

**CITY OF SAN ANTONIO
HUMAN RESOURCES DEPARTMENT
CITY COUNCIL AGENDA MEMORANDUM**

CONSENT AGENDA

ITEM NO. _____

30

TO: Mayor and City Council

FROM: Sharon De La Garza, Director, Human Resources Department

COPIES: Frances A. Gonzalez, Assistant City Manager; City Attorney's Office; Finance Department; File

SUBJECT: Prescription Benefit Program (Walgreens) Contract Extension

DATE: October 20, 2005

SUMMARY AND RECOMMENDATIONS

This Ordinance authorizes the City Manager or his designee to exercise the option of the first one (1) year renewal contract extension with Walgreens Health Initiatives to provide prescription drug card program services under the City's Self Funded Health Benefit Program in an annual estimated amount of \$15,115,061. The term of this contract begins on January 1, 2006 and ends on December 31, 2006, 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 plans 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 the cost of prescription claims, which have increased at a rate higher than inflation over the past several years.

The current Prescription Benefit Program is in effect pursuant to Ordinance No. 96895 and has been administered by Walgreens Health Initiatives since January 1, 2003. The original three (3) year contract included a provision for two (2) one (1) year renewal options. This proposed contract extension would be the first optional extension authorized by the original contract. Walgreens has provided Prescription Benefit Program services to the City of San Antonio since January 1, 1998.

The current contract resulted in a savings of \$2.6 million to the plan and \$557,000 to plan members off the average wholesale price of prescriptions for the 2004 plan year. In addition to the discount savings, negotiated rebates to the City average over \$350,000 in annual savings to the Self Insurance Fund.

The Human Resources Department released a Combined Health Benefits Request for Proposal in 2004, which included a Request for Information on Prescription Benefit Programs. The response

showed the current contract discount levels and rebates to be more competitive than programs offered through other providers.

POLICY ANALYSIS

Execution of this contract will allow for a continued prescription drug card program, which is an integral part of containing prescription costs in the City's Self Funded Health Benefits Program.

FISCAL IMPACT

Funds in the amount of \$15,115,061 are included in the adopted Budget for FY 2005-2006 to provide prescription benefits to eligible plan participants. Funds are appropriated annually, by fiscal year, in the Employee Benefits Self-Insurance Fund. This ordinance will authorize the first nine (9) months of this contract in FY 2005-2006 and the remaining three (3) months will be authorized in FY 2006-2007, contingent upon subsequent funding.

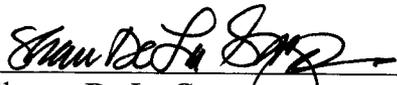
The negotiated contract includes a reduction of dispensing fees and increase in discounts for 90-day prescriptions received at the retail level from Walgreens through the Advantage 90 Program. Also included are improved discounts for generic prescriptions received through the mail order service and the addition of retail savings for specialty drugs.

COORDINATION

This item has been coordinated with the City Attorney's Office, Contract Services, Finance, and Economic Development.

SUPPLEMENTARY COMMENTS

The required Ethics Disclosure Statement is attached.



Sharon De La Garza
Human Resources Director



Frances A. Gonzalez
Assistant City Manager



for J. Rolando Bono
City Manager

City of San Antonio Discretionary Contracts Disclosure

*For use of this form, see Section 2-59 through 2-61 of the City Code (Ethics Code)
Attach additional sheets if space provided is not sufficient.*

City Contract #

Walgreens Health Initiatives, Inc.

Top of Form

No partner, parent or subsidiary; or

List partner, parent or subsidiary of each party to the contract and identify the corresponding party:

Walgreens Health Initiatives, Inc. is a wholly owned subsidiary of Walgreen Co.

Bottom of Form

Top of Form

No subcontractor(s); or

List subcontractors:

Walgreens Health Initiatives, Inc. has a nationwide pharmacy network of approx. 54,000 pharmacies that would be considered subcontractors.

Top of Form

(4) Identify any **lobbyist** or **public relations firm** employed by any party to the discretionary contract for purposes related to seeking the discretionary contract.

No lobbyist or public relations firm employed; or

List lobbyists or public relations firms:

Bottom of Form

³ 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. A sole proprietor should list the name of the individual and the d/b/a, if any.

List all political contributions totaling one hundred dollars (\$100) or more within the past twenty-four (24) months made 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 Box (1), (2), (3) or (4) above, or by the officers, owners of any business entity listed in Box (1), (2) or (3):

No contributions made; if contributions made, list below:

By Whom Made:	To Whom Made:	Amount:	Date of Contribution:

Bottom of Form

Top of Form

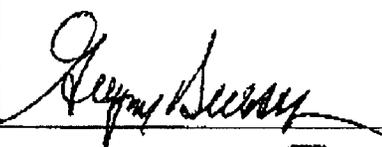
Any individual or business entity seeking a discretionary contract with the city must disclose any known facts which, reasonably understood, raise a question^a as to whether any city official or employee would violate Section 2-43 of the City Code (Ethics Code), ("conflicts of interest") by participating in official action relating to the discretionary contract.

Party not aware of facts which would raise a "conflicts-of-interest" issue under Section 2-43 of the City Code; or

Party aware of the following facts:

Bottom of Form

This form is required to be supplemented in the event there is any change in the information 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, whichever occurs first.

Signature: 	Title: <i>President</i> Company or D/B/A: Walgreens Health Initiatives, Inc.	Date: <i>10/12/05</i>
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^a 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.