

**CITY OF SAN ANTONIO  
HUMAN RESOURCES DEPARTMENT  
INTERDEPARTMENTAL CORRESPONDENCE**

**TO:** Mayor and City Council

**THROUGH:** Terry M. Brechtel, City Manager

**FROM:** Elisa Peña Bernal, Human Resources Director

**COPIES:** Travis M. Bishop, Assistant City Manager; City Attorney's Office; Finance Department; File

**SUBJECT:** Prescription Drug Benefit Management Contract

**DATE:** December 12, 2002

**SUMMARY AND RECOMMENDATION**

This Ordinance authorizes the City Manager or her designee to execute a contract with Walgreens Health Initiatives to provide prescription drug program retail and mail order services under the City's Self-Funded Health Benefits Program. The term of this contract is three (3) years, beginning January 1, 2003 and ending December 31, 2005, with an option to extend the contract for up to two (2) one (1) year extensions, subject to and contingent upon funding and approval by City Council.

Staff recommends approval of this Ordinance.

**BACKGROUND INFORMATION**

The City offers employees and retirees covered under CitiMed self-funded health plan a prescription drug card benefit allowing them to purchase covered prescription medications for affordable co-payments. The City utilizes the services of a prescription benefit manager (PBM) to obtain discounts for prescriptions purchased from participating network pharmacies and a mail order facility. This cost containment program allows CitiMed to control cost of prescription claims, which have increased at a rate higher than inflation over the past several years.

The Human Resources Department advertised a Request for Proposal (RFP) for Prescription Drug Program Services on May 12, 2002 in the Express News. The RFP was mailed to thirty-two (32) prescription benefit managers on May 13, 2002 and ten (10) firms responded by the June 14, 2002 deadline. A comprehensive review and scoring process of all RFP responses was conducted by technical committee members from Human Resources Department, Finance, Economic Development and the City Attorney's Office to recommend finalists for presentation and interview by an RFP Selection Committee. After said review and scoring, the following five (5) proposals were submitted to the selection committee for further consideration:

1. Walgreens Health Initiatives, Inc.
2. SysteMed, L.L.C.
3. RX America
4. Caremark, Inc.
5. Catalyst RX

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The RFP Selection Committee included representatives from various City departments and Associations including: Human Resources, Finance, City Attorney's Office, Economic Development, Asset Management, Aviation, Community Initiatives, Environmental Services, Health, ITSD, Library, Municipal Courts, Parks and Recreation, Public Works, Purchasing & General Services, San Antonio Professional Firefighters Association, San Antonio Police Officers Association, Retired Firefighters Association and Retired Police Officers Association. The Selection Committee reviewed the five finalist's proposals and approved the technical committee recommendation for presentation and interview. The finalists were scored by the Selection Committee according to the evaluation criteria listed in the RFP which included the following: scope of services provided, qualifications and experience of personnel assigned to the city's project, economic evaluation of the proposed fee schedule, financial status and stability of the organization, references and experience with public and private sector clients, presentation/interview and SBEDA compliance.

As a result of this RFP process, the Selection Committee unanimously recommended that Walgreens Health Initiatives, Inc., be awarded the contract to provide Prescription Benefit Program Services under the City's Self-Funded Health Benefits Program.

The Walgreens Health Initiatives, Inc. prescription program includes the following:

- Local pharmacy network includes 113 major chain stores and 52 independent stores
- Extensive national pharmacy network with over 53,000 providers
- Increased discounting and lower dispensing fees for each prescription
- Three year guarantee on fees for service
- Guaranteed prescription rebates on each prescription credited upon a quarterly basis
- Twenty four hour pharmacy locations
- Mail Order Prescription Service

### **POLICY ANALYSIS**

Issuance of this contract will allow for continued prescription benefit management services which is an integral part of containing prescription cost in the City's Self-Insurance Fund and providing plan participants with affordable prescription co-payments.

