

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

524



FROM: Human Resources Department

SUBMITTAL DATE:
May 6, 2004

SUBJECT: Integrated Prescription Drug Program Agreement with Systemed, L.L.C. providing Exclusive Care members with outpatient prescription drug benefits.

RECOMMENDED MOTION: That the Board approves and ratifies the attached agreement effective January 1, 2004, for pharmacy benefit management services provided by Systemed, a subsidiary of Medco Health.

BACKGROUND: Exclusive Care, the County's own health plan option with currently over 8,000 enrolled members, paid approximately two million dollars in prescription drug benefits in 2003. In July 2003, Aon Consulting, Human Resources' independent benefits consultants, conducted a Request For Proposal (RFP) process on behalf of Human Resources to select a replacement vendor to provide prescription drug benefits for Exclusive Care members. RxAmerica, the vendor since inception of Exclusive Care, was adequate from a network access and administration perspective, but there was potential for the County to obtain deeper discounts off drug prices from other Pharmacy Benefits Managers (PBMs), an important consideration as costs of brand name drugs and newly released drugs have rapidly escalated. Aon Consulting has been utilized by Human Resources for the procurement of various insurance benefits programs in the past (insurance is exempt from the County Purchasing RFP process under Ordinance 459.4), and Aon has no influence over the County's decision-making process.

Departmental Concurrence

(Continued on Page 2)

Ronald W. Komers

Ronald W. Komers
Asst. County Executive Officer/Human Resources Dir.

FINANCIAL DATA	Current F.Y. Total Cost:	\$ 0	In Current Year Budget:	Yes
	Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	No
	Annual Net County Cost:	\$ 0	For Fiscal Year:	03-04

SOURCE OF FUNDS: Employee Medical Insurance Premium payroll deductions into fund 45800-11320	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION: APPROVE

County Executive Office Signature *Tony Alt*

Policy
 Consent
 Dept't Recomm.:
 Policy
 Consent
 Per Exec. Ofc.:

Prev. Agn. Ref.: | District: ALL | Agenda Number:

3.16

BACKGROUND (Continued)

Bids were sought from the six largest PBM vendors. Five vendors responded to the RFP -- Express Scripts, Advanced PCS, RxSolutions, Pharmacare and Systemed. RFP responses meeting criteria were evaluated by Aon and ranked on a weighted percentile scale covering several criteria such as pharmacy network, mail order service, clinical programs, claims administration and member communications.

Aon's solicitation, RFP responses and the resulting comparative analysis were carefully evaluated through a collaborative effort involving senior HR managers and representatives of other County departments potentially impacted by the selection of a PBM, namely Mental Health, CHA, RCRMC and Detention Health Services. These County departments are interested in exploring ways to reduce their prescription drug expenditures since they have all seen costs escalate significantly. The two highest performing vendors, Systemed and Advanced PCS were selected as finalists and these vendors conducted finalist presentations. Aon then completed and submitted reference checks.

Systemed was selected as the new administrator for several reasons. Systemed offered the lowest projected cost to Exclusive Care for 2004 -- \$1,812,368 versus the next lowest vendor's projected cost at \$2,306,111. Systemed offered the most overall cost savings to Exclusive Care (an estimated \$567,302 annually or 24% less than the current vendor), as well as meeting the clinical data management, administration and member services requirements of Exclusive Care. Systemed was also selected for its willingness to explore offering the same pharmacy clinical management services and wholesale discounts to other County departments (Mental Health, Detention Health Services and CHA). The Labor-Management healthcare committee participated in the process and supports the selection of this vendor. The new administrator was announced during Open Enrollment and went into effect on January 1, 2004, and the final contract negotiations have now been completed. County Counsel has approved and signed the contracts. Funding for this prescription drug benefit is provided through employees' Exclusive Care premium payroll deductions.