

**APPROVE EXERCISING THE SECOND OPTION TO RENEW THE AGREEMENT WITH
WALGREENS HEALTH INITIATIVES, INC. FOR PHARMACY BENEFIT MANAGEMENT SERVICES**

THE CHIEF EXECUTIVE OFFICER REPORTS THE FOLLOWING DECISION:

Approve exercising the second option to renew the agreement with Walgreens Health Initiatives, Inc. (Walgreens) to provide pharmacy benefit management services at all Walgreens and Dominicks stores for the Board's self-insured Blue Cross Blue Shield Medical Plan, at a cost not to exceed \$26,000,000. A written renewal agreement for vendor's services is currently being negotiated. No payment shall be made to vendor prior to the execution of the written renewal agreement. The authority granted herein shall automatically rescind in the event a written renewal agreement is not executed within 120 days of the date of this Board Report. Information pertinent to this renewal agreement is stated below.

Specification No: 00-250570

VENDOR: Walgreens Health Initiatives, Inc. 106 Wilmont Road Deerfield, IL 60015 Contact Person: Tony Bono (847) 940-5600 Vendor # 29401	USER: Bureau of Risk and Benefits Management 125 South Clark Street-14 th Floor Georgette Hampton, Director (773) 553-2818
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ORIGINAL AGREEMENT: The original agreement (authorized by Board Report# 00-0628-PR43) is for a term commencing January 1, 2001 and ending December 31, 2001, with the Board having two options to renew for periods of 12 months each. Fees and rates for each renewal shall be renegotiated based upon volume, claims experience and cost. Walgreens was selected on a non-competitive basis because it has maintained an efficient, cost effective pharmacy benefit management service for the Board's self-funded insurance program for the past five years, without any rate increases. The agreement was renewed (authorized by board report 01-1219-PR33) in the amount not to exceed \$20,000,000.00, for a term commencing January 1, 2002 and ending December 31, 2002.

RENEWAL TERM: The agreement shall be renewed for a term commencing January 1, 2003, and ending December 31, 2003.

RENEWAL OPTIONS: There are no options to renew remaining.

DESCRIPTION OF SERVICES: Walgreens Health Initiatives, Inc. will continue to provide access to pharmacy benefit management services for the Board's indemnity insurance plan, insuring cost-effective access to prescription drugs by CPS employees and their eligible dependents enrolled in the plan. Services will continue to include:

- ◆ Prospective, concurrent and retrospective review to identify, prevent and/or reduce medically or procedurally inappropriate dispensing activity.
- ◆ Professional consulting services to the Board about employee prescription drug benefits to insure compliance with all laws and provide advice regarding design and communication.
- ◆ Establishment, maintenance and control of a network of fully licensed and insured retail pharmacies available to provide prescription drugs.
- ◆ Designation of a mail-order pharmacy as the network mail order pharmacy able to dispense maintenance medications.

DELIVERABLES: Walgreens Health Initiatives, Inc. will continue to provide safe, accurate dispensing of more than 500,000 prescriptions per year. Vendor shall also provide the following reports, with emphasis on utilization trends and cost savings strategies.

Monthly	6100A.027 - DUR Member Profile-Detail
160B.030 - Utilization Summary Current/YTD	1000A.002 - Quarterly Review
6100B.027 - DUR Member Profile-Summary	1200A.029 - Client Group Summary
Quarterly	1600A.021 - DUR Activity Summary - By Claim Status
1000B.024 - Quarterly Review (Retail vs. Mailorder)	3070A.021 - Prescriber Ranking - Top 100 Prescribers
1220A.020 - Prescription Savings Analysis - Detail	4010B.031 - Therapeutic Class Ranking by total Rx
2060A.017 - Pharmacy Comparison	4050B.031 - NDC Ranking-Top 100 Drugs - \$\$'s
4010A.016 - Therapeutic Class Ranking By total Rx's	4050D.016 - GCN Ranking by Total Dollars
4050A.024 - NDC Ranking-Top 100 Drugs - #Rx's	
4050C.018 - GCN Ranking-Top 100 Drugs-Rx's	
4100A.017 - Generic Drug Utilization Summary	

OUTCOMES: A safe, cost -effective pharmacy benefit program through a well-managed conveniently located network of pharmacies.

