



Meeting Date: 9 /12 / 2006

| ACTION | TYPE OF ITEM |
|--|--|
| <input type="checkbox"/> Approved Recommendation | <input checked="" type="checkbox"/> Info/Consent |
| <input type="checkbox"/> Ord. No(s). _____ | <input type="checkbox"/> Report |
| <input type="checkbox"/> Res. No(s). _____ | <input type="checkbox"/> Public Hearing (Info/consent) |
| <input type="checkbox"/> Other _____ | <input type="checkbox"/> Study Session |

Prepared By: Dennis L. Scala, City Manager's Office Agenda Item No. I-2
 Reviewed By: City Manager [Signature] City Attorney [Signature] Finance [Signature] Other (Specify) _____

DATE: September 5, 2006
TO: City Council
FROM: Dennis L. Scala, Management Analyst
 City Manager's Office

SUBJECT: Memorandum of Understanding with St. John's Regional Medical Center for Participation in the Federal 340B Drug Pricing Program.

RECOMMENDATION

That City Council authorize the Mayor to execute a Memorandum of Understanding with St. John's Regional Medical Center for participation in the Federal 340B Drug Pricing Program.

DISCUSSION

The Veterans Health Care Act of 1992 established a reduced price prescription program known as the Federal 340B Drug Pricing Program (340B Program). Essentially, the 340B Program provides access to low cost prescription drugs for the over 40-million Americans not on Medicare or comprehensive private insurance. This is a population that is medically underserved, or a special medically underserved population comprised of migratory and seasonal agricultural workers, the homeless, and residents of public housing. The 340B Program provides services either through the staff and supporting resources of the medical center or through contracts or cooperative arrangements.

The 340B Program allows for public and private non-profit hospitals to purchase outpatient prescriptions at heavily discounted prices and pass the discounts on to the patient. Hospitals can qualify for this program if they can show that they serve a population described above. The discounts range, on average, 20-25% off of hospital group purchasing prices.

In order to qualify for participation in the 340B Program, hospitals must meet the following three criteria:

1. The hospital must demonstrate that it serves a certain percentage of medically underserved patients.
2. The hospital must certify that it will not purchase outpatient drugs from a group purchasing organization once it implements the 340B Program.

3. The hospital must have the support of a state or local governmental unit in the form of an agreement that the hospital will continue to provide services to those in the community who are medically underserved.

St. John's Regional Medical Center (St. John's) has requested that the City assist it in meeting the third condition for qualification in the 340B Program by entering into a Memorandum of Understanding (MOU). The MOU is modeled after an approved MOU currently in use by John Hopkins University Hospital and the State of Maryland. The MOU states that St John's is agreeing to conditions that qualify it to participate in the 340B Program. In return for entering into the agreement, St John's will commit to the City that it will provide a certain amount of charity care to anyone who presents themselves at the hospital requiring financial assistance with the cost of the care.

FINANCIAL IMPACT

There is no financial impact to the City resulting from executing the MOU.

(DLS, dls)

Attachment #1 - MOU between the City of Oxnard and St. John's Regional Medical Center.
2 - Letter from St. John's, August 29, 2006.

MEMORANDUM OF UNDERSTANDING

BETWEEN

CITY OF OXNARD, CALIFORNIA

AND

ST. JOHN'S REGIONAL MEDICAL CENTER

THIS MEMORANDUM OF UNDERSTANDING ("MOU") is made this ____ day of August, 2006, by and between the undersigned representatives of the CITY OF OXNARD ("Oxnard"), whose administrative offices are located at City Hall, 300 West Third Street, Oxnard, California 93030, and CATHOLIC HEALTHCARE WEST dba ST. JOHN'S REGIONAL MEDICAL CENTER ("St. John's"), a non-profit corporation organized and existing under the laws of the State of California, located at 1600 North Rose Avenue, Oxnard, California 93030.

RECITALS:

WHEREAS, St. John's is a not-for-profit hospital that provides a disproportionate share of healthcare services to the Medicare and Medicaid populations in addition to supporting many programs that benefit the indigent, uninsured or underinsured population in the City of Oxnard;

WHEREAS, St. John's desires to participate in the drug discount program established under Section 340B of the Public Health Service Act (the "340B Program");

WHEREAS, in order to participate in the 340B Program, St. John's must enter into an agreement with a unit of government pursuant to which St. John's commits to provide health care services to low-income individuals without Medicare or Medicaid benefits at no reimbursement or considerably less than full reimbursement from these individuals;

WHEREAS, St. John's desires to make such a formal commitment to Oxnard;
and

WHEREAS, Oxnard agrees to accept such commitments on behalf of the residents of Oxnard;

NOW, THEREFORE, in consideration of the mutual agreements and covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, it is mutually agreed by and between the parties to this MOU, as follows:

1. **Commitment of St. John's to Provide Indigent Care.**

During the term of this MOU, St. John's agrees to continue its historical commitment to the provision of health care to indigent, uninsured and underinsured patients by adhering to the CHW Corporate Community Benefit Plan. During the fiscal year ending June 2006, St. John's provided approximately \$3.0 million in traditional charity care. Pursuant to its commitment to continue to provide indigent care, it is St. John's intention that indigent care provided during the term of this MOU will be consistent with its historical commitment. In any event, St. John's will ensure that all patients presenting to its Emergency Department shall continue to receive necessary care, as required by law, regardless of ability to pay.

2. **Commitment of St. John's to Submit Quarterly Reports of 340B Calculations**

During the term of this MOU, St. John's agrees to submit to Oxnard quarterly reports of the charity care calculations associated with the 340B Program.

