

**MEMORANDUM
COUNTY OF PLACER
ADMINISTRATIVE SERVICES DEPARTMENT
PROCUREMENT SERVICES DIVISION**

TO: Honorable Board of Supervisors

FROM: David Seward, Purchasing Manager *DS*

DATE: June 13, 2006

SUBJECT: Recommendation to Renew BP012806 with Cardinal Distribution as the County's
Pharmaceutical Prime Vendor in the Maximum Amount of \$375,000.00

ACTION REQUESTED

Approve renewal of BP012806 with Cardinal Distribution of Elk Grove, CA as the County's pharmaceutical prime vendor, and authorize the Purchasing Manager to sign the resulting BPO in the maximum amount of \$375,000.00.

BACKGROUND

The pharmaceutical supply chain consists of hundreds of manufacturers, a handful of wholesalers and the dispensing pharmacy. The level of effort required to contract advantageously with hundreds of pharmaceutical vendors exceeds the staff resources of all but the very largest organizations. The solution to this problem is what is known as a group purchasing organization or GPO. The GPO does the vendor sourcing and bids or negotiates contract prices on behalf of all those using the GPO's services. Purchases are made from a wholesaler, known as a prime vendor, at the contract price.

The University HealthSystem Consortium (UHC) is an alliance of academic health centers situated mainly in the United States. On June 22, 2004, your Board approved Placer County joining the UHC sponsored by UC Davis. As a member, the HHS/Medical Clinic is able to take advantage of the buying power of over 90 academic medical centers to optimize savings. The Purchasing Policy Manual Section 1.3(j) exempts proprietary drugs and pharmaceuticals, medical supplies and equipment from the competitive bidding requirement.

FISCAL IMPACT

There is no participation fee associated with participation in UHC, and no minimum purchases are required. The pharmaceutical products will be purchased from the distributor, Cardinal Healthcare, at contract prices plus a service fee based on total volume. The County's annual requirement for pharmaceuticals is estimated not to exceed \$375,000.00 per year. The HHS/Community Clinic is sufficiently budgeted for these expenditures. The cost of pharmaceuticals is partially reimbursed through Medi-Care or Medi-Cal and a small number of private pay patients. Additionally, the HHS/Community Clinic is a designated state and federal Rural Health Care Facility, and as such receives a "per medical encounter" reimbursement that is significantly increased with an on-site pharmacy.

CC: Dr. Richard Burton, HHS/Admin
Lynn Miller, HHS/Community Clinic

