



**Purchasing Service Agreement  
CITY OF AUSTIN  
RECOMMENDATION FOR COUNCIL ACTION**

**AGENDA ITEM NO.:** 30  
**AGENDA DATE:** Thu 06/10/2004  
**PAGE:** 1 of 3

**SUBJECT:** Authorize negotiation of a 12-month service agreement with WALGREENS HEALTH INITIATIVES, Chesterfield, MO, for pharmacy management and dispensing services in an amount not to exceed, \$1,200,000, with four 12-month extension options in amounts not to exceed \$1,400,000 for the first extension, \$1,600,000 for the second extension, \$1,800,000 for the third extension, and \$2,000,000 for the fourth extension, for a total agreement amount not to exceed \$8,000,000.

**AMOUNT & SOURCE OF FUNDING:** Funding is contingent upon approval of the Fiscal Year 2004-2005 Proposed Operating Budget for the Community Care Services Department. Funding for the extension options is contingent upon available funding in future budgets.

**FISCAL NOTE:** There is no unanticipated fiscal impact. A fiscal note is not required.

**REQUESTING** Purchasing  
**DEPARTMENT:** for Community Care  
Services;

**DIRECTOR'S**  
**AUTHORIZATION:** Vickie Schubert

**FOR MORE INFORMATION CONTACT:** Vikie DeLuyck, MSW, Buyer II/972-4014

**PRIOR COUNCIL ACTION:** N/A

**BOARD AND COMMISSION ACTION:** N/A

**PURCHASING:** Best proposal of two proposals received.

**MBE / WBE:** This contract will be awarded in compliance with Chapter 2-9 of the City Code (Minority-Owned and Women-Owned Business Enterprise Procurement Program). No subcontracting opportunities were identified; therefore, no goals were established for this solicitation.

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This service agreement with Walgreens Health Initiatives provides for pharmaceutical management and medication dispensing services for underinsured and uninsured patients receiving services at the Community Health Centers (CHCs) and for the City of Austin Medical Assistance Program (MAP) patients. The agreement covers a network of pharmacies providing prescription dispensing services, formulary management, drug use review, and assistance with prior authorization programs. Currently, the City dispenses medications to its CHC and MAP patients who utilize a CHC physician by one of two methods:

1. **CHC Prescriptions:**  
Class A pharmacies (full service) are located in four of the CHCs and are staffed by City employees. The Class A pharmacies fill all prescriptions written by CHC physicians for self-pay/sliding fee scale patients and MAP enrollees.  
Class D pharmacies are licensed in each clinic to allow CHC physicians to dispense medications directly to patients during their clinic visit (e.g., routine medications such as oral contraceptives, treatments for sexually transmitted diseases, starting doses of oral antibiotics).  
Pharmaceuticals for both types of dispensing are purchased at federally mandated public health pricing through an existing contract and are dispensed by City pharmacists.



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**2. Non-CHC Prescriptions**

MAP has contractual arrangements with Eckerd Health Services to provide medications, dispensing and pharmacy management services. From their network of pharmacies, Eckerd Health Services dispenses medications from prescriptions written by providers not affiliated with the CHCs (e.g., Brackenridge Hospital emergency room or specialty referral physicians). The Eckerd Health Services contract ends September 30, 2004.

On September 9, 2003, the City issued an RFP that was expected to result in a new contract allowing both MAP and the CHCs to participate fully in the 340B Drug Pricing Program thus replacing the current Eckerd Health Services contract. 340B Drug Pricing is low-cost governmental pricing for specific pharmaceuticals dispensed to public health clinic patients. CCSD determined it could purchase 340B priced medications for MAP patients and could improve its overall pharmacy program. Following an extensive review, the single proposal submitted in response to the RFP was deemed non-responsive.

On December 22, 2003, after departmental discussions and input from the vendor community, the RFP was re-issued. Two proposals were received. The proposals were reviewed and scored by a panel consisting of two registered nurses, a pharmacist, a pharmacy technician and the Chief Operating Officer of the CHCs. The best proposal was identified based on the vendor's ability to manage numerous formularies and plan designs, 340B and non-340B inventory logistics, reporting capabilities, ability to populate dispensed pharmaceuticals into patient medical records, cost, and PBM experience, which provides activities described in the scope of work (see attached matrix).

The agreement resulting from the solicitation will provide for a single contractor for pharmaceutical management and dispensing services for CHC and MAP patients. Walgreens Health Initiatives (WHI) is able to meet all of the unique service requirements for the 340B Drug Pricing Program and provide CCSD the following benefits:

- Provide superior customer service through patient and provider education, capacity and efficiencies to serve our patients including extended operating hours, and an interactive voice refill system whereby patients can tell the vendor when they want to pick up their prescription;
- Use a sophisticated information and reporting system comparable to the types of systems utilized by commercial health plan administrators to provide patient data, dispensing and utilization trends, comparative clinical data, and formulary management for retrospective review;
- Use specialized automated technology for dispensing medications purchased through the federal 340B Drug Pricing Program, and other medications as required by City patients;
- Interface with the CHCs new electronic data management system and electronic medical records;
- Create a pharmacy network to provide direct pharmacy services to persons served through the CHCs and MAP, retain the Class D pharmacies in all clinics, and discontinue the four CHC Class A pharmacies; and
- Maintain compliance with all federal, state, and local rules and regulations.



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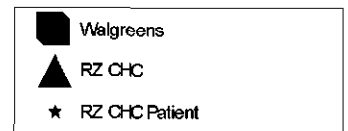
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**PROPOSAL ANALYSIS**

- a. Adequate competition.
- b. Twenty-six notices were sent with no MBEs and no WBEs. Three RFPs were issued with no MBEs or WBEs. Four internet users downloaded the RFP.
- c. Two proposals and two no-bids were received.

**APPROVAL JUSTIFICATION**




- a. This proposal satisfies the requirements of the RFP.
- b. The Community Care Services Department concurs with the recommended award.
- c. The RFP was advertised in the Austin American-Statesman and on the internet.



**Map of Patients who have had at least one visit  
to the South Austin CHC since 1/1/04**



Source: ICC MPI/CDR  
Data as of: June 4, 2004

 Walgreens  
 South Austin CHC  
 South Austin CHC Patient

