



Monterey County

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Board Report

Legistar File Number: A 17-368

October 03, 2017

Introduced: 8/31/2017

Current Status: Agenda Ready

Version: 1

Matter Type: BoS Agreement

- a. Authorize the Deputy Purchasing Agent for Natividad Medical Center (NMC) or his designee to execute amendment No.1 to the agreement with Arxium, Inc. for Pharmacy Purchasing and Inventory Management Software, adding \$55,000 for a revised total agreement amount not to exceed \$110,000 with no changes to the term of the Agreement August 1, 2016 through January 31, 2018.
- b. Authorize the Deputy Purchasing Agent for NMC or his designee to execute up to three (3) future amendments to the agreement which do not significantly alter the scope of work and do not cause an increase of more than ten percent (10%) of the original cost of the agreement per each amendment.

RECOMMENDATION:

It is recommended the Board of Supervisors:

- a. Authorize the Deputy Purchasing Agent for Natividad Medical Center (NMC) or his designee to execute amendment No.1 to the agreement with Arxium, Inc. for Pharmacy Purchasing and Inventory Management Software, adding \$55,000 for a revised total agreement amount not to exceed \$110,000 with no changes to the term of the Agreement August 1, 2016 through January 31, 2018.
- b. Authorize the Deputy Purchasing Agent for NMC or his designee to execute up to three (3) future amendments to the agreement which do not significantly alter the scope of work and do not cause an increase of more than ten percent (10%) of the original cost of the agreement per each amendment.

SUMMARY/DISCUSSION:

The 340b Drug Discount program is a federal program providing access to discount pricing for medications used on an outpatient basis. There are many types of eligible entities. Natividad Medical Center participates as a Disproportionate Share Hospital (DSH). 340b pricing may only be used for outpatients. Outpatients in a hospital setting consist of patients seen in hospital clinics, emergency room patients that were not admitted to an inpatient unit, and certain surgical patients. 340b drugs may also be used for certain discharge patients. The Health Resources and Services Administration (HRSA) is the government agency that oversees the 340b program.

A hospital that uses 340b medications for inpatients will be removed from the program. To ensure that inpatients do not receive 340b medication it is necessary to separate inventories. Having two separate

physical inventories is impractical in settings that have intermixed inpatients and outpatients. Hospitals with mixed use areas use virtual inventories instead. In a virtual inventory system after a medication is used it is classified as being either for an inpatient or outpatient use. Each medication will have running totals of items used. Each drug will have separate totals for inpatient or outpatient called an accumulator. Once the count in an accumulator becomes larger than the package size of the medication it can be reordered on the appropriate account. Natividad has three main accounts one of which is the 340b account.

Software called split billing software is used to simplify this process. The Arxium software is split billing software. The software receives usage information from the hospital information system and places the usage into the correct accumulator. It also assists in the building of a compliant medication order. Medications are then ordered on the correct account based on the amounts in the accumulators. This prevents 340b medications being used for inpatients.

NMC wishes to add additional funds to the agreement due to a price increase for electronic data interchange (EDI) fees. This will allow NMC to continue to take advantage of the better purchasing power provided by this software.

OTHER AGENCY INVOLVEMENT:

County Counsel has reviewed and approved this amendment No. 1 as to legal form and risk provisions, and the Auditor-Controller has reviewed and approved as to payment provisions. The amendment No. 1 has also been reviewed and approved by NMC's Finance Committee on August 24, 2017 and by its Board of Trustees on September 8, 2017.

FINANCING:

The cost for this amendment No. 1 is \$55,000 of which \$55,000 is included in the Fiscal Year 2017-18 Adopted Budget. There is no impact to the General Fund.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

The services rendered in this agreement will allow NMC to more efficiently procure medications allowing for a more efficient use of resources within the organization.

- ☐ Economic Development
- ☐ Administration
- ☒ Health and Human Services
- ☐ Infrastructure
- ☐ Public Safety

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Approved by: Gary R. Gray, DO, Chief Executive Officer, 783-2504

Attachments:

Arxium Inc. Amendment 1

Arxium Inc. Agreement

Arxium Inc. Spend Sheet

Attachments on file with the Clerk of the Board