AUTHORIZATION: Authorize the General Counsel to include other relevant terms and conditions in the written option document. Authorize the President and Secretary to execute the option document. Authorize the Director of Risk and Benefits Management to execute all ancillary documents required to administer or effectuate this option document.

COMPENSATION: Not to exceed \$26,000,000.00 dependent upon enrolled employees, including an agreed upon reduced per claim administrative fee from \$.040 to \$0.29 per member, per month, and a tiered rebate sharing arrangement.

AFFIRMATIVE ACTION: Based upon a review and analysis of the vendor's compliance with the M/WBE goals from the initial contract term, this contract is in full compliance with the original M/WBE participation goals required by the Revised Remedial Plan for Minority and Women Business Enterprise Contract Participation (M/WBE Plan). The original M/WBE participation goals for the contract include: 35% total MBE, 22% total African American, 10% total Hispanic, 2% total Asian and 5 %total WBE.

The vendor has identified and scheduled the following original M/WBE firms and percentages:

Total MBE 36%

Total 26% African American:

Continental Painting \$15,471.21/8.7%	2255 S. Wabash, Chgo., IL 60616 Certified through 8/1/03
Danielle Ashley Advertising \$15,560.13/8.75%	1900 S. Clark, Chgo., IL 60616 Certified through 10/1/02
Damron Corp. \$15,471.21/8.7%	4433 W. Ohio, Chgo., IL 60624 Reapplied 6/5/02

Total 10% Hispanic:

Raf Haddock Consulting \$17,783.00/10%	1307 N. Harlem, Oak Park, IL 60302 Reapplied 8/6/02
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Total WBE 8.7%

JSR Enterprise \$15,471.21	P.O. Box 146, Matteson, IL 60443 Certified through 4/1/03
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The City of Chicago Department of Procurement Services certifies each identified firm. The identified firms are subject to change upon approval from the Procurement and Contract's Division of Compliance and Vendor Services without further Board approval.

LSC REVIEW: Local School Council approval is not applicable to this report.

FINANCIAL: Charge to Risk and Benefits Management: \$26,000,000.00

Fiscal Year: 2003

GENERAL CONDITIONS:

Inspector General – Each party to the agreement shall acknowledge that, in accordance with 105 ILCS 5/34-13.1, the Inspector General of the Chicago Board of Education has the authority to conduct certain investigations and that the Inspector General shall have access to all information and personnel necessary to conduct those investigations.

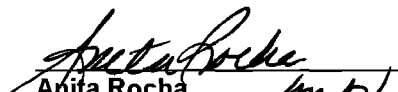
Conflicts – The agreement shall not be legally binding on the Board if entered into in violation of the provisions of 105 ILCS 5/34-21.3 which restricts the employment of, or the letting of contracts to, former Board members during the one year period following expiration or other termination of their terms of office.

Indebtedness – The Board's Indebtedness Policy adopted July 26, 1995 (95-0726-EX3), as amended from time to time, shall be incorporated into and made a part of the agreement.

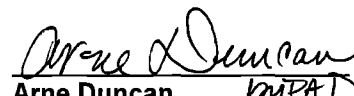
Ethics – The Board's Ethics Code adopted September 27, 1995 (95-0927-RU3), as amended from time to time, shall be incorporated into and made a part of the agreement.

Contingent Liability – The agreement shall contain the clause that any expenditure beyond the current fiscal year is deemed a contingent liability, subject to appropriation in the subsequent fiscal year budget(s).

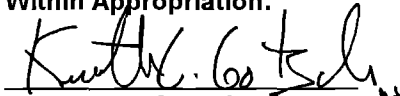
Approved for Consideration:


Anita Rocha
Acting Chief Purchasing Officer

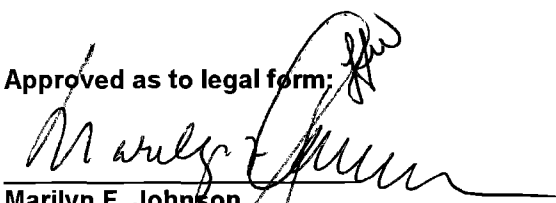
Approved:


Arne Duncan
Chief Executive Officer

Within Appropriation:


Kenneth C. Gotsch
Chief Fiscal Officer

Approved as to legal form:


Marilyn F. Johnson
General Counsel