3. **Acceptance and Acknowledgments of Oxnard.**

- (a) Oxnard accepts the commitment of St. John's set forth above;
- (b) Oxnard hereby acknowledges that the health care services provided by St. John's hereunder are in the public interest and are being provided to individuals who are not entitled to benefits under Title XVIII of the Social Security Act or eligible for assistance under any State plan pursuant to Title XIX of the Social Security Act; and
- (c) Oxnard acknowledges that St. John's is providing these services at no reimbursement or considerably less than full reimbursement from the patients.

4. **Representations of St. John's.** St. John's represents that as of the date hereof:

- (a) St. John's constitutes a separately licensed facility that is owned and operated by Catholic Healthcare West, a nonprofit corporation duly organized and validly existing in good standing under the laws of the State of California, with the corporate power and authority to enter into and perform its obligations under this MOU; and
- (b) Catholic Healthcare West is a tax-exempt corporation under Section 501(c)(3) of the Internal Revenue Code of the United States, as amended, and under applicable laws of the State of California.

5. **Term and Termination.** The term of this MOU shall commence on the date set forth above and shall continue until terminated by either party upon not less than sixty (60) days prior written notice to the other.
6. **Notice.** All notices required or permitted to be given under this MOU shall be deemed given when delivered by hand or sent by registered or certified mail, return receipt requested, addressed as follows:

Sent to Oxnard:

Dr. Thomas E. Holden, Mayor
City of Oxnard
City Hall
300 West Third Street
Oxnard, California 93030

With a copy to:

Gary L. Gillig, City Attorney
City of Oxnard
300 West Third Street
Oxnard, California 93030

Sent to St. John's:

St. John's Regional Medical Center
Attention: Thomas "Mike" Murray, President
1600 North Rose Avenue
Oxnard, California 93030

With a copy to:

Catholic Healthcare West
Attention: Senior Counsel for Regulatory Affairs
185 Berry Street, Suite 300
San Francisco, California 94107

7. **Governing Law.** This MOU shall be governed by and construed in accordance with the laws of the State of California (excepting any conflict of laws provisions which would serve to defeat application of California substantive law).

IN WITNESS WHEREOF, St. John's and the City of Oxnard have executed this MOU as of the day and year first written above by their duly authorized representatives.

WITNESS:

Catholic Healthcare West dba ST. JOHN'S
REGIONAL MEDICAL CENTER



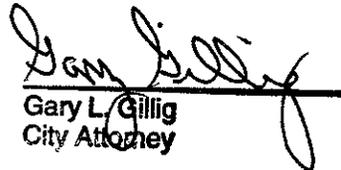
Thomas "Mike" Murray
President

WITNESS:

CITY OF OXNARD

Dr. Thomas E. Holden, Mayor

APPROVED AS TO FORM:



Gary L. Gillig
City Attorney

ATTACHMENT 1
PAGE 4 OF 4



**St. John's Regional Medical Center
St. John's Pleasant Valley Hospital**

CHW

St. John's Regional Medical Center
1600 North Rose Avenue
Oxnard, CA 93030
805 988 2500 Telephone

St. John's Pleasant Valley Hospital
2309 Antonio Avenue
Camarillo, CA 93010
805 389 5800 Telephone

August 29, 2006

Mr. Dennis Scala
Analyst
City of Oxnard
300 W 3rd St
Oxnard, CA 93030

Re: Memorandum of Understanding to Qualify for 340B Drug Pricing Program

Dear Mr. Scala:

I am writing on behalf of St. John's Regional Medical Center, a hospital owned by Catholic Healthcare West (CHW), to request your support in assisting our hospital to participate in the federal 340B drug pricing program. The 340B program allows for public and private non-profit DSH hospitals to purchase outpatient prescription drugs at heavily discounted prices. The discounts are, on average, 20-25% off of hospital group purchasing prices.

CHW has numerous other hospitals that already have qualified for this program. In order to qualify for the program, hospitals must meet the following three criteria:

1. The hospital should have a Medicare DSH adjustment factor of at least 11.75% in the most recent cost-reporting period.
2. The hospital must certify that it will not purchase outpatient drugs from a group purchasing organization once it implements the 340B program.
3. The hospital must have the support of a governmental unit, e.g., a state or local entity, in the form of an agreement that the hospital will continue to provide services to those who are uninsured.

All of the CHW hospitals meet the first two criteria. A few of the hospitals have some of the highest DSH adjustment factors among public and private hospitals in California. For example, California Hospital Medical Center (CHMC), located in downtown Los Angeles, has a DSH adjustment factor of 76%.

For use by its hospitals and their applicable local governments, CHW has drafted a Memorandum of Understanding ("MOU") that is modeled after an approved MOU currently in use by Johns Hopkins University Hospital and the State of Maryland. Each MOU states that the qualifying hospital is agreeing to certain conditions that qualify it to participate in the 340B program. In return for the city or county's execution of the MOU, each hospital commits to provide a certain amount of charity care to anyone who presents at the hospital requiring financial assistance with the cost of care.

By this letter, we respectfully request your assistance in obtaining an MOU from the City of Oxnard. I have enclosed an MOU prepared for use by the City of Oxnard. We assure you that beyond the

000039

ATTACHMENT 2
PAGE 1 OF 2

necessary signatures, this program will not require any additional government support or resources. In fact, when our hospitals participate in this program, there should be a significant savings to the state when we purchase these drugs at reduced prices for our Medi-Cal patients and then bill the state for these lower amounts (plus the state's normal dispensing fee). Thus, there is no down-side risk to the state, only mutually positive benefits.

Thank you very much, for your assistance with our request. Please let me know if you have any questions. I will contact you to follow-up in the next several days.

Sincerely,

Tim Maurice

Tim Maurice
Chief Financial Officer

Enclosure:

1. Memorandum of Understanding

Cc: Alan Holmberg, City Attorney