

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

634



FROM: Human Resources Department

SUBMITTAL DATE:
November 26, 2013

SUBJECT: Renewal of Pharmacy Services Agreement with Navitus Health Solutions, LLC, to provide Exclusive Care members with prescription medication benefits. [Districts - All] [Total Cost - \$658,000] [Exclusive Care health insurance premiums paid by enrolled membership]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Approve the attached Addendum No. 2 with Navitus Health Solutions, LLC, for the period January 1, 2014 through December 31, 2015.
2. Authorize the Chairperson to sign (3) copies of the attached Addendum No. 2, retain one copy of the signed Addendum, and return two (2) copies to Human Resources for distribution.

BACKGROUND:

Summary

In 1999, the Board of Supervisors established the County's self-funded Exclusive Provider Option (EPO) health plan, Exclusive Care, to provide a value health plan option to the employees of Riverside County and their families. To provide services to its enrolled members, Exclusive Care is budgeted to spend over \$46 million dollars on medical, hospital, and pharmacy claims for FY 2013-2014.

Michael Stock, Asst. HR Director for
Barbara A. Olivier
Asst. CEO/ HR Director

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost:	POLICY/CONSENT (per Exec. Office)
COST	\$ 164,500	\$ 329,000	\$ 658,000	\$	Consent <input type="checkbox"/> Policy <input checked="" type="checkbox"/>
NET COUNTY COST	\$	\$	\$	\$	

SOURCE OF FUNDS: Exclusive Care health insurance premiums paid by enrolled membership	Budget Adjustment: No
	For Fiscal Year: 13/14, 14/15, 15/16

C.E.O. RECOMMENDATION:

APPROVE

BY: 12/3/13
Samuel Wong

County Executive Office Signature

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Tavaglione, seconded by Supervisor Ashley and duly carried, IT WAS ORDERED that the above matter is approved as recommended.

Ayes: Jeffries, Tavaglione, Benoit and Ashley
Nays: None
Absent: None
Disqualify: Stone
Date: December 10, 2013
xc: HR

Kecia Harper-Ihem
Clerk of the Board

By: Deputy

Prev. Agn. Ref.: 10/04/2011, 3.19 | **District:** ALL | **Agenda Number:**

3-24

FORM APPROVED COUNTY COUNSEL
 BY: DATE: 12/3/13
 Departmental Concurrence

A-30
 4/5 Vote
 Positions Added
 Change Order

**SUBMITTAL TO THE BOARD OF SUPERVISORS, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA
FORM 11: Renewal of Pharmacy Services Agreement with Navitus Health Solutions, LLC, to
provide Exclusive Care members with prescription medication benefits. [Districts - All] [Total Cost
- \$658,000] [Exclusive Care health insurance premiums paid by enrolled members**

DATE: November 26, 2013

PAGE: 2 of 2

BACKGROUND:

Summary (continued)

On December 9, 2008, the Board of Supervisors approved an Agreement with Navitus Health Solutions, LLC. This was to replace the prior Agreement with Medco Health Solutions and become the pharmacy benefits administrator for Exclusive Care. During the first two years of the contract, Navitus saved Exclusive Care and its members nearly \$2.4 million dollars over the previous vendor. Currently, Navitus and Exclusive Care are maintaining overall pharmacy costs at the levels achieved during the first two years of the contract. These savings are passed on to Exclusive Care members through lower health plan premiums. Navitus also provides highly effective customer service, with their customer service unit serving as a critical backstop for our Rubidoux Pharmacy operations. The Riverside County Rubidoux Pharmacy currently provides over 43% of the total prescriptions for Exclusive Care members. In addition, Navitus' transparent pass-through business model has resulted in improved reporting and management of pharmacy services, with full rebate refunding to Exclusive Care.

There is no direct cost to the County for the recommended action, as these costs are funded by Exclusive Care premiums.

Impact on Residents and Businesses

Exclusive Care members are able to fill prescriptions at Navitus contracted pharmacies owned and operated by citizens and businesses throughout all of Riverside County.

SUPPLEMENTAL:

Additional Fiscal Information

The administrative fees of \$329,000 are used for all of the services provided by Navitus. As a Pharmacy Benefits Manager, Navitus processes retail and mail order prescriptions, establishes and maintains contracted networks of pharmacies, establishes pharmaceutical formularies with Exclusive Care's medical director and negotiates reimbursements with drug manufacturers.

