

May 10, 2024

**VIA EMAIL**

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Re: Kroger/Albertsons - Response to OHA's Letter Dated April 29, 2024

Dear Jenny:

I write on behalf of Kroger, Albertsons, and C&S Wholesale Grocers in response to your April 29 letter requesting written, public-facing responses to questions from the public following the Community Review Board hearing on April 24.

**1. How will Kroger, Albertsons, and C&S preserve access to pharmacy services, including services like birth control and vaccinations?**

**Response:** Kroger, Albertsons, and C&S all understand the essential role that pharmacies serve in their communities, including their role in providing services like birth control and vaccinations. There will be no reduction in pharmacy services, including birth control and vaccinations, in the pharmacies that Kroger acquires from Albertsons or in the pharmacies that Kroger and Albertsons sell to C&S as a result of the transaction.

**2. In comments to OHA, members of the public have raised concerns about understaffing and long wait times at Fred Meyer's pharmacies in Oregon.**

**a. How does the merged company plan to improve pharmacy staffing levels?**

**Response:** Staffing levels are evaluated weekly for each pharmacy location as well as the job type of the associate (pharmacist, pharmacy intern, pharmacy technician)

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for each location. Kroger continues to focus heavily on recruiting, as well as ensuring our total compensation strategy is competitive within the market. In addition, Kroger offers tuition reimbursement up to \$21,000 lifetime for both full and part-time associates including pharmacy technicians who wish to go into college of pharmacy programs in pursuit of their Doctor of Pharmacy.

- b. How does Kroger determine the level (FTE, hours) and type of staff (pharmacist, technician, pharmacy manager, etc.) needed for a given pharmacy location?**

**Response:** Staffing levels are unique to each pharmacy location and can vary due to multiple reasons including hours of operation, prescription volume, number of vaccines administered, clinical services, types of prescriptions and many others. These forecasts are provided weekly for scheduling to occur in order to best serve the patients in each location. Flexibility to these hours does occur, especially when training new staff members.

- c. How does Kroger determine whether to hire pharmacy staff on a full- vs. part-time basis?**

**Response:** Kroger's objective is to ensure full coverage for our pharmacies so that we can provide the right service levels for our patients. Full vs part-time hiring decisions are handled on a case-by-case basis and can be impacted by numerous factors, including seasonality, business trends, and availability from current staff, among others.

- d. Describe any changes Kroger expects to make to how Kroger or Albertsons pharmacies are staffed (including hours, FTE, type of staff, full- vs. part-time) following the close of the transaction.**

**Response:** Kroger has no plans for any changes to the staffing of Kroger or Albertsons pharmacies following the close of the transaction.

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**3. C&S stated it plans to offer employment to all frontline staff (including pharmacy staff) currently working in the divested stores.**

- a. Does C&S have contracts with current frontline staff to keep them working in the same store? If so, how long (months, years) after the close of the transaction would such contracts be in effect?**

**Response:** Because the proposed divestiture transaction has not yet closed, C&S does not have contracts with frontline staff currently working in the stores included in the divestiture transaction. Following the close of the transaction, C&S is focused on retaining frontline pharmacists and support staff and is considering various measures, including employing retention incentives, to ensure that employees continue in their current roles.

- b. Has Kroger made any contractual or other commitments to C&S to support C&S' hiring and retention of frontline staff at the divested stores? Describe any such contractual or other commitments and their duration.**

**Response:** Under the divestiture agreement, C&S has the right to -- and Kroger expects that C&S will -- hire all frontline staff at the divested stores. In the divestiture agreement, Kroger contractually committed to assist C&S in hiring these employees. The specific terms of the agreement between Kroger and C&S are confidential.

**4. In 2021, Walgreens took over the operation of certain Bi-Mart pharmacies in Oregon. Several of these pharmacies closed, due in part to insufficient staffing. OHA understands that many Bi-Mart pharmacy staff declined to apply for employment with Walgreens, despite Walgreens offering substantial sign-on bonuses.**

- a. What is C&S doing to ensure a different outcome for the divested pharmacies?**

**Response:** C&S considers this transaction vital to its strategic shift into retail and is committed to successfully operating each of the pharmacies included in the divestiture package. Moreover, C&S recognizes the importance of retaining retail pharmacists and their support staff and is considering various measures, including employing retention incentives to ensure that employees continue in their current roles. C&S will also build its recruiting pipeline by offering internships and externships and engaging in campus recruiting and educational partnerships.

