

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



ITEM: 3.34  
(ID # 19638)

MEETING DATE:  
Tuesday, August 30, 2022

FROM : HUMAN RESOURCES:

SUBJECT: HUMAN RESOURCES: Approve Amendment No. 1 to the Pharmacy Benefit Management Services Agreement with Navitus Health Solutions, LLC. to increase the annual agreement amount by \$28,113 and extend the contract term four (4) additional years, All Districts. [\$168,696, 100% Exclusive Care Member Premiums]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Approve Amendment No. 1 to the Pharmacy Benefit Management Services Agreement with Navitus Health Solutions, LLC. to increase the annual agreement amount by \$28,116 and extend the contract term four additional years for a total of up to \$53,932,351 through September 30, 2027; and
2. Authorize the Chair of the Board to sign three (3) copies of the Amendment, and the Clerk to retain one and return two to Human Resources for distribution; and
3. Authorize the Purchasing Agent, in accordance with Ordinance No. 459, based on the availability of fiscal funding, and approved as to form by County Counsel to: Sign amendments that exercise the options of the agreement including modifications of the statement of work that stay within the intent of the Agreement.

ACTION:

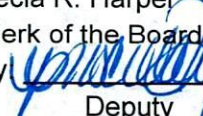
  
Michael Bowers, Assistant HR Director 7/21/2022

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MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Spiegel, seconded by Supervisor Perez and duly carried by unanimous vote, IT WAS ORDERED that the above matter is approved as recommended.

Ayes: Jeffries, Spiegel, Washington, Perez and Hewitt  
Nays: None  
Absent: None  
Date: August 30, 2022  
xc: HR

Kecia R. Harper  
Clerk of the Board  
By   
Deputy

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

<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>	\$ 28,116	\$ 28,116	\$ 168,696	\$
<b>NET COUNTY COST</b>	\$ 0	\$ 0	\$ 0	\$
SOURCE OF FUNDS: 100% Exclusive Care Member Premiums			<b>Budget Adjustment:</b> No	
			<b>For Fiscal Year:</b> 2023-2028	

**C.E.O. RECOMMENDATION:** Approve

**BACKGROUND:**

**Summary**

The County of Riverside provides its employees and their dependents, and eligible retirees and dependents, with medical benefits including benefits for prescription drugs, including certain devices and supplies dispensed by pharmacists through the County's Exclusive Care Health Plan. The County released a Request for Proposal to establish an agreement with a Pharmacy Benefit Manager (PBM) for the benefits sponsored by the County.

The current PBM is Navitus Health Solutions, LLC. They have been providing benefits to Exclusive Care membership since 2009. Within the Inland Empire, Navitus contracts with over 350 pharmacies in Riverside County and nearly 300 in neighboring San Bernardino County. The current contract with Navitus expires September 30, 2023.

The Navitus Group Purchasing Organization (GPO) was created by Navitus to both decrease medication costs and optimize rebates through contracts with pharmaceutical manufacturers. This Amendment is required to opt-in to the Navitus GPO and allow the County 100% of all rebates and price protections for only a nominal added per member administrative fee.

**Impact on Residents and Businesses**

There is no direct impact to residents or private businesses in the County of Riverside.

**Additional Fiscal Information**

The current Agreement became effective October 1, 2018 for five (5) years. Approval of this action will extend the Agreement four (4) additional years and increase the cost by \$28,116 annually. Costs by Fiscal Year is as follows:

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Fiscal Year	Date	Current Contract M.O. 3.25 12/17/19	Increased Costs	Contract Extension Costs	Total New Contract Costs	Current and Next FY Costs	Contract Extension Year
18-19	Oct 2018-Jun 2019	\$ 9,400,231					
19-20	Jul 2019-Jun 2020	\$13,691,750					
20-21	Jul 2020-Jun 2021	\$15,378,574					
21-22	Jul 2021-Sep 2021	\$17,273,214					
21-22	Oct 2021-Jun 2022		\$ 21,087		\$ 21,087		
22-23	Jul 2022-Jun 2023	\$19,401,274	\$ 28,116		\$ 28,116	\$19,429,390	
23-24	Jul 2023-Sep 2023	\$ 4,987,072	\$ 7,029		\$ 7,029	\$19,976,404	Y1
23-24	Oct 2023-Jun 2024		\$ 21,087	\$14,961,216	\$14,982,303		
24-25	Jul 2024-Jun 2025		\$ 28,116	\$11,534,333	\$11,562,449		Y2
25-26	Jul 2025-Jun 2026		\$ 28,116	\$11,880,363	\$11,908,479		Y3
26-27	Jul 2026-Jun 2027		\$ 28,116	\$12,236,774	\$12,264,890		
27-28	Jul 2027-Sep 2027		\$ 7,029	\$ 3,150,969	\$ 3,157,998		Y4
		<b>\$80,132,115</b>	<b>\$ 168,696</b>	<b>\$53,763,655</b>	<b>\$53,932,351</b>		

Administrative costs will only increase \$0.40 per member (\$2,343 per month or \$28,116 annually) with a projected increase in rebates of \$671,386 based on rebates received during calendar year 2021. Although rebates will likely be lower this year due to membership decline and decreased utilization, the net effect, however, will certainly be positive for the County Exclusive Care plan.

**Contract History and Price Reasonableness**

The Purchasing Department released a Request for Proposal (RFP) HRARC-069, soliciting proposals for Pharmacy Benefit Manager Services on behalf of the Human Resources Department on July 25, 2016. The RFP was sent to thirty-five (35) potential bidders and was advertised on the Purchasing website. Five (5) bidders responded to the RFP. Navitus Health Solutions was awarded as the lowest cost, most responsive and responsible bidder.

