



Legislation Text

File #: 18-0775, **Version:** 1

Recommendation to authorize City Manager, or designee, to execute an agreement, and any subsequent amendments, with Wellpartner, LLC, to serve as Administrator of a 340B Pharmacy Program on behalf of the Health and Human Services Department, a covered entity, providing reduced pricing for eligible prescription drugs, for the period of October 1, 2018 through September 30, 2020;

Authorize City Manager, or designee, to execute an agreement, and any subsequent amendments, with Bella Vida Pharmacy, Inc., to serve as the Contract Pharmacy, to dispense eligible drugs to qualifying patients under the 340B Pharmacy Program, for the period of October 1, 2018 through September 30, 2020; and

Increase appropriations in the Health Fund (SR 130) in the Health and Human Services Department (HE) by \$213,000, offset by revenue. (Citywide)

In 1992, Congress enacted Section 340B of the Public Health Service Act. Section 340B requires pharmaceutical manufacturers to enter into an agreement, called a Pharmaceutical Pricing Agreement (PPA), with the Secretary of Health and Human Services. Under the PPA, the manufacturer agrees to provide front-end discounts on covered outpatient drugs purchased by specified providers, called "covered entities," that serve the nation's most vulnerable patient populations. The purpose of the 340B Program is to enable covered entities to stretch scarce federal resources as far as possible, reaching more eligible patients and providing more comprehensive services.

The intent of the 340B Program is to strengthen covered entities so they may provide efficient and effective service to their clients. Through the 340B Pharmacy Program, the Health and Human Services Department (Health Department), as a qualifying covered entity, is eligible to purchase outpatient prescription drugs at preferential, reduced prices from certain drug manufacturers and/or drug wholesalers. Under the terms of the recommended agreements, Bella Vida will act as the Contract Pharmacy and Wellpartner will act as the Administrator.

Due to the needs of patients and the unique features of the 340B Pharmacy Program, it was not feasible to conduct competitive procurements for these services. Currently, over 90 percent of the Health Department's HIV Clinic patients have their prescriptions filled at Bella Vida. Patients choose Bella Vida because they are a dedicated HIV pharmacy and they offer home delivery. Wellpartner, a subsidiary of CVS, has been involved in the 340B Program since 2003 and was one of the first 340B Contract Pharmacy administrators. With 15 years of experience, they have worked with other covered entities such as the University of California hospitals, the Maricopa Integrated Health System, Family Health Clinic of San

Diego, and hospitals/clinics throughout the West Coast. There is no financial risk to implementing a Wellpartner Contract Pharmacy program, as Wellpartner doesn't charge any upfront, implementation, or ongoing management fees.

As the Administrator of the 340B Pharmacy Program, Wellpartner will order the prescription drugs from the wholesaler on behalf of the Health Department. For each 340B Program eligible claim, the Health Department then pays the wholesaler or manufacturer for the covered drug at the reduced 340B cost. The prescriptions are then shipped to the Contract Pharmacy, Bella Vida. When a Health Department patient fills their prescription at Bella Vida, Bella Vida will be reimbursed for the drugs at the full market price of the drug by the patients insurance or Pharmacy Benefits Manager. Per the Bella Vida agreement, Bella Vida will retain a portion of the reimbursement to cover its Dispensing Fee and remit the remainder to Wellpartner. Wellpartner will then retain a portion to cover its administrative fee and remit the net proceeds to the Health Department. The estimated annual revenue to the City, net Wellpartner and Bella Vida's fees, are estimated at \$388,000.

The City's annual cost is estimated at \$213,000 for prescription medications at the reduced 340B cost, offset by \$388,000 in annual gross revenue. The estimated net revenue to the City of \$175,000 will be used to offset deficits in the HIV Clinic as well as possibly expanding services.

The Health Department anticipates formally launching this partnership and program on January 1, 2019. To do this, the Health Department must register with the Health Resources and Service Administration (HRSA) between October 1-15, 2018. Fully executed agreements with Wellpartner and Bella Vida are required prior to the Health Department's registration with the HRSA.

This matter was reviewed by Deputy City Attorney Linda T. Vu on August 14, 2018 and by Revenue Management Officer Geraldine Alejo on August 20, 2018.

City Council action is requested on September 4, 2018, to ensure the agreements are in place expeditiously.

By participating in the 340B Program, the Health and Human Services Department anticipates a cost of \$213,000 per year for prescription medications at the reduced 340B cost, offset by \$388,000 in annual revenue. The additional net revenue of \$175,000 will be used to fund the HIV Clinic. An appropriation increase in the amount of \$213,000 is requested in the Health Fund (SR 130) in the Health and Human Services Department (HE) for prescription medication costs, offset by revenue. Subsequent years' appropriation will be requested through the annual budget process. There is no local job impact associated with this recommendation.

Approve recommendation.

KELLY COLOPY
DIRECTOR OF HEALTH AND HUMAN SERVICES

APPROVED:

PATRICK H. WEST
CITY MANAGER