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**STATE OF HAWAII
STATE PROCUREMENT OFFICE**

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Apr 7, 2017

TO: Executive Departments/Agencies
(Excludes Department of Education and Charter Schools, Office of Hawaiian Affairs)
University of Hawaii (UH)
Hawaii Health Systems Corporation
(Excludes Regional System Boards and Hospitals)
Judiciary
City & County of Honolulu
County of Hawaii

FROM: for Sarah Allen, Administrator *Mara Smith*

SUBJECT: **Change No. 3**
SPO Price List Contract No. 15-07
PHARMACEUTICAL WHOLESALE DISTRIBUTION SERVICES CONTRACT
MMCAP Contract No. MMS15003
Contract Expires: October 31, 2019

The following changes are made to the price list contract:

1. The Price List Contract No. 15-07 is extended to October 31, 2019.
2. The Contractor Compliance language is replaced with Compliance Pursuant to HRS §103D-310(c).

This current price list contract incorporating Change No. 3 is available on the SPO website: <http://spo.hawaii.gov>. Click on *Price and Vendor List Contracts* on the home page.

If you have any questions, please contact Bonnie Kahakui at (808) 587-4702, or bonnie.a.kahakui@hawaii.gov.

**STATE OF HAWAII
STATE PROCUREMENT OFFICE**

SPO Price List Contract No. 15-07 (Statewide)

Replaces SPO Price List Contract 12-09

Effective: 4/7/2017

**PHARMACEUTICAL WHOLESALE DISTRIBUTION SERVICES
March 1, 2015 –Oct 31, 2019**

INFORMATION ON MMCAP AND THE PHARMACEUTICAL WHOLE DISTRIBUTION SERVICES CONTRACT

The State of Hawaii is a member of the Minnesota Multistate Contracting Alliance for Pharmacy (MMCAP), a voluntary group purchasing organization operated by the State of Minnesota's Department of Administration for government healthcare facilities. The mission of MMCAP is to provide member organizations, through combined purchasing power, to receive the best prices available for pharmaceuticals and related products to eligible government facilities.

The State of Minnesota is the lead agency and contract administrator for the MMCAP pharmaceutical products prime contractor distribution. A competitive sealed proposal was issued on behalf of MMCAP and a contract was awarded to AmerisourceBergen Drug Corporation. The contractor is required to distribute pharmaceutical products as ordered by an eligible health care facility.

The State Procurement Office, on behalf of the executive branch and the purchasing agencies listed below, has joined the MMCAP pharmaceutical prime contractor distribution contract. The MMCAP contract offers a wide range of pharmaceutical products.

For additional information on this contract visit, <http://www.mmcap.org>



PARTICIPATING JURISDICTIONS. Agencies of the following purchasing jurisdictions may purchase from this price list contract:

- Executive Departments/Agencies (Excludes Department of Education (DOE) and Charter Schools, Office of Hawaiian Affairs (OHA))
- University of Hawaii (UH)
- Hawaii Health Systems Corporation (HHSC)
(Excludes Regional System Boards and Hospitals)
- Judiciary
- City & County of Honolulu (C&C of Honolulu)
- County of Hawaii

Participating jurisdictions are not required but may purchase from this price list contract, and requests for exception from the contract are not required. Participating jurisdictions are allowed to purchase from other contractors; however, HRS Chapter 103D, and the procurement rules apply to purchases by using the applicable method of procurement and its procedures, such as small purchases or competitive sealed bidding. The decision to use this contract or to solicit pricing from other sources is at the discretion of the participating jurisdictions.

POINTS OF CONTACT. Questions regarding products, ordering, pricing, and status should be directed to the Contractor.

Procurement question or concerns may be directed as follows:

Jurisdiction	Name	Telephone	Fax	E-mail
Executive (Excludes DOE and Charter Schools, OHA)	Bonnie Kahakui	587-4702	586-0570	bonnie.a.kahakui@hawaii.gov
UH	Mathew Chow Karlee Hisashima	956-2765 956-8687	956-2096 956-2093	chowmatt@hawaii.edu karlee@hawaii.edu
HHSC (Excludes Regional System Boards and Hospitals)	Joe Evanoff	733-4168	733-4460	jevanoff@hhsc.org
Judiciary	Jonathan Wong	538-5805	538-5802	jonathan.h.wong@courts.hawaii.gov
C&C Honolulu	Procurement Specialist	768-5535	768-3299	bfspurchasing@honolulu.gov
County of Hawaii	Jeffrey Dansdill	961-8440	961-8248	jdansdill@co.hawaii.hi.us

ELIGIBLE AUTHORIZED PARTICIPATING FACILITIES. Only eligible authorized facilities, of a participating jurisdiction, are authorized to use this contract. Eligible authorized facilities, wanting to use this contract, are required to complete a *MMCAP Facility Membership Application* and *Facility Membership Agreement* (attached) prior to ordering. Submit a completed and signed application and agreement to the State Procurement Office, Attention Bonnie Kahakui, for verification and submission to MMCAP.