**ATTACHMENT:** Navitus County of Riverside Amendment No. 1 to PBM Services Agreement

  
Suzanna Hinkley, Assistant Director of Purchasing and Fleet Service

7/25/2022

  
Meghan Hahn, Senior Management Analyst

8/18/2022

  
Cynthia M. Gurtzel, Chief Deputy County Counsel

7/26/2022

# AMENDMENT NO. 1 TO PHARMACY BENEFIT MANAGEMENT SERVICES AGREEMENT

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This Amendment No. 1 to Pharmacy Benefit Management Services Agreement is made effective as of **October 1, 2021**, between **Navitus Health Solutions, LLC., a Wisconsin limited liability company** (“Navitus”), and the **County of Riverside**, a political subdivision of the State of California (“Client”).

WHEREAS, Navitus and Client have executed a Pharmacy Benefit Management Services Agreement dated October 1, 2018, as amended (the “Agreement”);

WHEREAS, Navitus and Client desire to amend the Agreement as set forth below;

NOW THEREFORE, Navitus and Client agree as follows:

**1. Amendments to the Agreement.**

**1.1. Article I. Definitions.** The definition of Rebates is hereby deleted in its entirety and replaced with the following definition:

“**Rebates** means rebates or discounts received by Navitus pursuant to a contract with a pharmaceutical manufacturer, or intermediary (such as a group purchasing organization), and directly attributable to the Formulary and Covered Product utilization by Eligible Persons.”

**1.2. Article IV. Formulary Program and Rebates.** The following is hereby added as a new Section 4.05:

**Section 4.05. Group Purchasing Organization.** Navitus will hold a limited number of direct contracts with pharmaceutical manufacturers. The majority of contracts with pharmaceutical manufacturers will be held through the group purchasing organization (“GPO”) that Navitus contracts with for Rebates. Navitus will perform an annual audit of the GPO to confirm that: i) Rebates, manufacturer administration fees, and price protection were fully passed through to Client, ii) Rebates were invoiced and paid correctly, and iii) Rebate metric guarantees, if any, were met and calculated per the terms of this Agreement. Navitus will cooperate in good faith to obtain information from the GPO to the extent practicable under Navitus’ contract with the GPO.

**1.3. Article IX. Records; Confidentiality.** Section 9.01 is hereby deleted in its entirety and replaced with the following:

**Section 9.01. Maintenance of Records; Audits.** Navitus agrees that it will provide Client with access to all of Navitus’ books and records as may be reasonably required to audit Navitus’ performance under this Agreement. Navitus agrees to maintain true and correct books and records of Client’s Covered Product expenditures in the standard Navitus format and for a period of not less than seven years from the date payment is made. Client may audit such books and records, using an auditor and methodology that is selected by Client, provided that an auditor may not be a competitor of Navitus or an affiliate of a competitor, and Client shall reasonably consider input provided by Navitus related to the auditor and methodology used. Client may audit such books and records upon reasonable prior written notice and during Navitus’ normal business hours consistent with privacy and other limitations of applicable federal and state laws, rules and regulations and the provisions of this Agreement. Client may only audit periods of service not more than 18 months prior to the date of such audit. The parties shall require any third-party auditor to execute a confidentiality agreement in a form that is reasonably acceptable to both parties, and which contains provisions intended to protect each party’s Confidential Information that are substantially the same as the provisions set forth herein. Any release to the other party of records and data reviewed during such audit, whether electronically or in any other mutually agreeable format, will be in accordance with the terms of this Agreement and applicable law.

**AMENDMENT NO. 1 TO  
PHARMACY BENEFIT MANAGEMENT SERVICES AGREEMENT**

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Notwithstanding the foregoing, Navitus acknowledges that state and federal rules, regulations and laws will govern audits conducted by regulatory agencies with jurisdiction over Client's Plan.

**1.4. Article XII. Notice Regarding Renewal.** Section 12.01 is hereby deleted in its entirety and replaced with the following:

**Section 12.01. Term of Agreement; Initial Term and Renewal Term.** This Agreement is effective as of the Go Live Date above and will continue in full force and effect for a period of one year ("Initial Term"). After the Initial Term has ended, this Agreement may be renewed for up to eight (8) additional subsequent one-year periods through September 30, 2027 (each, a "Renewal Term"), unless sooner terminated as described in Article VI of this Agreement or renewal is declined as set forth in Section 12.02 below. Any additional Renewal Terms shall be subject to termination rights as otherwise provided in this Agreement.

**1.5. Exhibit 1. Administrative Services Fee Schedule.** The following is hereby added to the end of Exhibit 1 as a new additional fee:

Client agrees to pay Navitus \$0.40 per Eligible person per month for Rebate administration fee. Navitus shall withhold the Rebate administration fee from Rebates received before being passed back to Client.

**2. Other Terms.** All other terms of the Agreement, which have not been expressly modified by this amendment, will remain in full force and effect.

IN WITNESS WHEREOF, Navitus and Client have caused this amendment to be signed by duly authorized representatives below.

County of Riverside, a political subdivision  
of the State of California

By: Jeff Hewitt  
Jeff Hewitt, Chair  
Board of Supervisors

Dated: AUG 30 2022

**ATTEST:**  
Kecia R. Harper  
Clerk of the Board

By: Priscilla Rasso  
Deputy

**APPROVED AS TO FORM:**  
County Counsel

By: Synthia M. Gunzel  
Synthia M. Gunzel,  
Chief Deputy County Counsel

Navitus Health Solutions, LLC., a Wisconsin  
limited liability company

By: Thomas J Pabich  
Thomas J. Pabich, Sr. Vice President  
Business Development & Client Services

Dated: Jul 15, 2022

and

By: Peter J Beste  
Peter J. Beste, Sr. Vice President  
Finance & Chief Financial Officer