

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:
Tulare County Employee Retirement
Association Board Chambers
136 N. Akers Street
Visalia, CA 93291
August 26, 2011
9:00 AM

AGENDA DATE: August 26, 2011

ITEM NUMBER: 5

SUBJECT: Pharmacy Benefit Management Report and Recommendation

REQUEST(S): That the Board direct staff to remain with Walgreens/Catalyst for the 2012 plan year and perform finalist interviews after January 1, 2012 to select and recommend to the Board a Pharmacy Benefit Management vendor effective January 1, 2013.

DESCRIPTION:

On May 6, 2011 your Board voted unanimously to issue a Request for Proposals (RFP) for Pharmacy Benefit Managers for the SJVIA. Staff recommended the RFP after being notified that Catalyst Health Solutions (Catalyst) was acquiring Walgreens Health Initiatives (WHI). This recommendation was based on the uncertainty of the transition, potential savings to the SJVIA and existing WHI contract language that requires approval of your Board before a contract may be “assigned” to another entity. As part of the RFP process, GBS Pharmacy Division requested that all of the vendors re-price” Rx claims through their proposed pricing model to determine the financial impact of each proposal. The three highest scoring vendors all demonstrated a substantial savings of up to \$5,400,000 over a three year period. On July 22, 2011, Gallagher shared the preliminary response from the RFP (8 proposals received from 5 vendors) and recommended the interview of three finalists based on scoring in several categories including pricing, capabilities, and customer service.

Initially, Catalyst/WHI did not submit a proposal. Your Board directed staff to clarify Catalyst’s acquisition of WHI and determine if the “assignment” language would apply. Since that time, Catalyst has sent information to SJVIA staff that clarified the WHI transaction. Catalyst has reported that WHI is a wholly owned subsidiary of Catalyst, thereby negating the need for contract “assignment”. Based on this clarification, the WHI contract is in effect and the initial term expires in December, 2012. Upon request, WHI/Catalyst did submit a proposal that stipulated an agreement extension through 2014 in

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exchange for reduced pricing. However the proposed terms were not competitive when compared with the proposals submitted by other vendors. Therefore, the SJVIA is better served by continuing with the WHI/Catalyst contract until its expiration on December 31, 2012. Gallagher Analysis suggests more favorable pricing can be secured by considering a vendor change in 2013 as illustrated in the attached exhibit.

Based on the latest information received, analysis of all proposals, and review of the WHI contract, the recommended vendors to be interviewed for a 2013 contract date are:

1. US Script
2. Envision

It should be noted that Express Scripts was ranked third among prospective vendors. However, Express Scripts is in the process of purchasing Medco and were not as closely ranked as US Script and Envision. Therefore, as discussed at the last Board meeting, the finalist recommendation was narrowed.

FISCAL IMPACT/FINANCING:

None at this time. However, it is projected that the SJVIA has the potential to achieve savings of \$1.8 million per year in years 2013 through 2015 with a change in vendor.

ADMINISTRATIVE SIGN-OFF:



Paul Nerland
SJVIA Manager



Jeffrey Cardell
Assistant SJVIA Manager

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

IN THE MATTER OF Pharmacy Benefit Management Report and Recommendation

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 remain with Walgreens/Catalyst for the 2012 plan year and perform finalist interviews after January 1, 2012 for a potential 2013 Pharmacy Benefit Management vendor change.