

Meeting Location:
Fresno County Employees' Retirement
Association Board Chambers
1111 H Street
Fresno, CA 93721
July 17, 2015 9:00 AM

AGENDA DATE: July 17, 2015

ITEM NUMBER: 11

SUBJECT: Report on Request for Proposals for Prescription Benefit Management (I)

REQUEST(S): That the Board receive and file the report on the request for proposal process for prescription benefit management services commencing January 1, 2016

DESCRIPTION:

At the February 6, 2015 meeting, staff reported on RFP activity for the 2015 calendar year. As presented, a full request for proposal process and analysis was completed by the Gallagher Benefits team. The contract with the current vendor, US Script, is in its third and final year. Typically, contracts for pharmacy benefit management (PBM) services are for a three year term and can be renewed annually thereafter. Given the rapidly changing landscape of the pharmacy industry, contracts must be analyzed and contrasted to current pricing in order to maintain cost competitiveness. There are numerous price points in a pharmacy contract and as a result, the RFP for vendor services is a very detailed and complicated process. The process included, but was not limited to, the following parameters:

- Review of bidding PBM's contract language
- Review of proposed financial terms to calculate the potential costs and/or savings projected over the current contract
- Evaluation of questionnaire responses
- Comparison of the unit cost and cost per day of highly utilized drugs in all networks
- Review of the Maximum Allowable Cost (MAC) list provided by each PBM

AGENDA: San Joaquin Valley Insurance Authority

DATE: July 17, 2015

Gallagher’s pharmacy team began the process in March and requested proposals from nine entities, including the incumbent. Eight of the vendors responded to the request by submitting a proposal, while one declined due to scope of services and resources. The table below summarizes the nine vendors and their responses:

Vendor Name	Submitted Proposal	Declined to Bid
Anthem – Express Scripts	X	
CVS Caremark		X
Envision	X	
Express Scripts (ESI)	X	
Integrated Prescription Management	X	
MedImpact	X	
Navitus	X	
ProCare Rx	X	
US Script	X	

The initial analysis of the responding PBMs showed significant opportunity for improvement over the current contract terms with multiple vendors, including US Script. Following a review with SJVIA staff, Gallagher requested the top four bidders provide their best and final offers, allowing for further refinement and potential savings. All four offered more favorable contract pricing and the current vendor, US Script, improved their offer significantly.

SJVIA staff has reviewed and considered all offers submitted and is recommending the SJVIA remain with US Script. The contract will be negotiated to commence January 1, 2016 for a three year term, and will be brought back to the SJVIA Board at a future meeting for final consideration and action.

The analysis and application of the proposed contract’s financial terms resulted in a projected \$3.5 million cost avoidance over the next three years. This can be equated to a projected savings of 5.5% of prescription costs which will be considered as part of the renewal underwriting process.

AGENDA: San Joaquin Valley Insurance Authority

DATE: July 17, 2015

FISCAL IMPACT/FINANCING:

None at this time.

ADMINISTRATIVE SIGN-OFF:



Rhonda Sjostrom
SJVIA Manager



Paul Nerland
SJVIA Assistant Manager