

THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS  
ACTION AGENDA SUMMARY

DEPT: CEO-Risk Management Division

BOARD AGENDA # \*B-5

Urgent

Routine

AGENDA DATE October 20, 2015

CEO Concurs with Recommendation YES  NO

(Information Attached)

4/5 Vote Required YES  NO

SUBJECT:

Approval of Participating Group Agreement with CaremarkPCS Health for Pharmacy Benefit Management Services to Support the County's Self-Funded Employee Health Insurance Program

STAFF RECOMMENDATIONS:

1. Approve the Participating Group Agreement with CaremarkPCS Health to become retroactively effective on August 1, 2015 to coincide with the recently executed medical insurance Third Party Administrator (TPA) agreement with POMCO Administrators.
2. Authorize the County Risk Manager to sign the approved Participating Group Agreement.

FISCAL IMPACT:

The County currently spends approximately \$50 million annually to fund medical claims and administrative costs for the self-insured medical benefits program. Approximately \$7.1 million of those costs are spent annually on pharmacy claims. To control costs, the County contracts for Pharmacy Benefit Management services using a Participating Group Agreement to take advantage of pooled discounts and rebates.

(Continued on Page 2)

BOARD ACTION AS FOLLOWS:

No. 2015-479

On motion of Supervisor Chiesa, Seconded by Supervisor Monteith

and approved by the following vote,

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

Noes: Supervisors: None

Excused or Absent: Supervisors: None

Abstaining: Supervisor: O'Brien

1) X Approved as recommended

2) \_\_\_\_\_ Denied

3) \_\_\_\_\_ Approved as amended

4) \_\_\_\_\_ Other:

MOTION:

This Item was removed from the consent calendar for discussion and consideration.

ATTEST:

  
CHRISTINE FERRARO TALLMAN, Clerk

File No.

**FISCAL IMPACT: (Continued)**

Effective January 1, 2012, the County executed a Participating Group Agreement with CaremarkPCS Health (Caremark), and the County's medical insurance Third Party Administrator at the time, Capitol Administrators, to provide Pharmacy Benefit Management (PBM) services and contracted pharmacy discounts as part of the new self-insured medical benefits program. Earlier this year, the County's employee benefit consultant conducted a Request for Information (RFI) for PBM services to coincide with medical insurance program changes that took effect on January 1, 2015. The RFI focused on combining PBM services for both the Stanislaus County Partners in Health (SCPH) and Anthem Blue Cross plans in order to generate greater contracted volume and discounts.

The RFI process included detailed pricing proposals to allow the consultant to calculate estimated vendor cost savings or increases in comparison to the County's existing PBM program. Pricing proposals consisted of 118 individual drugs representing 37% of projected pharmacy costs, as well as various rebate options and alternatives for drug dispensing fees. The RFI pricing analysis resulted in a recommendation to maintain Caremark as the County's PBM, based on an overall projected cost decrease of 10.5% (or approximately \$925,000 per year, based on 2016 actuarial projections) in comparison to existing pricing in the health insurance program. 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 or brand name drugs dispensed).

**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 11.5% 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 employee benefits

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consultant conducted a PBM Request for Information (RFI) to evaluate the market in comparison to the existing PBM contract with Caremark. 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.

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, administrative management, etc.) also play a key factor 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 the County's current PBM provider Caremark proposed an overall decrease in costs of approximately 10.5% and was within a half-percent of the lowest estimated cost from all proposed vendors. The following is a summary of the estimated pricing analysis from the RFI process:

<b>Competitor</b>	<b>Pricing Relative to Lowest</b>
ProCare	0.00%
CVS Caremark	0.40%
WellDyne	2.51%
Connect HCS	8.88%
Express Scripts	10.97%
Magellan	12.75%

Given the results of the RFI, the County's successful relationship with Caremark and in the interest of maintaining continuity of existing PBM services, staff recommends executing a new Participating Group Agreement with Caremark and the County's new medical insurance TPA, POMCO Administrators. Recognizing the opportunity to reduce plan costs under the new agreement, County staff and insurance consultants worked with Caremark and POMCO Administrators to develop an agreement that would become effective retroactively on August 1, 2015 to coincide with the recently executed medical insurance TPA agreement with POMCO Administrators. While it is not common to request approval of a retroactive vendor agreement, this opportunity was made available as a result of the other changes occurring in the administration of the medical insurance program and will generate increased savings to the County.

