



Monterey County

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Board Report

Legistar File Number: A 17-072

April 18, 2017

Introduced: 3/14/2017

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Current Status: Consent Agenda

Matter Type: BoS Agreement

Authorize the Deputy Purchasing Agent for Natividad Medical Center (NMC) or his designee to execute an agreement with ARxIUM for pharmacy purchasing and inventory management software services for an amount not to exceed \$55,000 retroactive to August 1, 2016 through July 31, 2018.

RECOMMENDATION:

It is recommended that the Board of Supervisors:

Authorize the Deputy Purchasing Agent for Natividad Medical Center (NMC) or his designee to execute an agreement with ARxIUM for pharmacy purchasing and inventory management software services for an amount not to exceed \$55,000 retroactive to August 1, 2016 through July 31, 2018.

SUMMARY/DISCUSSION:

The 340b Drug Discount program is a federal program that provides access to special 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 is only available 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 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. RxWorks, a software product provided by ARxIUM, 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.

This new agreement with ARxIUM for the 340b Program services replaces a previous agreement with AmerisourceBergen which expired on June 30, 2016. AmerisourceBergen was acquired by another company and as a result, the company ARxIUM was formed and all 340b Program services were transitioned to ARxIUM. Due to some procedural changes within the 340b program immediately after this acquisition, the new agreement between ARxIUM and NMC didn't begin to progress until August 2016. NMC has been negotiating with ARxIUM since August of 2016 to establish this new agreement. The name change, interruption of the holiday season, key stakeholder schedules plus the lead time to seek approval through NMC processes were all contributing factors to the long retro time period.

OTHER AGENCY INVOLVEMENT:

County Counsel has reviewed and approved this agreement as to legal form and risk provisions, and the Auditor-Controller has reviewed and approved as to payment provisions. The agreement has also been reviewed and approved by NMC's Finance Committee on February 23, 2017 and by its Board of Trustees on March 3, 2017.

FINANCING:

The cost for this agreement is \$55,000 of which \$27,500 is included in the Fiscal Year 2016-17 Adopted Budget. Amounts for remaining years of the agreement will be included in those budgets as appropriate. There is no impact to the General Fund.

Prepared by: Jason Warren, Pharmacist, 783-7720

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

Attachments:

ARxIUM Agreement

Attachments on file with the Clerk of the Board