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C&S has also planned to successfully staff and operate the stores on day one. Following the close of the divestiture transaction, key pharmacy personnel in stores and at the district level will transfer to C&S as part of the transaction. C&S also intends to extend employment offers to float pool pharmacists to ensure adequate staffing at each one of its pharmacies. Finally, C&S is committed to being an excellent employer for pharmacists and other employees in the divested stores, and will offer compensation at or above current levels.

- b. What measures will C&S take to ensure that existing pharmacy staff at the divested stores either choose to apply for employment or continue their employment with C&S?**

**Response:** C&S is currently developing its overall strategy for retention or incentive plans. C&S intends to retain all transitioning pharmacy personnel and will offer retention incentives and bonuses on a case-by-case basis. C&S's goal is to make the transition as seamless as possible for both employees and patients. C&S is also partnering with a well-known third-party consultant to ensure current rewards programs are competitive in the job market and to evaluate whether other programs, such as variable compensation or retention plans, may be needed. C&S is committed to offering compensation at or above current levels.

Additionally, C&S will minimize any disruption to existing in-store pharmacy operations and practices, including hours of operation, so as to ensure continuity for the current pharmacy staff.

- c. How will C&S ensure that pharmacies are adequately staffed to continue providing the same (or improved) levels of pharmacy services in the event current pharmacy staff at the divested stores choose not to apply for employment or continue their employment with C&S following the divestiture?**

**Response:** The C&S talent acquisition team is building the pharmacy talent pipeline so that C&S will be prepared to hire any roles that become vacant after the transition. The C&S pharmacy implementation team has connections to the marketplace for pharmacy candidates, and C&S will be able to draw on their expertise to find talent in specialized areas.

C&S will maintain relationships with staffing and recruiting agencies, as well as accredited pharmacy schools and associate technician programs. Roxanne Schwans (Head of Pharmacy) and Nicole Leiter (Pharmacy Operations Lead) will

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obtain lists of licensed pharmacists from the Boards of Pharmacy in states allowing that disclosure. C&S will also reach out to qualified pharmacists who have been laid off by the large chains. Nicole is a former member of the National Association of Chain Drug Stores and is familiar with the labor challenges facing all retail pharmacies and pharmacists.

**5. Will there be any changes in insurance plans accepted at Kroger or Albertsons pharmacies in Oregon?**

**Response:** There will be no reduction by Kroger or Albertsons in the insurance plans accepted at Kroger or Albertsons pharmacies in Oregon as a result of the transaction.

**a. For the acquired Safeway and Albertsons pharmacies in Oregon, will Kroger continue Albertsons' current PBM and insurer contracts for the duration of those contracts?**

**Response:** Yes.

**b. When does Kroger expect to renegotiate PBM and insurer contracts for the acquired Safeway and Albertsons pharmacies in Oregon?**

**Response:** Kroger expects to renew those contracts prior to their expiration assuming that a commercial agreement can be reached.

**c. Will C&S "take over" existing PBM and insurer contracts for the divested pharmacies in Oregon for any length of time? Why/why not?**

**Response:** C&S intends to enter into its own PBM contracts before the close of the transaction. C&S is also working to minimize disruptions for patients, and is considering entering into contracts with additional networks and discount card vendors.

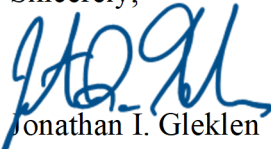
**d. Does C&S plan to negotiate new contracts with all PBMs and insurers that divested pharmacies in Oregon are currently contracted with?**

**Response:** C&S is actively working to finalize contracts with PBMs before the close of the transaction. The exact contractual terms are subject to the result of these negotiations.

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Please do not hesitate to contact me if you have any questions.

Sincerely,



Jonathan I. Gleklen

Counsel to The Kroger Co.

cc: George Paul & Doug Jasinski, Counsel to Albertsons Companies, Inc.  
Renata Hesse, Counsel to C&S Wholesale Grocers, LLC