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A copy of the recommended Participating Group Agreement with Caremark and POMCO Administrators is attached to this agenda item. The following is a summary of some of the significant cost components of the agreement:

<b>Category</b>	<b>Proposed Discount/Cost</b>	<b>Current Discount/Cost</b>
Retail Brand Dispensing Fee	\$1.00	\$1.75
Retail Network Brand	AWP* – 17.5%	AWP* – 17.0%
Retail 90-Day Network, Brand	AWP* – 21%	AWP* – 17.0%
Generic Guarantee Discounts	AWP* – 75%	AWP* – 60%
PBM Administrative Fees	\$0.00	\$0.00
Mail Order Brand	AWP* – 23%	AWP* – 22%
Mail Order Generic	AWP* – 78%	AWP* – 69%
Mail Order Dispensing Fee	\$0.00	\$0.00
Retail Brand Rebate	\$25.00	\$10.10
Mail Order Brand Rebate	\$75.00	\$39.42
Exclusive Specialty Rebate	\$90.00	\$39.42
Open Specialty Rebate	\$150.00	\$39.42

\*AWP = Average Wholesale Price

**POLICY ISSUE:**

Approval of the recommended Participating Group Agreement with Caremark and POMCO Administrators supports the Board's priorities of A Healthy Community, Efficient Delivery of Public Services, and Effective Partnerships.

**STAFFING IMPACT:**

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

**CONTACT PERSON:**

Jody Hayes, Assistant Executive Officer. Telephone: (209) 525-5714.

ATTACHMENTS AVAILABLE  
FROM YOUR CLERK

**Exhibit A**  
**Participating Group Agreement**

**CVS/CAREMARK PRESCRIPTION BENEFIT SERVICES AGREEMENT  
PARTICIPATING GROUP AGREEMENT**

This CVS/caremark Prescription Benefit Services Agreement - Participating Group Agreement (the "Participating Group Agreement") dated as of August 1, 2015 ("Participating Group Effective Date"), is entered into by and between CaremarkPCS Health, L.L.C., a Delaware limited liability company ("CVS/caremark"), POMCO, Inc. ("Administrator"), and Stanislaus County (Participating Group).

Participating Group represents that its Plan (please check appropriate response):

\_\_\_\_\_ is governed by ERISA.

  X   is not governed by ERISA.

CVS/caremark and Administrator, acting on behalf of itself and the undersigned Participating Group, have entered into the Prescription Benefit Services Agreement, dated as of January 1, 2013 (the "TPA Agreement"), under which Administrator has engaged CVS/caremark to provide managed pharmacy benefit services to Administrator and its Participating Groups. Unless otherwise defined herein, capitalized terms used in this Participating Group Agreement shall have the meanings ascribed to those terms in the TPA Agreement.

1. **TPA Agreement.** Participating Group acknowledges that Services shall be made available in accordance with the terms of the TPA Agreement entered into by Administrator and CVS/caremark. Participating Group does hereby agree to such terms and to be bound by, and to assume and perform, each and all of the terms, covenants and conditions of the TPA Agreement as a Participating Group in the same manner and to the same extent as if it were a party thereto. Participating Group acknowledges and agrees that Administrator and CVS/caremark may amend all or any portion of the TPA Agreement and Participating Group hereby agrees to be bound by any such amendment.

By signing this Participating Group Agreement, Participating Group acknowledges and agrees that the terms of the master TPA Agreement have been completely read, fully understood and voluntarily accepted and further agrees to be bound thereby.

2. **Billing and Payment.**
  - (a) CVS/caremark shall make available to Administrator information reflecting the amount of payments that have become due with respect to Participating Group. Administrator shall invoice Participating Group for such amounts and payment shall be due to Administrator.
  - (b) If any payment required by Participating Group is not received by CVS/caremark in the manner and time frame communicated by Administrator or as otherwise set forth herein, CVS/caremark may, in accordance with the TPA Agreement, charge late fees, withhold the amounts from the security deposit, if any, cease or suspend performing Services, or otherwise terminate this Participating Group Agreement in accordance with the terms hereof.

