

ACTION FORM BRYAN CITY COUNCIL

DATE OF COUNCIL MEETING: October 13, 2015		DATE SUBMITTED: September 28, 2015	
DEPARTMENT OF ORIGIN: Risk Management		SUBMITTED BY: Cindy Kirk	
MEETING TYPE:	CLASSIFICATION:	ORDINANCE:	STRATEGIC INITIATIVE:
<input type="checkbox"/> BCD	<input type="checkbox"/> PUBLIC HEARING	<input type="checkbox"/> 1ST READING	<input type="checkbox"/> PUBLIC SAFETY
<input type="checkbox"/> SPECIAL	<input type="checkbox"/> CONSENT	<input type="checkbox"/> 2ND READING	<input type="checkbox"/> SERVICE
<input checked="" type="checkbox"/> REGULAR	<input checked="" type="checkbox"/> STATUTORY		<input type="checkbox"/> ECONOMIC DEVELOP.
<input type="checkbox"/> WORKSHOP	<input type="checkbox"/> REGULAR		<input type="checkbox"/> INFRASTRUCTURE
			<input checked="" type="checkbox"/> QUALITY OF LIFE
AGENDA ITEM DESCRIPTION: Consider awarding a professional services agreement for Prescription Benefit Management services for the City of Bryan Employee Health Plan beginning January 1, 2016, to Employers Health Purchasing Corporation (EHPC), subject to annual funding. Estimated annual program cost is \$1,928,451.			
SUMMARY STATEMENT: The City of Bryan has a self-funded employee health insurance plan. This self-funded health plan has three components: 1. Administrative fees; 2. Re-insurance (stop loss premiums); and 3. Actual claims. This Council Action Form is for the management of the prescription drug program included in the employee health insurance plan, referred to as Prescription Benefit Management (PBM). PBM services encompass two components; administrative fees and actual claims (self-funded).			
<p>City staff, the City's Broker of Record and its pharmacy consultant conducted a competitive request for proposals (RFP) for prescription drug benefit management services for the City of Bryan Employee Health Plan beginning January 1, 2016. Seven (7) proposals were received. The top three (3) proposals were identified through an elimination process based on various strengths and weaknesses of offerings and financial factors.</p> <p>After evaluating the proposals, it was concluded that Employers Health Purchasing Corporation's (EHPC) proposal of Catamaran, offered the strongest and most financially competitive program. EHPC is an Ohio-based group purchasing coalition offering access to various health benefit service contracts, such as Prescription Benefit Management (PBM). The best and final pricing structure proposed by EHPC/Catamaran projects a cost savings of 9.64% for 2016 over the current 2015 pricing structure. This estimated annual savings of \$205,717 is based on improved pricing.</p> <p>As prescription drug costs continue to increase, particularly specialty drugs, the City needs a strong strategic partner to mitigate trends and provide innovative solutions to support use of most appropriate drugs for positive member outcomes at the lowest cost. EHPC/Catamaran's Prescription Benefit Management program provides market-leading pricing and terms, while protecting each plan's unique features. In addition to placing first in the financial analysis, other advantages of EHPC/Catamaran's proposal include:</p> <ul style="list-style-type: none"> • St. Joseph Regional Health Center Pharmacy is already included in Catamaran's pharmacy network should the City decide to partner with St. Joseph Health Systems for pharmacy services (would need to be negotiated with Proposer B and Proposer C); • They do not exclude drugs from the formulary list for their entire book of business, which is a potential for member disruption (Proposer B and Proposer C do exclude for their entire book of business); • Preferred partner for connectivity with BCBS of Texas (Proposer B is, Proposer C is not); • Combines pharmacy data with risk prediction tools to identify areas for focus; and, • Robust clinical programs: <ul style="list-style-type: none"> ○ Compound Credentialing Program – All compounding pharmacies must be credentialed with 			

Catamaran to be included in the network. Catamaran's credentialing reduces wasteful spending, as pharmacies which do not adhere to the guidelines will not be credentialed. (Some compound pharmacies are charging \$5,000 for a prescription with less than \$200 worth of ingredients used.)

- Hepatitis C Outcomes Program – Program helps decrease overall treatment costs when targeted clinical outcomes are not achieved. The original cost of treatment for a member will be reimbursed if that member needs to continue/change therapy. (Original treatment costs can vary from \$80,000 to \$120,000 per member.)

Other positive features of the EHPC/Catamaran proposal include:

- Proposal is independent of retail and manufacturers;
- Exclusive specialty pharmacy unit;
- Broad Retail 90 Network for members to fill 90 day supply of maintenance prescriptions at select retail pharmacies at mail order copay structure;
- Greater rebates than current program with rebates paid on specialty drugs;
- Offers performance and implementation guarantees; and,
- Additional clinical programs that engage members, influence behavior, and drive better health and cost outcomes.

Although the RFP requested a one (1) year agreement with the option to renew for four (4) additional years, all proposals received required an initial three (3) year term to guarantee submitted pricing, with one (1) year renewal terms thereafter. The City may terminate the agreement without cause prior to the end of the three (3) year term, or any additional one (1) year terms, with ninety (90) days prior notice.

