



AGENCY: City Council
MEETING DATE: September 28, 2020
DEPARTMENT: City Manager
PRESENTED BY: Tabatha Miller
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AGENDA ITEM SUMMARY

TITLE:

Receive Report and Consider Adoption of City Council Resolution Ratifying the City Manager's Execution of a Memorandum of Understanding between the City of Fort Bragg and Adventist Health Mendocino Coast Authorizing Adventist Health Mendocino Coast's Application and Enrollment in the Section 340B of the Public Health Services Act Program

ISSUE:

On September 14, 2020, the City Manager signed a Memorandum of Understanding with Adventist Health Mendocino Coast (AHMC) authorizing Adventist Health to apply for and enroll in the Section 340B Program of the Public Health Services Act (340B Program). The 340B Program is a U.S. federal government program created in 1992 that requires drug manufacturers to provide outpatient drugs to eligible health care organizations and covered entities in order to stretch limited resources by lowering medication costs and reaching more patients. AHMC made the last-minute request to the City on the same day the application was due, without sufficient time for the City Council to approve the agreement. The application to enroll was necessary as part of the transition from the Mendocino Coast District Hospital management of the facility to Adventist Health. Staff is recommending the City Council ratify the City Manager's execution of the last-minute MOU.

ANALYSIS:

The Medicaid Drug Rebate Program was created in 1990, requiring that pharmaceutical manufacturers provide rebates for medication purchases to Medicaid beneficiaries as a condition of having their products covered by Medicaid. The rebates paid did not account for the discounts offered directly to federally funded clinics and public hospitals, causing a spike in prices to those facilities. In response, Congress created the 340B program in 1992.

The law protects specific clinics and hospitals (covered entities) from drug price increases and gave them access to price reductions. Pharmaceutical manufacturers participating in Medicaid and Medicare Part B are required to enter into the pharmaceutical pricing agreement to provide discounts on covered outpatient drugs purchased by government-supported facilities, who are expected to serve the nation's most vulnerable patient populations. In cases where the covered entity treats an insured patient with discounted medication, the federal government or the patient's private insurance usually reimburses the entity for the full price of the medication, and the entity is able to retain the difference. That difference is to be used to fund indigent care.

The definition of "covered entities" includes six categories of hospitals: disproportionate share hospitals, children's hospitals and cancer hospitals, sole community hospitals, rural referral centers, and critical access hospitals (of which AHMC qualifies). Hospitals in each

of the categories must be: 1) owned or operated by state or local government, 2) a public or private non-profit corporation which is formally granted governmental power by state or local government, or 3) a private non-profit organization that has a contract with a state or local government to provide care to low-income individuals who do not qualify for Medicaid or Medicare.

In the MOU, AHMC commits to continuing to provide health care to indigent, uninsured and underinsured residents of Fort Bragg, at a minimum commitment of \$1 million per year and to ensure all patients in the Emergency Department receive necessary care, regardless of ability to pay. In 2018-19, the Mendocino Coast District Hospital provided over \$2 million in charity care.

In exchange, the City of Fort Bragg authorizes AHMC to submit its application to enroll in the 340B program. The change in management prompted the need for the updated certification and application. The City of Fort Bragg was asked to sign the agreement on the same day it was due. To support continued indigent care at AHMC, the City Manager signed the agreement.

If the Council does not ratify the MOU, the City Manager will immediately seek termination of the agreement by providing 60 days written notice, as set forth in the MOU.

RECOMMENDED ACTION:

Adopt resolution ratifying the City Manager's execution of the MOU authorizing Adventist Health Mendocino Coast to submit the certification and application to enroll in the 340B program.

ALTERNATIVE ACTION(S):

Do not adopt the resolution and direct the City Manager to terminate the MOU as provided in the agreement.

FISCAL IMPACT:

There is no financial impact to the City of Fort Bragg, but the 340B Program provides funding to stretch scarce health care resources further in treatment of local indigent patients.

GREENHOUSE GAS EMISSIONS IMPACT:

The agreement by itself does not impact greenhouse gas emissions.

CONSISTENCY:

The MOU is consistent with the City Council's support of Measure C in 2018, which established an additional parcel tax to support the Mendocino Coast District Hospital operations and support of Measure C in 2019, which approved the lease and management agreement with Adventist Health. Both resolutions in support recognized the importance of the critical access hospital to Fort Bragg for the financial, physical and mental health of the community.

IMPLEMENTATION/TIMEFRAMES:

N/A

ATTACHMENTS:

1. Resolution
2. MOU between City of Fort Bragg and Adventist Health Mendocino Coast

NOTIFICATION:

1. Judy Leach, AHMC, leachjl@ah.org
2. Michelle Norvell, AHMC, norvellm@ah.org