6-10-04
#30

Memorandum

TO: Mayor and Council
FROM: Patricia A. Young, CCSD Department Director
DATE: June 3, 2004
SUBJECT: **Reponses to Council Health Subcommittee Inquiries Regarding Item #30 on the June 10, 2004 Council Agenda**

Item 30 on the June 10 Council agenda is a request for authorization to negotiate a contract for certain pharmacy management and dispensing services for Community Health Center patients and Medical Assistance Program enrollees. At the May 25 Council Health Subcommittee meeting, committee members asked several questions related to the specific locations of the proposed vendor and the evaluation of the competing proposal submitted that City Purchasing procedure precluded me from addressing until the name of the proposed vendor was made public with the posting of the agenda. In addition, committee members asked for information regarding pharmacy charges for CHC patients and other issues related to the proposed strategy for meeting the pharmacy needs of our patients and enrollees. I am providing this memo to address all of these issues and concerns together and as background information for your consideration of Item 30.

The attached Table 1and Maps A and B show the locations of the proposed vendor Walgreen's pharmacies that would serve CHC and MAP patients and the hours of operation of each. Please note that federal regulation requires us to link no more than one designated outside pharmacy site with each CHC site. This linkage means that each CHC site's patients can obtain medications using the 340B drug pricing discount program that is available to Federally Qualified Health Centers (FQHCs).

As the chart and maps indicate, the distances between the pharmacies and the CHC sites range from 0.8 miles to 2.5 miles for our urban CHC sites and 1.6 miles to 8 miles for our rural CHC sites. The proximity of the pharmacies to the CHCs was one of several evaluation criteria related to customer service and convenience on which the recommended vendor scored *substantially higher* than the other company that responded to the RFP. The criteria in this category (Pharmacy Network Management) also included the proposer's capacity to absorb the current and projected growth in prescription volume for CHC patients and MAP enrollees, its ability to significantly reducing the current wait time experienced by CHC patients utilizing the CHC pharmacies, and extended hours of operation, with all sites open 7 days a week. These criteria were critically important to the Community Care Service Department's ability to address issues around access to pharmacy services raised by our CHC patients and the FQHC Board. (Please see Table

2, Evaluation Matrix.)
Other Subcommittee Questions and Responses:

1. *Will there be transportation obstacles for CHC patients?*

   Attached Maps C-1[2] show the distribution of CHC patient residences in relation to CHC sites and their corresponding Walgreens locations. As the maps indicate, on a patient-by-patient basis, transportation time to the Walgreens pharmacy may be shorter than to the CHC pharmacy. Please note that the majority of Class A prescriptions currently filled at the CHC pharmacies are refills, which almost always require the patient to make an extra trip to the CHC during our limited hours of operation.

   In many instances, the CHC clinician can provide new prescriptions on site, through the Class D pharmacy. This option will remain under the proposed arrangement for Walgreens to perform Class A dispensing. Class D medicines that can be dispensed on site and thus would not require a trip to the pharmacy include:

   - Anti-infectives, such as Erythromycin, penicillin, tetracycline, and cephalosporin
   - Oral and non-oral contraceptives
   - Hormones, such as Progestin, Estrogens, and Thyroid
   - Diabetic medications, such as oral hypoglycemics and insulin
   - Cardiovascular medications, such as diuretics, anti-hypertensives, potassium supplements
   - Respiratory medications, such as bronchodilators, respiratory inhalers, antihistamines, decongestants, anti-tussives (cough), and nasal sprays
   - Central nervous system medications, such as analgesics, anti-inflammatories, muscle relaxants, anti-purities, anti-emetics, and anti-convulsives
   - Gastrointestinal medications, such as laxatives
   - Dermatological topical medications, such as anti-fungals, anti-bacterials, and anti-inflammatories (e.g., Hydrocortisone)
   - Vaginal preparations
   - Hemorrhoidal preparations
   - Ophthalmic medications
   - Otic medications

   Many CHC patients rely on public transportation, so one of the requirements stipulated in the RFP was that all pharmacy sites must be on bus lines.

2. *Does the recommended vendor Walgreens have a delivery service?*

   At this time, Walgreens does not offer delivery.

3. *How have increases in CHC pharmacy dispensing fees compared with increases in the financial resources of CHC patients who live on a fixed income?*

The following table shows increases in social security benefits, CHC pharmacy dispensing fees, and drug prices from 1997 through 2004.

