



**Purchasing Modification  
CITY OF AUSTIN  
RECOMMENDATION FOR COUNCIL ACTION**

**AGENDA ITEM NO.: 39  
AGENDA DATE: Thu 07/28/2005  
PAGE: 1 of 2**

**SUBJECT:** Authorize execution of Amendment No. 1 to the contract with WALGREENS HEALTH INITIATIVES, Deerfield, IL for pharmacy management and dispensing services, to increase the contract in an amount not to exceed \$1,260,243 for a revised current year contract amount not to exceed \$2,460,243; and to increase the extension options one through four in amounts not to exceed \$1,397,638, \$1,495,351, \$1,623,823, and \$1,787,566 respectively for each succeeding year; for a total revised contract amount not to exceed \$15,564,621.

**AMOUNT & SOURCE OF FUNDING:** Funding for the current term of the contract is available in the Fiscal Year 2004-2005 Operating Budget of 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.

<b>REQUESTING</b> Purchasing	<b>DIRECTOR'S</b>
<b>DEPARTMENT:</b> for Community Care Services;	<b>AUTHORIZATION:</b> <u>Vickie Schubert</u>

**FOR MORE INFORMATION CONTACT:** Lynn Mueller, Senior Management Analyst/972-4011

**PRIOR COUNCIL ACTION:** On June 10, 2004, Council authorized negotiation of a 12-month service agreement with four 12-month extension options. On June 24, 2004, Council authorized execution of a 12-month service agreement with four 12-month extension options.

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

**PURCHASING:** N/A

**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.

---

This agreement with Walgreens Health Initiatives ("WHI") covers pharmaceutical management services (formulary management, drug use review, assistance with prior authorization programs) and prescription dispensing services for certain patients who are treated at the City/Travis County Community Health Centers ("CHC") and for enrollees in the City of Austin and Travis County Medical Assistance Programs ("MAP"). The agreement is the result of a Request For Proposal ("RFP") jointly developed by the City and Travis County for their respective Medical Assistance Programs, issued on December 22, 2003. The agreement is intended to improve the quality and turn-around time of pharmacy services to patients, and reduce the cost of providing medications to patients under the federal 340B Drug Pricing Program.

At the time the RFP was issued the evaluation team identified WHI as the successful proposer, the City of Austin and Travis County health care programs were independent programs with separate governmental funding sources and budgets. At that time it was anticipated that the City and the County would contract individually with WHI.



**Purchasing Modification  
CITY OF AUSTIN  
RECOMMENDATION FOR COUNCIL ACTION**

**AGENDA ITEM NO.: 39  
AGENDA DATE: Thu 07/28/2005  
PAGE: 2 of 2**

Two RCAs were submitted to Council seeking, respectively, authorization to negotiate and to execute a contract with WHI. The RCAs addressed only the City's contracting and funding needs. The County's contracting and funding needs were scheduled to be submitted to the Travis County Commissioners Court after negotiations had been completed and the contract had been signed by WHI (in accordance with the County's protocol).

Subsequent to Council authorizing negotiation and execution of this agreement between WHI and the City, the City entered into an Interlocal agreement with the Travis County Hospital District ("District"). Under this Interlocal agreement (for the period of October 1, 2004, through September 30, 2005, subject to extension) the City agreed to operate the District clinics (City/Travis County Community Health Centers) and to administer the District programs (including the City of Austin and Travis County Medical Assistance Programs) on behalf of the District. As of October 1, 2004, the District transferred to the City funding for indigent health care, and the City allocated those combined City and County funds to continue providing health care services to indigent and needy residents of the District.

On October 1, 2004, WHI began operations for the Community Care Services Department ("Department"), providing pharmacy services to patients, City and County, who are served by the Department on behalf of the District through the CHC network and MAP, and who have pharmacy benefits under District policy. Over the last seven months, the City has been paying WHI through separate payment mechanisms for services provided to City patients and County patients.

This requested amendment will increase the authorized limit on the City's agreement with WHI to include the amount estimated for the provision of services to County patients, whom the City has agreed to serve through its interlocal with the District. Higher-than-expected utilization of services and the continued provision of prescriptions to Medicare participants receiving services from private physicians will cause spending under this agreement to exceed the original amounts estimated last fiscal year, and approved by Council on the two June 2004 RCAs. However, the overall costs of dispensing pharmaceuticals have decreased, resulting in savings to the District.

Amendment One will increase the not-to-exceed amount for the initial contract term of October 1, 2004, through September 30, 2005, by \$1,260,243, and will increase the not-to-exceed amounts for each of the four extension options as follows: by \$1,397,638 for the first extension option, \$1,495,351 for the second extension option, \$1,623,823 for the third extension option, and \$1,787,566 for the fourth (and final) extension option. The new total not-to-exceed contract amount will be \$15,564,621.

<b>YEAR</b>	<b>Original RCA Approved Amount</b>	<b>Requested Increase Amount</b>	<b>New Contract Amount</b>
<b>Year 1</b> <i>(10-01-04 through 09-30-05)</i>	\$1,200,000	\$1,260,243	\$2,460,243
<b>Year 2</b> <i>(first extension option)</i>	\$1,400,000	\$1,397,638	\$2,797,638
<b>Year 3</b> <i>(second extension option)</i>	\$1,600,000	\$1,495,351	\$3,095,351
<b>Year 4</b> <i>(third extension option)</i>	\$1,800,000	\$1,623,823	\$3,423,823
<b>Year 5</b> <i>(fourth extension option)</i>	\$2,000,000	\$1,787,566	\$3,787,566
<b>Total Contract Amount</b>	<b>\$8,000,000</b>	<b>\$7,564,621</b>	<b>\$15,564,621</b>