

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



ITEM  
3.13  
(ID # 3345)

**MEETING DATE:**

Tuesday, January 31, 2017

**FROM :** HUMAN RESOURCES:

**SUBJECT:** HUMAN RESOURCES: Ratify and execute Amendment No. 5 to the Agreement for Pharmacy Benefit Services with Navitus Health Solutions, LLC, through August 31, 2017. [All District] [Total Cost \$9,900,000 - 100% Exclusive Care Members Premiums]

**RECOMMENDED MOTION:** That the Board of Supervisors:

1. Ratify and execute Amendment No. 5 for Pharmacy Benefit Manager Services with Navitus Health Solutions, LLC as follows:
  - a. For FY16/17 increase the contract by \$7,425,000 from \$14,850,000 to \$22,275,000; and
  - b. For FY17/18 (through August 31, 2017) increase the contract by \$2,475,000 from \$22,275,000 to \$24,750,000
2. Authorize the County Purchasing Agent, in accordance with Ordinance No. 459, based on the availability of fiscal funding and as approved by County Counsel to: sign amendments that do not change the substantive terms of the Agreement; and sign amendments to the compensation provisions that do not exceed 10% annually.

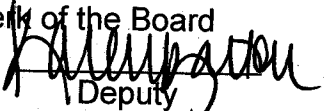
 Michael Stock, Assistant Director of Human Resources 1/19/2017  Teresa Summers, Assistant Director of Purchasing 1/23/2017  Gregory J. Prietas, Director County Counsel 1/23/2017

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**MINUTES OF THE BOARD OF SUPERVISORS**

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

Ayes: Jeffries, Washington and Ashley  
Nays: None  
Absent: Tavaglione  
Date: January 31, 2017  
xc: HR, Purchasing

Kecia Harper-Ihem  
Clerk of the Board  
By:   
Deputy

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STATE OF CALIFORNIA**

**BACKGROUND:**

**Summary**

On December 9, 2008, the Board of Supervisors approved an agreement with Navitus Health Solutions, LLC. This replaced the prior agreement with Medco Health Solutions. Navitus provides highly effective customer service and serves as a critical backstop for the Rubidoux Pharmacy operations. The Riverside County Rubidoux Pharmacy currently provides over 30 percent 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 100 percent of drug rebates refunded to Exclusive Care.

County Purchasing, along with Human Resources, is currently evaluating bid proposals submitted by vendors in response to RFP (Request for Proposal) HRARC-069 for the next pharmacy benefits manager (PBM) contract. This process is expected to be completed by August 31, 2017.

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

| <b>FINANCIAL DATA</b>   | <b>Current Fiscal Year:</b> | <b>Next Fiscal Year:</b> | <b>Total Cost:</b>        | <b>Ongoing Cost</b> |
|---|-----------------------------|--------------------------|---------------------------|---------------------|
| <b>COST</b>   | \$7,425,000                 | \$2,475,000              | \$9,900,000               | \$0                 |
| <b>NET COUNTY COST</b>  | \$ 0                        | \$ 0                     | \$ 0                      | \$ 0                |
| <b>SOURCE OF FUNDS: 100% Exclusive Care premiums paid by Exclusive Care members</b> |                             |                          | <b>Budget Adjustment:</b> | No                  |
|   |                             |                          | <b>For Fiscal Year:</b>   | 16/17 - 17/18       |

**C.E.O. RECOMMENDATION:** [CEO use]

**Impact on Residents and Businesses**

Exclusive Care members are able to fill prescriptions at over 327 Navitus contracted pharmacies throughout Riverside County.

**SUPPLEMENTAL:**

**Additional Fiscal Information**

Approximately \$350,000 per year is paid in administrative fees to Navitus for its services. As Pharmacy Benefits Manager (PBM), 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**

The Board of Supervisors approved Addendum No. 1 in October 2011 for \$7,200,000. Addendum No. 2, approved by the Board of Supervisors in December 2013, increased the

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STATE OF CALIFORNIA**

maximum contract amount to \$7,529,000 for additional administrative costs as a result of increases in Exclusive Care membership. Amendment No. 3 was approved September 2015 with a maximum contract amount of \$14,850,000 to eliminate disruption to the membership while Exclusive Care completes a Request for Proposal (RFP). Amendment No. 4 was completed by County purchasing which extended the contract for one month through January 31, 2017.