DOCUMENTS REQUIRED BY CONTRACTOR TO OPEN A NEW ACCOUNT. Contractor's required forms include, but not limited to:

- AmerisourceBergen Credit Application (including Security Agreement, pages 1-3)
- Pharmacy License
- Declaration of Eligibility for Contract Pricing

Contact the AmerisourceBergen representative for the most updated forms and information regarding opening a new account.

AUTHORIZED PARTICIPATING FACILITIES. Each authorized participating facility will be assigned an account manager who will be responsible for building and developing an effective working relationship with the authorized participating facility's staff, including assisting in optimizing the facility's formulary, sharing best practices to improve efficiency and reducing costs. Routine contact with the authorized participating facilities is summarized below:

Average Monthly Net Purchase Volume	Frequency of Contact with Authorized Participating Facility	Type of Contact
\$ 0 - \$75,000	Every month*	Telephone
\$75,001 to \$100,000	Every month Every Quarter**	Telephone On-site
*On-site visits are available upon reasonable request.		
**More frequent on-site visits are available upon reasonable request.		

CONTRACTOR. AmerisourceBergen is the only authorized contractor to distribute pharmaceuticals and related products under the Master Agreement with the State of Minnesota and with the State Procurement Office in Hawaii. Pharmaceuticals include but not limited to: prescription, over-the-counter, controlled substances, and limited supplies.

Name: AmerisourceBergen Drug Corporation
 Contact: Lianne Chung
 Address: AmerisourceBergen Drug Corporation
 238 Sand Island Access Road
 Telephone: (808) 782-8410
 Fax: (845) 483-1793
 E-mail: lichung@amerisourcebergen.com

CONTRACTOR CODES for annotation on purchase orders are obtainable from the Alphabetical Contractor Edit Table available at your department's fiscal office. Departments are cautioned that the remittance address on an invoice may be different from the address of the contractor code annotated on the purchase order. Therefore, when processing an invoice for payment, be sure that the correct contractor code is used.

COMPLIANCE PURSUANT TO HRS §103D-310(c). Prior to awarding this contract, the SPO verified compliance of the Contractor(s) named in the SPO Price List Contract No. 15-07. No further compliance verification is required prior to issuing a contract, purchase order, or pCard payment when utilizing this contract.

ORDERING SYSTEM. Each authorized participating facility will have access to the AmerisourceBergen ordering program which can be accessed online at <https://passport.amerisourcebergen.com>. Contact the AmerisourceBergen representative for a username, password, and training.

INVENTORY SUFFICIENCY OF MMCAP CONTRACT PRODUCTS. The contractor is required to sufficiently stock MMCAP Contract Product. Contractor is required to stock inventory of MMCAP Contract Products unless there are fewer than three (3) units sold per month per distribution center. If there is volume of three (3) units or more of an equivalent product, contractor is required to stock inventory of MMCAP Contract Product based on equivalent product sales. MMCAP Contract Products that do not meet the units sold threshold and which are not stocked will be required to be viewable and orderable within contractor's online ordering system. The contractor will not create any unreasonable barriers in order to stock MMCAP Contracted Product. The contractor will work with MMCAP upon request to identify significant trends, including increases and decreases in purchase.

At initial account set-up, based on usage data from MMCAP, the contractor is required to stock a fifteen (15) day's supply of products. Thereafter, the contractor's buying system will be used to manage the demand by stocking inventory to meet said demand. Contractor will carry utilization history (demand) for a minimum of 60 calendar days, decreasing inventory stock of a product that has not been ordered after the 60 calendar period. The contractor is required to maintain inventory stocking in accordance to service level and inventory parameters.

SPECIAL ORDERS. An MMCAP Participating Facility may request special order through the contractor. For special orders:

- a. All Special Orders should be requested through the MMCAP Participating Facility's account representative or customer service. No electronic orders will be accepted.
- b. Special requests may be, but are not limited to: 1) special one-time orders, b) government entities placing large orders at the end of their fiscal year, or c) large quantities of identical lot numbers.
- c. Special Orders are handled as either "pre-book" or "drop-ship". Pre-book and drop-ship orders require contractor to place an order directly with the manufacturer on the MMCAP Participating Facility's behalf.
- d. Special Orders are NON-returnable to contractor.