### **FINANCIAL IMPACT**

Of the \$42,223,285 CitiMed claim expense contained in the Self-Insurance Fund FY02-03 Adopted Budget, an estimated \$7,710,849 was appropriated for prescription drug card claims. This amount includes the cost of prescription drugs minus negotiated discounts plus negotiated dispensing fees. This ordinance will authorize the first nine (9 months) of this contract in FY2002-2003 for this calendar year contract and the remaining twenty-seven (27) months will be budgeted in FY2003-2004 and FY2004-2005 contingent upon subsequent funding. The discounts, dispensing fees and rebates negotiated in this contract represent an estimated savings of \$596,274 over the three-year contract period or \$198,758 per calendar year.

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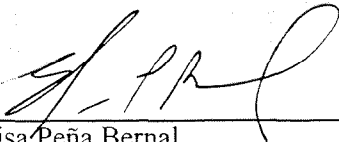
**COORDINATION**

This proposed ordinance has been reviewed and coordinated with the following departments: Human Resources, Finance, City Attorney's Office, Economic Development, Asset Management, Aviation, Community Initiatives, Environmental Services, Health, ITSD, Library, Municipal Courts, Parks and Recreation, Public Works, Purchasing & General Services, San Antonio Professional Firefighters Association, San Antonio Police Officers Association, Retired Firefighters Association and Retired Police Officers Association.

**SUPPLEMENTAL COMMENTS**

The required Ethics Disclosure Statement is attached.

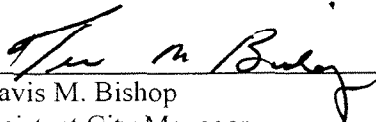
**SIGNATURES**



Elisa Peña Bernal  
Human Resources Director

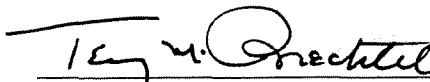


Milo Nitschke  
Finance Director



Travis M. Bishop  
Assistant City Manager

Approved:



Terry M. Brechtel  
City Manager

Attachments

**EMPLOYEE BENEFITS/CONTRACT MANAGEMENT  
PRESCRIPTION DRUG BENEFIT MANAGEMENT PROGRAM  
EVALUATION SUMMARY**

	Walgreens Health Initiatives, Inc.	SysteMed, L.L.C.	RX America	Caremark, Inc.	Catalyst RX
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**Capabilities/Qualifications (40 pts. possible)**

Scope of Service	23.5	17.9	17.8	20.4	20.6
Qualifications of Personnel	4.8	4.1	4.4	4.4	4.4
Financial Stability	9.0	8.0	7.0	4.0	5.0
	<u>37.3</u>	<u>30.0</u>	<u>29.2</u>	<u>28.8</u>	<u>30.0</u>

**Experience (10 pts. Possible)**

Experience with the Public Sector	4.8	4.0	4.0	4.7	4.4
Experience with Organizations with over 3,000 Employees	4.8	4.2	4.3	4.7	4.3
	<u>9.6</u>	<u>8.2</u>	<u>8.3</u>	<u>9.4</u>	<u>8.7</u>

**Fee Schedule/Rates (25 pts Possible)**

Fees/Rates	24.6	20.6	18.0	18.2	20.5
	<u>24.6</u>	<u>20.6</u>	<u>18.0</u>	<u>18.2</u>	<u>20.5</u>

**Responsiveness to purpose  
of work desired (15 pts. possible)**

Presentations & Interviews	4.3	3.7	4.1	4.1	4.5
	<u>4.3</u>	<u>3.7</u>	<u>4.1</u>	<u>4.1</u>	<u>4.5</u>

<b>SUBTOTAL:</b>	75.8	62.5	59.6	60.5	63.7
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**Small Business Economic Development**

**Advocacy (SBEDA) Policy Compliance (20 pts. possible)**

Local Business Enterprise Participation	6.0	0.0	0.0	6.0	0.0
SBEDA Policy Compliance	0.0	0.0	0.0	1.0	0.0
Disadvantaged Business Enterprise Participation	0.0	0.0	0.0	1.0	1.0
	<u>6.0</u>	<u>0.0</u>	<u>0.0</u>	<u>8.0</u>	<u>1.0</u>

<b>TOTAL SCORES:</b> (Based from a total of 100 Points)	81.8	62.5	59.6	68.5	64.7
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Note 1: Average scores above are based on evaluations by individual RFP Committee members.

