

San Joaquin Valley Insurance Authority

BOARD OF DIRECTORS

SUSAN B. ANDERSON

JUDITH CASE

MIKE ENNIS

ALLEN ISHIDA

PHIL LARSON

DEBORAH POOCHIGIAN

PETE VANDER POEL

Meeting Location:
Fresno County Employee Retirement
Association Board Chambers
1111 H Street
Fresno, CA 93721
July 22, 2011
9:00 AM

AGENDA DATE: July 22, 2011

ITEM NUMBER: 6

SUBJECT: Pharmacy Benefit Management RFP Report

REQUEST(S): That the Board directs staff to conduct interviews with the finalists identified by Gallagher Benefit Services during the Request for Proposal.

DESCRIPTION:

At the January 14th, 2011 Board Meeting, direction was given to staff and GBS to explore alternatives and strategies for cost control and claims mitigation for the SJVIA. To that end, your Board voted unanimously to issue a Request for Proposals (RFP) for Pharmacy Benefit Managers for the SJVIA at the May 6, 2011 Board meeting. As staff reported at that meeting, the SJVIA had been notified that Catalyst Health Solutions was acquiring Walgreens Health Initiatives. Based on the uncertainty of the transition and potential savings available through a competitive bidding process, an RFP was issued.

On June 1, 2011 Gallagher Benefit Services (GBS) notified Walgreens Health Initiative (WHI)/Catalyst as well as select prospective vendors to respond to the RFP. The RFP requested proposals with an effective date of January 2012 and January 2013 allowing flexibility and time to determine the best course of action. The SJVIA received 8 proposals from 5 vendors which were reviewed and compared to the current WHI contract. WHI/Catalyst did not respond to the RFP for either scenario. GBS followed-up with WHI/Catalyst and were informed that they would not be submitting a bid for either option.

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GBS reviewed and analyzed the responses and applied a methodology that scored the proposals in nine distinct categories including:

1. Questionnaire response
2. Pricing
3. Re-pricing – each vendor was asked to reprice a segment of recent claims
4. Top 30 Specialty Drugs
5. Top 100 Retail
6. Top 50 Mail
7. MAC List (maximum allowable cost for generic)
8. Miscellaneous
9. Customer view

As part of the RFP process, GBS requested that all of the vendors re-price” Rx claims through their proposed pricing model. Anticipated savings from the three highest scoring vendors all showed a substantial savings over current pricing model. GBS estimates improvement over the current contract including potential savings that range from 5.7% to 10.1% of overall Rx spend.

Based on the analysis and resultant cost savings projections, GBS has recommended finalist interviews with the following vendors:

1. US Script
2. Envision
3. Express Script - optional

Finalist meetings would take place with a recommendation to this Board for contract to be awarded in late August. Discussion in today’s Closed Session may impact action on this item related specifically to WHI/Catalyst.

FISCAL IMPACT/FINANCING:

The SJVIA currently spends approximately \$4.5 Million through the WHI/Catalyst Agreement for the County of Tulare. The County of Fresno separately spends \$8.4 Million. The RFP was issued assuming a contract with the SJVIA which would take advantage of the purchasing power of the SJVIA as a whole. Savings from the recommended vendors could result in a reduction in prescription costs of approximately \$2 to 2.5Million.

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ADMINISTRATIVE SIGN-OFF:



Paul Nerland
SJVIA Manager



Rhonda Sjostrom
Interim Assistant SJVIA Manager

**BEFORE THE BOARD OF DIRECTORS
SAN JOAQUIN VALLEY INSURANCE
AUTHORITY**

IN THE MATTER OF Pharmacy Benefit Management RFP Report

RESOLUTION NO. _____
AGREEMENT NO. _____

UPON MOTION OF DIRECTOR _____, SECONDED BY DIRECTOR _____
_____, THE FOLLOWING WAS ADOPTED BY THE BOARD OF DIRECTORS, AT AN
OFFICIAL MEETING HELD _____, BY THE FOLLOWING VOTE:

AYES:
NOES:
ABSTAIN:
ABSENT:

ATTEST:

BY: _____

* * * * *

That the Board directed staff to conduct interviews with the finalists identified by Gallagher Benefit Services during the Request for Proposal.