STAFF ANALYSIS AND RECOMMENDATION: Staff respectfully requests the City Council approve awarding an agreement with EHPC/Catamaran for Prescription Benefit Management services for the City of Bryan Employee Health Plan beginning January 1, 2016, for an initial term of three (3) years with the option to renew for two (2) additional one (1) year periods, subject to annual funding. The possible total term for this agreement is five (5) years; after three (3) years, City Council consideration/approval is required for the fourth year and then the fifth year. Estimated annual prescription drug program cost is \$1,928,451. EHPC/Catamaran's proposal is the most beneficial and cost effective option with savings of approximately 9.64% when compared to the City's current pricing structure.

The City may terminate, without cause, the agreement by notifying EHPC/Catamaran of its intent at least ninety (90) days prior to the termination date.

Approving this expenditure allows the City to continue to provide quality health plan benefits to employees.

OPTIONS (In Suggested Order of Staff Preference):

(Options 2 and 3 may require City Council consideration at a future City Council meeting)

1. Approve an agreement with EHPC/Catamaran for Prescription Benefit Management services for the City of Bryan Employee Health Plan beginning January 1, 2016 for an initial term of three (3) years with the option to renew for two (2) additional one (1) year periods, subject to annual funding. (Projected initial annual savings of \$205,717 when compared with the projected costs for 2015 calendar year.)
2. Approve an agreement with Proposer B for Prescription Benefit Management services for the City of Bryan Employee Health Plan beginning January 1, 2016 for an initial term of three (3) years with the option to renew for two (2) additional one (1) year periods, subject to annual funding. (Projected initial annual savings of \$125,260 when compared with the projected costs for 2015 calendar year.)
3. Approve an agreement with Proposer C for Prescription Benefit Management services for the City of Bryan

Employee Health Plan beginning January 1, 2016 for an initial term of three (3) years with the option to renew for two (2) additional one (1) year periods, subject to annual funding. (Projected initial annual savings of \$154,515 when compared with the projected costs for 2015 calendar year.) Proposer C does not provide the level of service of EHPC/Catamaran or Proposer B. Proposer C does not own a specialty pharmacy; their mail order pharmacy is not member-friendly; and they do not offer performance guarantees.

4. Do not approve the agreement for Prescription Benefit Management services for the City of Bryan Employee Health Plan and provide direction to staff.

ATTACHMENTS:

1. Financial Analysis – Top Three PBM Proposals (attached to this Council Action Form)
2. Listing of Proposals Received (attached to this Council Action Form)

FUNDING SOURCE: FY2016 budget – Employee Benefits Fund (as budgeted)

APPROVALS: Hugh R. Walker, 09/28/2015

APPROVED FOR SUBMITTAL: CITY MANAGER Kean Register, 10/01/2015

APPROVED FOR SUBMITTAL: CITY ATTORNEY

FINANCIAL ANALYSIS
Top Three Prescription Benefit Management Proposals
Best & Final Offer
(Note: Actual vendor names are not listed for confidentiality purposes)
Effective Date: January 1, 2016

	CURRENT	EHPC/ Catamaran <i>Recommended</i>	Proposal B	Proposal C
<u>Retail 30</u>				
Brand Ingredient Cost	\$897,289	\$881,266	\$897,289	\$891,948
Generic Ingredient Cost	\$365,475	\$279,090	\$305,670	\$302,348
Dispensing Fee	\$ 18,996	\$ 18,996	\$ 17,096	\$ 18,996
Administrative Fee	\$ 0	\$ 0	\$ 0	\$ 0
<u>Retail 90</u>				
Brand Ingredient Cost	\$444,537	\$450,129	\$441,741	\$444,537
Generic Ingredient Cost	\$326,713	\$225,729	\$273,251	\$243,550
Dispensing Fee	\$ 0	\$ 0	\$ 0	\$ 0
Administrative Fee	\$ 0	\$ 0	\$ 0	\$ 0
<u>Mail Order Service</u>				
Brand Ingredient Cost	\$47,324	\$45,480	\$47,324	\$ 47,324
Generic Ingredient Cost	\$33,834	\$23,883	\$26,537	\$ 27,200
Dispensing Fee	\$ 0	\$ 0	\$ 0	\$ 0
Administrative Fee	\$ 0	\$ 0	\$ 0	\$ 0
Other Fees	\$ 0	\$ 3,870 ¹	\$ 0	\$ 3,750 ²
Projected Cost – Before Rebates	\$2,134,168	\$1,928,451	\$2,008,908	\$1,979,653
\$ Difference from Current – Before Rebates		(\$205,717)	(\$125,260)	(\$154,515)
% Difference from Current – Before Rebates		-9.64%	-5.87%	-7.24%

¹Fee for access to coalition pricing: \$4.50 per employee per year, based on 860 employees

²Administrative fee to add St. Joseph's pharmacy to network: \$1.50 per claim, based on 10% of claims

This pricing is based on a 3-year agreement.

This analysis is not a guarantee of savings. It is an assumption based on prescription claims: 7/1/14-6/30/15.

**PRESCRIPTION BENEFIT MANAGEMENT
PROPOSALS RECEIVED**

Benecard
CVS Caremark (current)
Employers Health Purchasing Corporation/Catamaran
Integrated Prescription Management
MagellanRx
MedImpact
Script Care