Council priorities. There is no local job impact associated with this recommendation.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



KELLY COLOPY
DIRECTOR
HEALTH AND HUMAN SERVICES

APPROVED:



THOMAS B. MODICA
ACTING CITY MANAGER