

McKesson Pharmaceutical Contract Amendments

SFBOS Budget & Finance Committee

December 6, 2023

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SAN FRANCISCO DEPARTMENT OF PUBLIC HEALTH



Overview



Two proposed contract amendments over 4.5 years:

1. McKesson Plasma and Biologics for \$1.466B
2. McKesson Pharma for \$977M

Goals of proposed contract amendments:

1. Improving quality & experience of care
2. Improving the health of populations and patients
3. Reducing expenses related to medications

Contract	2019-23 Budget Authority	2023-27 Proposed Budget Authority	Holdover + Contingency/Initiative	TOTALS
Plasma/Biologics	\$149M	\$742M	\$409+ \$166M	\$1.466B
Pharma	\$235M	\$445M	\$145M + \$152M	\$997M



How This Serves San Franciscans

This is how DPH obtains medications for ALL those we serve in SFDPH, includes San Francisco Health Network patients as well as community-based events:

- COVID and MPX response in community
- Prevent and treat HIV and HepC across the city
- Zuckerberg San Francisco General – cancer, surgery, critically ill
- Laguna Honda Hospital
- Behavioral Health System – Substance Use Disorder, Mental Health
- Primary & Specialty Care
- Jail Health System

Medications at SFDPH



In the past 12 months:

- 269,000 anti-retroviral pills were purchased to treat/prevent HIV
- Approximately 680 patients from Ward 86 had medication filled monthly
- Last year, over 2,000 pills purchased to help cure Hepatitis C
- Prepared over 62,500 IV medications at ZSFG
- Dispensing over 10,000 doses per day for LHH residents
- 1,393 prescriptions dispensed for COVID and MPX treatment from ZSFG Outpatient pharmacy

Across all sites, DPH purchased ~20 million pills, packets, tubes, or vials

McKesson's Role



- McKesson is a wholesale distributor
- Single, efficient place to procure >95% of all medications for DPH
- They do not determine or negotiate medication prices
- Allows us to be reliable, nimble, and responsive when we need to be
 - Drug shortages, emergency responses of all types
- One of the largest distributors in U.S (over 5,000 hospitals), delivering 1/3 of all medications in North America

Why is a Distributor Needed?



- Distributors are the **industry standard**, ubiquitous and essential part of healthcare systems
- Distributors streamline the procurement process
 - **Efficiency** - saves staff time at every steps in supply chain
 - Provide greater **access** and more **flexibility**
- Supports the City to maintain industry standards for medication procurement in healthcare

Key Points



- BOS previously approved these contracts with McKesson in FY 19/20. This request is for extension for additional 4.5 years.
- While the proposed overall contract authority is large, the actual spending is approved by the BOS during annual budget process
- Proposed contract amendments ensure sufficient budget authority to respond to unforeseen circumstances, rapid increase in prices
 - COVID pandemic, MPX
 - New, novel treatments that may cost >\$3 M/dose
 - High-cost Specialty medications
- What has changed in these amendments: Better terms for City
- **SFDPH receives reimbursements from insurance for medications**

Cost-Effective Methods for Purchasing Medications



Methods

- Using discounts via DPH's **Group Purchasing Organization**
- For those without insurance, using drug manufacturers' **Patient Assistance Program** to pay for high-cost medications insurance
- **Governor Newsom's State Pharmaceutical Purchasing** program
- **340b Federal Drug Discount Program**

In addition, McKesson provides mark down on drug cost

- McKesson uses their bulk purchasing and agreements to pass on discounts to DPH
 - We pay less using a distributor

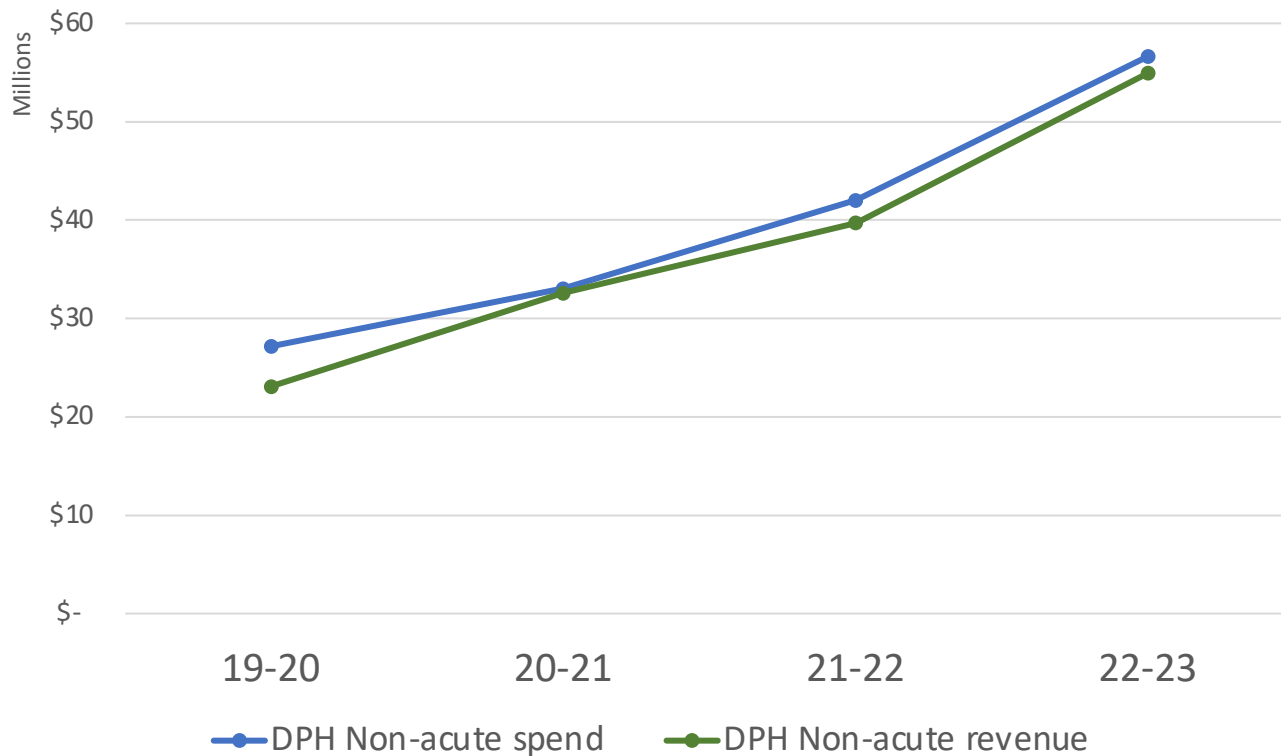
What we pay McKesson = cost of medications = cost of contract

Being Good Fiscal Stewards



Recouping Costs with Revenue:

Spend vs Revenue in Outpatient Setting



- Increasing costs of medications is a national challenge
- **DPH receives reimbursement from insurance (Medicare, Medicaid) for medications**
- Revenue helps DPH minimize use of General Fund

Acute care: not possible to parse out medication from non-medication reimbursement

Performance Monitoring



Methods to monitor:

- DPH reviews pricing and information for all medications
- Quarterly compliance meetings
- On-demand reporting via web interface

McKesson has been a strong partner:

- Vital for navigating national medication-shortages, minimizing effect on our patients
- Support us to find lower costs – e.g., Governor Newsom State Pharmaceutical Program

Proposed Contract Amendments



- DPH agrees with BLA recommendations
- DPH requests approval of proposed resolutions

Thank you!
Any questions?