- e. Stockpiling program orders are to be facilitated with a contractor designated resource to provide timely review of the specific items to be purchased, dating, and stocking availability for the order to be fulfilled. Appropriate communication throughout the process, from initiation to delivery, will be provided to the MMCAP Participating Facility as well as the MMCAP Stockpiling Program Coordinator.

STOCK OUTAGES. Contractor created stock outages, meaning products ordered by not delivered due to contractor's "at-fault" inability to fulfill.

One remedy available to an ordering MMCAP Participating Facility for a contractor created stock outage will include requirements for the contractor to provide products ordered by not delivered within three (3) business days following the request by the MMCAP Participating Facility to the contractor's customer service, subject to Next Scheduled Delivery Day limitation imposed by the manufacturer. If product is transferred from an alternative distribution center in order to resolve a contractor created stock outage at the distribution center where the product was ordered, the contractor will not be allowed to charge fees attributable to the product transfer. The contractor is required to work with MMCAP Participating Facilities to fast-track product delivery on a case-by-case basis, subject to applicable state Pedigree requirements.

As part of the fast-track process, upon request, contractor may instruct the manufacturer to ship directly to the MMCAP Participating Facility for Next Day Delivery if the product is available from manufacturer and deemed critical by the MMCAP Participating Facility. Drop ship charges may apply. MMCAP Participating Facility may request a refund of the drop ship charges, upon further review and agreement of the contractor.

Another remedy available to an ordering MMCAP Participating Facility if the contractor fails to make prompt shipment of MMCAP Contract Products due to contractor created stock outages, contractor's ordering system review errors, cancellation, backorders, or non-movement, is a failure to supply claim. The ordering MMCAP Participating Facility may choose to buy PRxO Product for the period in which the contractor is unable to provide the MMCAP Contract Product. The contractor will be liable to the MMCAP Participating Facility for any excess cost over the MMCAP Contract Product price and the PRxO Product for failure in supplying the MMCAP Contract Product. This will be in effect for 90 calendar days from the date the contractor is first unable to supply the product to an MMCAP Participating Facility. Credits due to an MMCAP Participating Facility based on excess product procurement costs caused by a contractor stocking failure in creating a Stock Outage or cancellation/backorder will be routed from the contractor back to the Participating Facility in form of an account credit.

In the event MMCAP chooses to process Failure to Supply claims on behalf of MMCAP Participating Facilities, the contractor is to receive 30 days' prior written notice. Contractor agrees to accept electronic claim from MMCAP, and/or MMCAP Members, subject to the execution of a mutually agreeable amendment.

MANUFACTURER BACKORDERS (MBO). Contractor's online order entry system will provide real-time inventory status. The contractor's order entry system with either provide notification prior to order of all MBOs or have identifiers on the inventory identifying why a product is unavailable (manufacturer backorder, temporary out-of-stock, discontinued product, etc.).

The contractor will also list all MBOs on its website and the MMCAP Participating Facility can call customer service to make inquiries. Notifications of MBOs will be provided by the contractor either through the contractor's website or contractor generated push e-mail to MMCAP Participating Facilities.

PRICING. All prices and price changes will be available to all authorized participating facilities at any time via the contractor's online ordering system.

340B DRUG PRICING PROGRAM. AmerisourceBergen is an authorized distributor of the 340B Drug Pricing Program. Authorized participating facilities that are eligible and participating in the 340B Drug Pricing Program will maintain separate purchasing accounts for ordering 340B contract products.

AUTOMATIC SUBSTITUTION. Automatic substitution will only be permitted upon request by an authorized participating facility.

ROUTINE DELIVERY. Shipments to the State of Hawaii under this contract shall be FOB destination, freight prepaid to the authorized participating facility receiving dock or pharmacy, unless otherwise stated. Delivery service is based on monthly net purchase volume as summarized below. Scheduled delivery days will be communicated at setup.

Deliveries to neighboring island will be charged freight (currently \$1.15 per pound or a flat base rate of \$45.00 whichever is greater. Hazardous material is charged freight at \$12 per delivery). Returns to AmerisourceBergen will be charged a base shipment rate of \$40.00 or \$1.15 per pound, whichever is greater. Same day delivery requests are charged a flat rate of \$150.00 (delivered within 5 hours of request).