# City of San Antonio

## Discretionary Contracts Disclosure\*

For use of this form, see City of San Antonio Ethics Code, Part D, Sections 1 & 2  
Attach additional sheets if space provided is not sufficient.  
State "Not Applicable" for questions that do not apply.

\* This form is required to be supplemented in the event there is any change in the information under (1), (2), or (3) below, before the discretionary contract is the subject of council action, and no later than five (5) business days after any change about which information is required to be filed.

### Disclosure of Parties, Owners, and Closely Related Persons

For the purpose of assisting the city in the enforcement of provisions contained in the City Charter and the code of ethics, an individual or business entity seeking a discretionary contract from the city is required to disclose in connection with a proposal for a discretionary contract:

(1) the identity of any individual who would be a party to the discretionary contract:

No single individual would be a party to this contract.

(2) the identity of any business entity that would be a party to the discretionary contract: WHP Health Initiatives, Inc. d/b/a Walgreens Health Initiative and the name of:

(A) any individual or business entity that would be a subcontractor on the discretionary contract:

AdvancePCS, Inc. and PrudentRx, Inc. will be selectively utilized for formulary management and pharmacy auditing services, respectively.

(B) any individual or business entity that is known to be a partner, or a parent or subsidiary business entity of any individual or business entity who would be a party to the discretionary contract:

Walgreen Co., as parent corporation.

(3) the identity of any lobbyist or public relations firm employed for purposes relating to the discretionary contract being sought by any individual or business entity who would be a party to the discretionary contract:

No such lobbyist or public relations firm is so involved.

<sup>1</sup> A business entity means a sole proprietorship, partnership, firm, corporation, holding company, joint-stock company, receivership, trust, unincorporated association, or any other entity recognized by law.

### Political Contributions

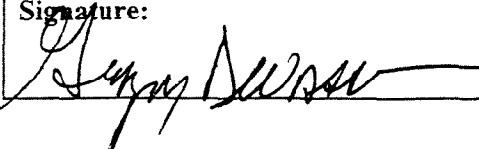
Any individual or business entity seeking a discretionary contract from the city must disclose in connection with a proposal for a discretionary contract all political contributions totaling one hundred dollars (\$100) or more within the past twenty-four (24) months made directly or indirectly to any *current or former member of City Council*, any *candidate for City Council*, or to any *political action committee* that contributes to City Council elections, by any individual or business entity whose identity must be disclosed under (1), (2) or (3) above. Indirect contributions by an individual include, but are not limited to, contributions made by the individual's spouse, whether statutory or common law. Indirect contributions by an entity include, but are not limited to, contributions made through the officers, owners, attorneys or registered lobbyists of the entity.

To Whom Made:	Amount:	Date of Contribution:
WHI acknowledges the above requirement. No contribution totaling one hundred dollars or more within the past twenty-four (24) months was made directly or indirectly to any current or former member of City Council, or any candidate for City Council. Support for any political action committee is provided through voluntary employee contributions and is therefore not company sponsored.		

### Disclosures in Proposals

Any individual or business entity seeking a discretionary contract with the city shall disclose any known facts which reasonably understood raise a question as to whether any city official or employee would violate Section 1 of Part B, Improper Economic Benefit, by participating in official action relating to the discretionary contract.

WHI acknowledges this requirement.

Signature: 	Title: Gregory D. Wasson Company: President	Date: 6/12/02
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<sup>2</sup> For purposes of this rule, facts are "reasonably understood" to "raise a question" about the appropriateness of official action if a disinterested person would conclude that the facts, if true, require recusal or require careful consideration of whether or not recusal is required.