Year	Social Security Administration Cost of Living (COLA) Increase	Pharmacy Dispensing Fee paid by CHC Patients	National Drug Cost inflation Rate
1997	2.9%	$4	16.1%
1998	2.1%	$4	16.8%
1999	1.3%	$5	17.2%
2000	2.4%	$5	16.2%
2001	3.5%	$5	16.7%
2002	2.6%	$5	18.5%
2003	1.4%	$5	15.5%
2004	2.1%	$5	16.0%
Compounded: 1997-2004	19.9%	N/A	342%

The planned increase in CHC dispensing fees for FY 05 is from $5 to $7 for MAP enrollees and sliding scale patients under 133 % of the federal poverty level. The planned increase is from $5 to $8.50 for sliding scale patients above 133% of the federal poverty level. This change is necessary to avoid cuts to CHC pharmacy or other benefits regardless of whether CCSD contracts with an outside vendor for a portion of the prescriptions written by CHC providers as recommended.

4. *What would happen if CCSD does not raise the current pharmacy dispensing fee per prescription paid by CHC patients?*

Maintaining the current pharmacy dispensing fee per prescription paid by CHC patients would require CCSD to subsidize a greater portion of total dispensing costs. This greater subsidization would be required whether CCSD contracts with an outside vendor as proposed or pursues the alternative we are not recommending, an extensive upgrade of the current CHC pharmacy infrastructure. The amount of the increased dispensing subsidy, assuming that all CHC patients and MAP enrollees are charged the current CHC dispensing fee of $5 per prescription would be $656,000. If CHC patients continued to pay $5 per prescription and MAP enrollees continued to pay $10 per prescription, the amount of the increased subsidy would be $406,000. Either of these amounts could be made up by either reducing CHC and/or MAP benefits or increasing the General Fund transfer to CCSD.

5. *How do current pharmacy fees for patients of City of Austin CHC pharmacies compare with the pharmacy fees paid by other urban FQHCs in Texas?*

The following chart provides comparison data:

Austin-Travis County CHCs	• **$5.00 dispensing fee per prescription for all patients (Planned increase to $7 or $8.50, depending on patient income)** • **No portion of drug acquisition cost paid by patient.**
Brownsville CHC	• $10-18 dispensing fee per prescription
Community Healthcare Center of Wichita Falls	• $10 dispensing fee per prescription • Patient pays a portion of the CHC's average drug cost per prescription based on a sliding scale
El Centro Del Barrio, San Antonio	• $5 dispensing fee per prescription • Patient pays the CHC's full drug cost per prescription
Gateway CHCs, Laredo	• Patients under 100% of the federal poverty level (FPL) pay $5 per prescription • Patients from 101-125% FPL pay 25% of pharmacy's total costs per prescription • Patients from 126-150% FPL pay 50% of pharmacy's total cost per prescription • Patients from 151-175% FPL pay 75% of pharmacy's total cost per prescription • Patients over 175% FPL pay full pharmacy cost per prescription
Good Neighbor Health Care center, Houston	Do not provide pharmacy services
Heart of Texas CHC, Waco	• $4.50 dispensing fee per prescription • Patient pays a portion of the CHC's average drug cost per prescription based on a sliding scale
Houston CHCs, Pearland	Do not provide pharmacy services

Please also note that Austin-Travis County CHCs' pharmacy costs per medical visit (after subtracting patient dispensing fees) is substantially higher than for other FQHCs. Our pharmacy cost per medical visit is $40, compared with the Texas average of $21 and the national urban FQHC average of $12.

6. *Does the recommended vendor Walgreens employ Spanish speaking customer service staff?*

   Yes, Walgreens has Spanish speaking associates in all of the stores it proposes to link with the CHCs. In addition, Walgreens proprietary prescription processing software can print up to 8 different languages on the actual prescription label. Finally, Walgreens employs Spanish interpreters in its Pharmaceutical Care Center in Orlando, FL who can assist with translations should a customer visit a store when one of the Spanish speaking associates is not available.

7. *Please clarify the chart provided to the Council Health Subcommittee breaking out the costs of contracting with the recommended vendor versus upgrading current CHC pharmacy infrastructure and not merging the MAP prescription benefit into the CHC 340B pricing initiative.*

   The following chart provides a greater level of detail in comparing the costs of the two options:

Pharmacy Services Cost Comparison

	Recommended Vendor	**Upgrading Current Pharmacy Operations**
Staffing	$1,071,588	$1,948,025
Dispensing/PBM Vendor's Fees	$1,018,100	$559,738
Drug Cost	$4,263,980	$4,924,694
Less Dispensing Fees Collected	($400,000)	($800,000)
Total Annual Operating Cost	$5,953,668	$6,632,457
Capital Equipment Required	$0	$750,000
Grand Total	$5,953,668	$7,382,457

Please let me know if you have any additional questions about this item or if you need clarification of any of these responses.