Contract History and Price Reasonableness

This Addendum and extension has been reviewed by Purchasing. This extension is permitted by the existing contract, and allows Navitus Health Solutions, LLC, to continue as the pharmacy benefits administrator for an additional two years (January 1, 2014 through December 31, 2015). The Exclusive Care division of the County of Riverside Human Resources also directed Aon Hewitt Consulting to conduct a marketplace analysis as part of this renewal evaluation. Aon Hewitt solicited blinded offers from two large pharmacy benefit managers (PBM) vendors for the contract period of 2014-2015. Aon Hewitt selected these two providers as they most closely matched the Navitus business model. Aon Hewitt concluded that the Navitus performance, inclusive of fees, is in line with the marketplace and the County should pursue a renewal with them. In conjunction with this renewal, Navitus also agreed to a reduction in administrative fees. Additional competitive bidding at this time, for a new PBM, would not be financially productive and would cause a significant disruption in member service. The contract will be set up for a competitive RFP in 2015 for the next renewal cycle.

ATTACHMENTS:

- A. Navitus Renewal letter dated April 22, 2013
- B. Pharmacy Management Services Agreement Addendum No.

Addendum No. 2

PHARMACY MANAGEMENT SERVICES AGREEMENT ADDENDUM

This Pharmacy Management Services Agreement Addendum ("Addendum") is made as of January 1, 2014 ("Effective Date"), by and between Navitus Health Solutions, LLC, a Wisconsin limited liability company with its administrative office located at 2601 West Beltline Highway, Suite 600, Madison WI 53713 ("Navitus") and the County of Riverside, a political subdivision of the State of California (herein referred to "County" or as "Client").

WHEREAS; Navitus and Client have executed a Pharmacy Management Services Agreement effective January 1, 2009 (the "Agreement");

WHEREAS, Navitus and Client agree to amend the Agreement as follows:

Article VI-TERM OF AGREEMENT, sentence 1 is deleted and amended to read:

This Agreement shall become effective on the Effective Date and shall continue in full force. The services provided by Navitus under this Agreement shall commence as of the Effective Date and shall continue until December 31, 2015 (the "Initial Term"). Attachment A is attached to and incorporated into this Addendum

Exhibit 1-Administrative Services Fee Schedule, paragraph 1, sentence 1 which reads:

County agrees to pay Navitus an administrative fee of \$2.15 per Eligible Employee and Eligible Retired person per month.

Is amended to read:

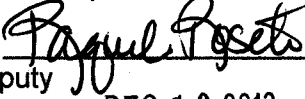
County agrees to pay Navitus an administrative fee of \$2.10 per Eligible Employee and Eligible Retired person per month.

WHEREAS; Navitus and Client agree that all other terms and conditions of the Agreement that are not affected by this Addendum shall remain in full force and effect.

IN WITNESS WHEREOF, Navitus and Client have caused this Addendum to be executed and effective as of the Effective Date.

ATTEST:

Clerk to the Board
Kecia Harper-Ihem

By: 
Deputy

Date DEC 10 2013

COUNTY OF RIVERSIDE:

By: 
Chairman, Board of Supervisors

Date DEC 10 2013

Approved as to form and content:

Pamela Walls
County Counsel

By: 
County Counsel

Navitus Health Solutions, LLC:

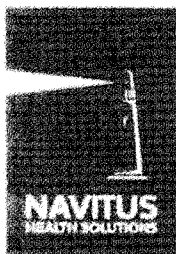
By: 

Printed Name: Thomas J. Pabich

Title: SVP- Bus. Dev. & Client Services

Date: 09/23/2013

Attachment A



April 22, 2013

James W. Burke
County of Riverside
Exclusive Care Plan Manager
County Administrative Center
P.O. Box 1508
Riverside, CA 92502-1508

Dear Jim:

On behalf of Navitus Health Solutions, I would like to extend our appreciation to The County of Riverside and the Exclusive Care team for the opportunity to serve as your pharmacy benefits manager since January of 2009. Together we have formed a strong, open and collaborative relationship. That relationship, along with Navitus' unique model founded on the principles of full pass-through transparency, improving member health and high touch service excellence has allowed our organizations to ensure we are aligned to achieve the results Exclusive Care desires.

Navitus is excited to continue to our strong relationship with Exclusive Care as we approach the start of the renewal term beginning January of 2014. With this in mind, Navitus would like to reduce the current administrative fee from \$2.15 per member per month (PMPM) to \$2.10 PMPM. Additionally, Navitus will hold the administrative fee constant for a two year renewal term through 2015.

It has been our pleasure to serve Exclusive Care since 2009, and we look forward to continuing our business and health alliance in 2014 and beyond. Navitus would like to thank you and your team for your collaboration and support.

Sincerely,

A handwritten signature in black ink, appearing to read "Chris Mead". The signature is fluid and cursive.

Chris D. Mead
Senior Client Services Executive