

**File No. 04-0579  
TO THE COUNCIL OF THE  
CITY OF LOS ANGELES**

**Your**

**PERSONNEL COMMITTEE**

**reports as follows:**

No

Yes

Public Comments XX

PERSONNEL COMMITTEE REPORT relative to the feasibility of establishing a prescription drug bulk purchasing consortium.

Recommendations for Council action, as initiated by Motion (Villaraigosa - Cardenas, et al.):

1. AUTHORIZE the Personnel Department to convene a steering committee and provide technical and administrative assistance in the evaluation, development and review of a proposed Request for Proposal (RFP) for a new prescription drug program for all City residents, the City's prescription drug purchasing for employees on workers' compensation, the County of Los Angeles and other governmental entities.
2. INSTRUCT the Personnel Department to include the following members in the steering committee: Employee Benefits Division, Personnel Department; Risk Management, City Administrative Officer; City Attorney; two health care experts, one with expertise in pharmacy and one from the Los Angeles County Health Services Department; a health plan consultant with expertise in Pharmacy Benefit Management; and one consumer advocate.

Fiscal Impact Statement: The Personnel Department reports that the total impact is unknown at this time because further study is needed. Initially \$25,000 for consulting services will be needed to implement the RFP. Upon review of the submission, additional staff resources will be needed to staff the project.

Summary:

The Motion (Villaraigosa - Cardenas, et al.), dated March 26, 2004, attached to the Council file, recommends that the Council instruct the Personnel Department, with assistance from the City Administrative Officer (CAO) and the Chief Legislative Analyst (CLA), to report on the feasibility of establishing a prescription drug bulk purchasing consortium, whose members would include residents, businesses, other private entities, and the City of Los Angeles (City) on behalf of its employees. The Motion calls the consortium "LA-Rx."

In its report, dated December 17, 2004, the Personnel Department states that the United States is facing a crisis in the provision of health care to all of its citizens. In the City, this problem is particularly acute because approximately 20 percent of the residents do not have health insurance, or their insurance only provides catastrophic coverage. Access to routine preventative care and prescription drugs is increasingly becoming unaffordable for a large portion of the City's population. One of the contributing reasons for the increasing number of uninsured and under insured is the rapid escalation in the

price of prescription drugs. The cost of prescription drugs has increased by over 70 percent in the last five years. As a result, paying the retail price for certain medications is beyond the financial resources of many of the City's residents.

The Personnel Department states that to potentially address this problem the Motion requested the Personnel Department, CAO and CLA to study the feasibility of a large-scale prescription drug program for residents of the City. A large-scale prescription drug purchasing program is a significant undertaking that would provide considerable benefit to the residents of the City. Upon initial review, this type of program is possible; however, like many issues in the area of health care, the ultimate success, failure and cost effectiveness of any program is buried in the myriad of complex details.

The Personnel Department states that staff has identified one other jurisdiction in the United States that has implemented a similar concept. In Nassau County, New York, the County provides a discount prescription drug purchasing card to the 1.3 million residents in Nassau County. The purchasing card is free to all residents and enables the residents to secure medication at a discount price, thereby saving the residents the difference between the discount rate and the retail price for each prescription drug. The Nassau County program is administered by Caremark Pharmacy Benefit Management Company. Nassau County, in a recent press release claims that it saved the residents of Nassau County over a half million dollars.

The Personnel Department states that while the initial results from Nassau County are encouraging, because of the inherent complexity of any health or prescription drug program, it is essential that a full evaluation be done prior to offering such a program to the residents of the City. To conduct this full evaluation, the Personnel Department recommends that a steering committee be formed to evaluate the Nassau County model as well as any other similar existing program. The Personnel Department recommends that the steering committee contain the following members:

1. Employee Benefits Division, Personnel Department
2. Risk Management, CAO
3. City Attorney
4. Two health care experts, one with expertise in pharmacy
5. A health plan consultant with expertise in Pharmacy Benefit Management

The Personnel Department states that the Steering Committee would be responsible for making a preliminary determination if this type of program would provide significant value to the residents while maintaining control of liability, and related costs. If the steering committee determines that the program can be successful, it will move to the development of a Request for Proposal (RFP) for these services. The initial development will be led by the Personnel Department's Employee Benefits Division, because the Employee Benefits Division is familiar with pharmacy benefits and works closely with a benefits consultant who could be used on this project. The Personnel Department would then bring the completed analysis and RFP back to the Council prior to the release of the RFP.

During the discussion of LA-Rx at the Personnel Committee meeting of February 16, 2005, a Personnel Department representative indicated that LA-Rx is not possible for City employees (not on workers' compensation) because the vast majority of City employees are in health maintenance organizations (HMOs). The HMOs already have a drug bulk purchasing program. At the Personnel Committee Chair's request, the Personnel Department representatives agreed to include, in the LA-Rx study, employees on workers' compensation.

At the request of the Personnel Committee Vice-Chair, the Personnel Committee members agreed to include a consumer advocate in the recommendation for steering committee membership. At the request of Councilmember Greuel, the Personnel Committee members agreed that one of the health care experts recommended for the steering committee would be from the Los Angeles County Health Services Department.

Jerry Flanagan, a consumer advocate, with the Foundation for Taxpayer and Consumer Rights (a Statewide organization that works nationally on healthcare issues, insurance reform and energy policy), spoke in support of LA-Rx and indicated that the larger the consortium, the greater the discount. Mr. Flanagan stated that over the last four years, he has worked on drug bulk purchasing proposals.

The Personnel Committee recommended the actions listed above. This matter is now forwarded to the Council for its consideration.

Respectfully submitted,

PERSONNEL COMMITTEE

<u>MEMBER</u>	<u>VOTE</u>
ZINE:	YES
VILLARAIGOSA:	YES
GREUEL:	YES

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