Amendment No. 5 will allow Navitus to continue serving Exclusive Care members. The RFP process is expected to be completed by August 31, 2017. Exclusive Care is expected to average \$1,237,500 per month assuming normal membership increases and pharmacy trends.

**ATTACHMENTS:**

**ATTACHMENT A. Amendment No. 5 to the Pharmacy Services Agreement with Navitus Health Solutions, LLC.**

Prev. Agn. Ref: 3-42 of 12/9/2008; 3-19 of 10/4/2011; 3-24 of 12/10/2013; and 3-29 of 10/6/15.

COUNTY OF RIVERSIDE  
AMENDMENT NO. 5 TO THE AGREEMENT  
WITH  
Navitus Health Solutions, LLC

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|  |   |
|--|---|
| Original Contract Term:                  | January 1, 2015 through December 31, 2016 |
| Contract Term Extended To:               | August 31, 2017                           |
| Effective Date of Amendment:             | January 1, 2017                           |
| Original Annual Maximum Contract Amount: | \$14,850,000 (CY2016)                     |
| Amended Annual Maximum Contract Amount:  | \$24,750,000 (through 8/31/2017)          |
| Contract ID:                             | HRARC-94872-002-12/16                     |

The Agreement between County of Riverside (COUNTY) and Navitus Health Solutions, LLC (CONTRACTOR), entered into as of January 1, 2015 is amended as follows:

1. Article VI – TERM OF AGREEMENT, sentence 1 is deleted in its entirety and replaced with the following:

“This Agreement shall become effective on the Effective Date, shall continue in full force and effect for the Initial Term. The services provided by CONTRACTOR under this Agreement shall commence as of the Effective Date and shall continue until August 31, 2017 (the "Initial Term"). Attachment A is attached to and incorporated into this Amendment.”

2. Article VI – TERM OF AGREEMENT, sentence 2 is deleted in its entirety and replaced with the following:

“If either COUNTY or CONTRACTOR desires not to continue this Agreement beyond the Initial Term or any Renewal Term, then that party shall so notify the other party in writing not less than ninety (90) days prior to the expiration of such term.”

3. All other terms and conditions of the Agreement not modified herein shall remain unchanged.

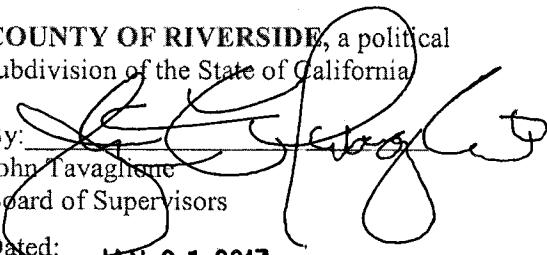
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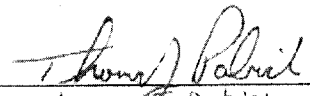
COUNTY OF RIVERSIDE  
AMENDMENT NO. 5 TO THE AGREEMENT  
WITH  
Navitus Health Solutions, LLC

IN WITNESS WHEREOF, the Parties hereto have caused their duly authorized representatives to execute this Amendment.

COUNTY OF RIVERSIDE, a political  
subdivision of the State of California

Navitus Health Solutions, LLC.

By:   
John Tavaghiere  
Board of Supervisors

By:   
Name: Thomas J. Pabick  
Title: SVP, BUSINESS DEV. + CLIENT SERVICES

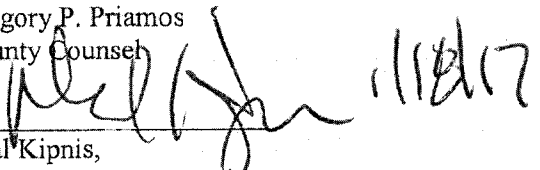
Dated: JAN 31 2017

Dated: 01/18/2017

ATTEST:  
Kecia Harper-Ihem  
Clerk of the Board

APPROVED AS TO FORM:  
Gregory P. Priamos  
County Counsel

By:   
Deputy

By:   
Neal Kipnis,  
Deputy County Counsel