

**BOARD ACTION SUMMARY**

DEPT: CEO - Risk Management

BOARD AGENDA:5.B.7  
AGENDA DATE: October 9, 2018

**SUBJECT:**

Approval for the Chief Executive Officer to Negotiate and Sign an Agreement with RxBenefits, Inc. for the Administration of Prescription Drug Benefits to Support the County's Self-Funded Employee Health Insurance Program Effective November 1, 2018

**BOARD ACTION AS FOLLOWS:**

**RESOLUTION NO. 2018-0502**

On motion of Supervisor Chiesa, Seconded by Supervisor Withrow  
and approved by the following vote,

Ayes: Supervisors: Olsen, Chiesa, Withrow, Monteith, and Chairman DeMartini

Noes: Supervisors: None

Excused or Absent: Supervisors: None

Abstaining: Supervisor: None

- 1)  Approved as recommended
- 2)  Denied
- 3)  Approved as amended
- 4)  Other:

**MOTION:**



ATTEST: ELIZABETH A. KING, Clerk of the Board of Supervisors

File No.

**THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS  
AGENDA ITEM**

DEPT: CEO - Risk Management

BOARD AGENDA:5.B.7  
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CONSENT:

CEO CONCURRENCE: YES

4/5 Vote Required: No

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**SUBJECT:**

Approval for the Chief Executive Officer to Negotiate and Sign an Agreement with RxBenefits, Inc. for the Administration of Prescription Drug Benefits to Support the County's Self-Funded Employee Health Insurance Program Effective November 1, 2018

**STAFF RECOMMENDATION:**

1. Authorize the Chief Executive Officer to negotiate and sign an Agreement with RxBenefits, Inc. for the administration of prescription drug benefits to support the County's self-funded employee health insurance program under the terms as listed below.

**DISCUSSION:**

On October 18, 2011, the Board of Supervisors approved implementation of a new self-insured medical benefits program effective January 1, 2012. The primary reason for this transition was high premium increases that were averaging 11.4% each year from 2005 to 2011 under the existing plan coverage. As a result of a lengthy strategic planning effort to address the many challenges facing the employee healthcare program, the County adopted a three-year health insurance strategy for plan years 2012 through 2014. Implementation of the new self-insurance program required several new vendor relationships to support the delivery and management of employee healthcare services, including but not limited to, contracting for Pharmacy Benefit Management (PBM) services.

On January 1, 2015, the County effectuated a number of health insurance plan changes including the elimination of Kaiser plans and making medical insurance plan participation dependent upon residency. In relation to these changes, County staff began evaluating its health insurance program contractual relationships. As it relates to the PBM contract, the County's health plan consultants conducted a PBM Request for Information (RFI) to evaluate the market in comparison to the existing PBM contract with CVS Caremark (CVS). Around the same time, the County changed its medical insurance Third Party Administrator (TPA) from Capitol Administrators to POMCO Administrators effective August 1, 2015. This change was important for continued PBM services because PBM providers and TPAs will typically enter into a Prescription Benefit Services Agreement for discounted rates and then health plan sponsors like the County will execute Participating Group Agreements to take advantage of those discounts.

While this arrangement did not have the lowest price point for prescriptions (which are reserved for the largest groups), the costs were significantly lower than had the County engaged in a direct contract with CVS. Accordingly, the County has contracted for pharmacy benefits through its respective TPAs.

In April 2017, UnitedHealthcare\UMR completed an acquisition of POMCO Administrators and on January 1, 2018, the County transitioned to the UMR platform as its TPA. Earlier this year, the County's health plan consultants conducted an RFI for PBM services to establish competitiveness of PBM drug pricing for the County's employee health benefit plan. The RFI process included detailed pricing proposals to allow the consultants to calculate estimated vendor cost savings or increases in comparison to the County's existing PBM program. Pricing proposals consisted of the County's top 150 drugs by cost representing more than 85% of total prescription costs. PBMs were asked to provide ingredient and administrative costs along with repricing the County's claim file consisting of six months of 2017 County member utilization data matching the current network as well as applying the PBM's standard formulary.

Six vendors participated in the comprehensive PBM RFI process. While pricing analysis for each vendor is necessary to compare the relative economic value of vendor proposals, additional factors such as local pharmacy access, data transparency, minimal disruption, administrative management, etc., must also be considered in evaluating the cost/benefit analysis of switching the County's pharmacy program to another service provider.