Exhibit A-1

**NOT FOR DISTRIBUTION. THE INFORMATION CONTAINED HEREIN IS CONFIDENTIAL, PROPRIETARY  
AND CONSTITUTES TRADE SECRETS OF CVS/CAREMARK**

- (c) Participating Group shall have no right to offset from payments due hereunder disputed amounts or amounts due or allegedly due from CVS/caremark, except as approved in writing by CVS/caremark. Any sales, use or other tax or assessment, including any surcharge or similar fee imposed under any applicable law on any health care provider, Plan Participant, service, supply or product provided under the TPA Agreement and/or this Participating Group Agreement, shall be the sole responsibility of Administrator or Participating Group, as applicable, and may be added to the invoice.
3. Term, Termination and Amendment. The term of this Participating Group Agreement shall commence on the Participating Group Effective Date and continue for one (1) year. The term shall be automatically renewed for additional one-year periods unless either party sends written notice of non-renewal to the other party at least ninety (90) days prior to the end of the original term of any subsequent one-year term. This Participating Group Agreement may also be terminated for cause or as a result of a change in the law, in accordance with the terms of the TPA Agreement. In the event the TPA Agreement is terminated by and between CVS/caremark and Administrator, CVS/caremark may continue to provide Services to Participating Group, provided that the pricing and terms associated with such Services are subject to change.
4. Indemnification. Participating Group shall defend, indemnify and hold harmless CVS/caremark and each of its officers, directors, employees, subsidiaries and affiliates (the "CVS/caremark Parties"), from and against any and all Losses incurred by any of the CVS/caremark Parties arising out of or relating to (i) Participating Group's negligent acts or omissions or breach of its obligations or warranties set forth in the TPA Agreement or this Participating Group Agreement, except to the extent such Losses are caused by the negligence or willful misconduct of any CVS/caremark Party, (ii) any legal defects in the design of the Plan, or (iii) any deficiencies in the PDD.
- CVS/caremark shall defend, indemnify and hold harmless Participating Group and each of its officers, directors, employees, subsidiaries and affiliates (the "Participating Group Parties") from and against any and all Losses incurred by any of the Participating Group Parties to the extent arising out of or relating to CVS/caremark's negligent acts or omissions breach of its obligations or warranties set forth in the TPA Agreement or this Participating Group Agreement, except to the extent such Losses are caused by the negligence or willful misconduct of any Participating Group Party.
5. Confidentiality. Participating Group agrees to be bound by the confidentiality provisions set forth in Section 10 of the TPA Agreement.
6. Government Programs. To the extent required by applicable law or contractual commitment, Participating Group agrees to fully and accurately disclose and report to Medicare, Medicaid or other government health care programs any discount, rebate or other credit received by Participating Group, Administrator or one or more third parties under this Participating Group Agreement, whether reflected in the fees for the products and services or otherwise provided hereunder, as discounts against the price of the drugs under all applicable state or federal programs that provide reimbursement to Participating Groups for products or services provided by CVS/caremark. It is the intention of the parties, that for purposes of the Federal Anti-kickback Statute, any discount, rebate or other credit, shall constitute and be treated as discount against the price of drugs within the meaning of 42 U.S.C. §1320a-7b(b)(3)(A).
7. Disclosure. Participating Group acknowledges and agrees that, pursuant to the TPA Agreement, CVS/caremark pays to Administrator and/or one or more third party brokers [REDACTED]

Exhibit A-2

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[REDACTED] (collectively, "Additional Credits"). Participating Group represents that it has received from Administrator information regarding all Additional Credits paid by CVS/caremark, which are related to Participating Group and its Plan Participants' utilization. For purposes of the Federal Anti-Kickback Statute and any required government reporting, Participating Group acknowledges and agrees that Additional Credits paid on behalf of Participating Group shall constitute and shall be treated by Participating Group as a discount against the price of drugs within the meaning of 42 U.S.C. §1320a-7b(b)(3)(A).

[Signatures continue on next page]

Exhibit A-3

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Administrator and CVS/caremark by their signatures hereto accept and agree to the participation of the Participating Group identified above under the TPA Agreement in accordance with the terms of the TPA Agreement and this Participating Group Agreement.

CAREMARKPCS HEALTH, L.L.C.

By: Bruce C Lyons

Name (Print): Bruce Lyons

Title: SVP

Date: October 13, 2015

POMCO, INC.

By: L. Thompson

Name (Print): LAWRENCE THOMPSON

Title: Regional President

Date: 10/13/15

LEGAL REVIEW

COUNTY OF STANISLAUS:

By: Jody Hayes

Name (Print): Jody Hayes

Title: Assistant Executive Officer

Date: 10/26/15

APPROVED AS TO FORM:

By: Thomas Boze

Name (Print): Thomas Boze

Title: Assistant County Counsel

Date: 10/14/15

Address for Notice:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Attention: \_\_\_\_\_

Facsimile: \_\_\_\_\_