Allowable Routine Deliveries: (Contractor will not charge a fuel surcharge)

Average Monthly Purchasing Volume	Number of Free (no-charge) Deliveries per Week
\$0 - \$9,999	1
\$10,000 - \$25,000	3
\$25,001 and up	5

EMERGENCY DELIVERY. Emergency deliveries will be assessed actual freight charges plus \$50 handling fee during normal business hours and a \$200 handling fee after normal business hours and on weekends.

Free (no charge) emergency deliveries are as outlined in the table below:

Average Monthly Purchasing Volume	Number of Free (no-charge) Emergency Order Deliveries per Month
\$0 - \$9,999	0
\$10,000 - \$150,000	1
\$150,001 and up	2

DROP SHIPMENTS. Contractor will act as a conduit to expedite and simplify the ordering and payment of Drop Shipment Products. Unless otherwise approved by the authorized MMCAP Participating Facility, drop shipments directly from the product manufacturer for recurring orders are prohibited.

Contractor does not charge any additional delivery fees or surcharge for MMCAP Contract and Non-Contract Product Drop Shipments, but contractor will pass through any supplier imposed special handling fees.

Drop shipment products must be phoned into AmerisourceBergen customer service department. Orders for drop shipment products will be placed with the product manufacturer on the same day, subject to the manufacturer's ordering policy.

SERVICE FEE DISCOUNT MATRIX. Service fees apply to all products, other than bulky products, based on payment option and average total monthly net purchasing volume.

Payment Term	\$1 to \$500,000	\$500,001 To \$1,000,000	\$1,000,001 To \$2,000,000	\$2,000,001 To \$5,000,000	\$5,000,001 To \$8,000,000	\$8,000,001 To \$12,500,000	\$12,500,001 And Above
30 Day Net Pay*	-1.84%	-2.84%	-3.34%	-3.79%	-4.09%	-4.29%	-4.74%
45 Day Net Pay**	-0.74%	-1.74%	-2.24%	-2.69%	-2.99%	-3.19%	-\$3.64%
* 30 Day Net means that purchasing agency will pay contractor in full for each invoice on or before the 30 th calendar day from the date of invoice.							
**45 Day Net means that purchasing agency will pay contractor in full for each invoice on or before the 45 th calendar day from the date of invoice.							

CUSTOMER SATISFACTION/COMPLAINT RESOLUTION. Contractor and authorized participating facilities will handle dispute resolution for unresolved issues using the following procedures. Parties shall promptly notify each other of any known dispute and work in good faith to resolve such disputes within five (5) business days. Absent resolution after five (5) business days, parties shall proceed to Documentation and Escalation.

Documentation. Both the authorized participating facility and contractor will jointly develop a short briefing document, within five (5) business days that describes the issue(s), relevant impact and

position of both parties. The briefing document must be sent by the contractor to the MMCAP Office, the authorized participating facility, and the contractor's MMCAP Primary Account Representative.

Escalation. If parties are unable to resolve the issue in a timely manner, as specified above, either the authorized participating facility or contractor may escalate the resolution of the issue to a higher level of management. Where escalation of the issue proves ineffective, either party may contact the MMCAP Office and/or the contractor's MMCAP Representative for further resolution. When escalated to MMCAP, a teleconference will be scheduled with the MMCAP Office and the contractor's MMCAP Primary Account Representative to review the briefing document and develop a proposed resolution and plan of action. The plan and timeline must be agreed to by all parties – the MMCAP Office, the authorized participating facility, and contractor. The contractor will have a reasonable amount of time to cure the issue, but in no event longer than thirty (30) days, except by express written agreement of the parties.

SPO PL Contract No. 15-07 & MMCAP Contract No. MMS15003 shall be typed on purchase orders issued against this price list contract.

PAYMENTS are to be made to the contractor's remittance address. Authorized participating facility will be responsible for payment of goods and services. Purchase orders are the only acceptable form of payment. pCard payment will not be accepted.

GENERAL EXCISE TAX. The Hawaii General Excise Tax (GET) shall not exceed 4.712% for the Island of Oahu and 4.166% for Maui, Kauai, and Hawaii. The GET is not applied to shipping or delivery charges.

PRICE LIST CONTRACT AVAILABLE ON THE INTERNET. The current price catalog and contract information for products are available via the online ordering system provided by the contractor, <https://passport.amerisourcebergen.com>. Login and password is required to access the catalog prices. Contact AmerisourceBergen's representative to arrange for training and overview of the process, if needed.

Contract prices for products are updated automatically on the contractor's online system for all MMCAP contracted products.

PRICE LIST CONTRACT AVAILABLE ON THE INTERNET at the SPO website: <http://spo.hawaii.gov>. Click on *SPO Price List/Contractor List Contracts* on the home page.