Pricing analysis conducted during the RFI process concluded that of PBMs responding to the RFI, the RxBenefits, Inc. proposal to the County, utilizing the CVS network and formulary, represented the greatest savings compared to the current CVS contract through POMCO/UMR. RxBenefits is a purchasing group which "leverages" their customer base of approximately 2 million members to obtain more favorable contractual terms in the PBM market than would otherwise be obtained as an individual purchaser. RxBenefits utilizes the claim and network infrastructure of the three largest PBMs and negotiates pricing on behalf of their entire book of customers. Additionally, RxBenefits assumes responsibility for member services, eligibility, billing rebate distribution, clinical support, plan communication and data distribution for the PBMs they represent. The County's health plan consultants made a visit to the home office and are satisfied that RxBenefits has the administrative abilities, clinical support and pricing model that will ensure the County's existing pharmacy benefits can be administered for lower costs with minimal disruption using the same network and formulary through CVS.

Given the results of the RFI, the County's successful relationship with CVS and in the interest of maintaining continuity of existing PBM services with minimal disruption to plan participants, staff recommends executing a new agreement with RxBenefits, Inc. for the administration of the County's prescription drug benefit services provided by CVS. The relationship with RxBenefits will be direct, transparent and will not include a TPA as a party to the agreement. Recognizing the opportunity to reduce plan and

participant costs under this new model, County staff and health plan consultants have worked with RxBenefits to develop a conceptual agreement that once fully executed would become effective November 1, 2018.

Staff from County Counsel, the Chief Executive Office and the Risk Management Division will work with the County's health plan consultants on the agreement to include:

- Financial terms to include retail, mail, specialty and generic drug discounts and rebates
- A one-year term with automatic renewals limited to five years
- An out clause that will allow the agreement to be terminated at any time with 90 days' notice
- Insurance coverages meeting County contract requirements
- Defense and indemnification clauses to limit County exposures
- Records and audit standards that meet state and federal funding requirements
- Confidentiality provisions including HIPAA (Health Insurance Portability and Accountability Act of 1996) compliance
- Assignment notice and request
- A maximum contract amount of \$350,000 for Administrative costs
- Pricing terms for retail, mail and specialty pharmacy services and rebates, and optional programs

#### **POLICY ISSUE:**

County policy requires Board of Supervisors' approval for any contract or agreement wherein the total compensation exceeds \$100,000; further, the Board of Supervisors must authorize the execution of any such contract. These policies govern the recommended actions to authorize the Chief Executive Officer to negotiate and sign the agreement to support the County's self-funded employee health insurance program.

#### **FISCAL IMPACT:**

Administrative costs, including a \$.65 per transaction fee and fees for prior authorizations, paper claims, reporting, programming and appeals, are estimated to be \$350,000 for the term of the agreement. These costs are separate from the pharmacy claims costs for prescribed medications.

The County currently spends approximately \$63 million annually to fund medical claims and administrative costs for the self-insured medical benefits program. Approximately \$7.5 million of those costs are spent annually on pharmacy claims. To improve health plan performance and control costs, the County contracts for PBM services to take advantage of pooled discounts and rebates.

The RFI pricing analysis resulted in a recommendation to select RxBenefits, Inc., utilizing the CVS network and formulary, as the new PBM vendor based on an overall

projected cost decrease of approximately 29% in comparison to existing pricing in the health insurance program. RxBenefits repricing of six months of 2017 County member utilization indicated approximately \$2.1 million in annualized savings while maintaining the current CVS network. Actual cost savings will vary based on the number of participants enrolled in the program and the individual pharmacy benefit needs for each participant (such as the number of generic, specialty or brand name drugs dispensed).

**BOARD OF SUPERVISORS' PRIORITY:**

Approval of an agreement with RxBenefits, Inc. for the administration of prescription drug benefits to support the County's self-funded employee health insurance program supports the Board of Supervisors' priorities of Delivering Efficient Public Services and Supporting Community Health by delivering management and administration of employee, retiree, and COBRA participants' pharmacy claims processing and payments in a skilled and cost-effective manner.

**STAFFING IMPACT:**

There is no staffing impact associated with this request. Existing staff from the Chief Executive Office, Risk Management Division, will continue to work closely with contracted health plan consultants and associated vendors to provide ongoing management and oversight of the County's health insurance programs.

**CONTACT PERSON:**

Patrice Dietrich, Assistant Executive Officer. Telephone: (209) 525-6333.