

INDIAN RIVER COUNTY
MEMORANDUM

TO: Jason Brown
County Administrator

FROM: Suzanne Boyll *SB*
Human Resources Director

DATE: January 16, 2018

SUBJECT: Approval to Carve Out Pharmacy Benefit and Select New Pharmacy Benefit Manager effective May 1, 2018

BACKGROUND:

The County is self-insured in its Group Medical Insurance and insures over 3600 members. The goal is to maintain a plan that is affordable, competitive, and sustainable. Human Resources works in conjunction with our benefits consultant to review plan utilization and expenses and identify opportunities for improvements and savings.

Effective October 1, 2017, a new benefits consultant, Lockton Companies, was selected and began evaluating our plan. A large part of the County's medical plan expense is the pharmacy benefit which accounts for approximately 30.2% (\$4.5M) of the total claims expenses (\$14.9M) for the 2016/17 plan year. In plan year 2015/16, pharmacy expenses were at 29.4% of the total claims expenses, and in 2014/15 the pharmacy costs were at 25.4% of the total claims expenses. In the 2016/2017 plan year, the County introduced an additional pharmacy option through CanaRX with the hopes of mitigating the rising pharmacy costs; however, the pharmacy costs continue to rise from year to year.

In October 2017, Lockton met with the County and discussed the opportunity to reduce pharmacy expenses by simply changing the pharmacy benefit management contract without changing the medical plan's pharmacy benefit or copayments. The current medical plan provides the following pharmacy coverage:

Tier 1 Generic Medications	\$15 copay
Tier 2 Preferred Brand Name	\$35 copay
Tier 3 Non-Preferred Brand Name	\$50 copay
Mail Order Drug (90-Day Supply)	2x Retail Copay

A drug formulary is established by the pharmacy benefit manager (PBM), and the formulary determines which tier a prescription medication falls under. The formulary may be changed throughout the year as new medications are introduced or when the PBM determines a change is necessary. Typically, this occurs at least two times per year. The PBM contracts with pharmacies, negotiates discounted pricing and rebates with drug manufacturers, and processes

the prescriptions filled under the plan. Various incentives are negotiated between the PBM and the pharmaceutical companies, and often the medical plan receives rebates. Currently, the County's medical plan contracts with Florida Blue who utilizes Prime Therapeutics as the pharmacy benefit manager (PBM). Under the current PBM contract with Prime Therapeutics, there are no financial or contractual guarantees, and there is no way to confirm if Indian River County is getting the full value of what has been negotiated with manufacturers/retailers. Indian River County receives pharmacy rebates throughout the year, however, no detail is provided to assess the value of the rebates. Because of the substantial pharmacy expense and available opportunities for improvement and savings, Lockton recommended the County pursue revising the PBM arrangement.

Indian River County authorized Lockton to proceed with obtaining PBM proposals as well as work with Florida Blue to revise the current PBM arrangement through Prime Therapeutics. Lockton took the proposals and analyzed the pharmacy claims for the period October 1, 2016 through September 30, 2017 for the following PBM providers to determine projected savings:

- 1) Prime Therapeutics (Discounted Renewal Offer)
- 2) CVS/Caremark
- 3) OptumRx
- 4) Express Scripts.

While the renewal offer from Prime Therapeutics results in a discount from the current agreement, the renewal offers from the three other providers result in even greater savings (17.60%, 19.24%, and 17.62%) above the renewal offer from Prime Therapeutics.

An excerpt from the renewal analysis is provided below. The full analysis is available in Human Resources.

	Claim Dates Analyzed			
	10/1/2016 to 9/30/2017			
Indian River County	Renewal Offer Prime Therapeutics	CVS/caremark	OptumRx	Express Scripts
1,651 Employees 3,673 Members				
Overview of Plan Cost				
Gross Claim Amount Paid by Employer	\$5,614,917	\$5,135,407	\$5,139,133	\$5,144,231
Less Member Copay	-\$682,108	-\$682,108	-\$682,108	-\$682,108
Claims Amount Paid by Employer	\$4,932,809	\$4,453,299	\$4,457,025	\$4,462,123
Plus Potential Implementation Fees from Incumbent	\$0	\$50,000	\$50,000	\$50,000
Plus UM Package / Connectivity Fees	\$0	\$0	\$0	\$45,141
Plus Administrative / Transaction Fees	\$0	\$32,274	\$32,274	\$32,274
Less Rebate and Credits from PBM	-\$665,774	-\$971,635	-\$1,040,906	-\$1,026,464
Net Amount Paid by Employer	\$4,267,035	\$3,563,939	\$3,498,393	\$3,563,074
Average Amount Paid				
Average Net Cost Per Claim	\$85.60	\$71.78	\$70.46	\$71.76
Net Amount Paid PEPM	\$216.03	\$180.43	\$177.12	\$180.39
Savings Summary				
Savings Compared to Incumbent	N/A	\$703,096	\$768,642	\$703,961
Percentage Savings Compared to Incumbent	N/A	17.60%	19.24%	17.62%

ANALYSIS:

When evaluating the PBM proposals, major considerations were the disruption to members, ease of implementation and integration with Florida Blue, as well as the savings resulting from improved contractual terms with performance and financial guarantees. Based on these

considerations, Lockton recommends the County transition to Express Scripts as the PBM effective May 1, 2018. Express Scripts would provide access to over 67,000 pharmacies throughout the United States and includes all of the major pharmacies (Walgreens, CVS, Walmart, Publix, Sam's Club, Kmart, Winn-Dixie) in Indian River County as well as thirteen (13) independent pharmacies. The pharmacy benefit would be administered through RXBenefits, and employees would have a separate pharmacy customer service line to obtain assistance with questions related to the pharmacy benefit.

A transition to Express Scripts provides minimal disruption to members as reflected below:

Express Scripts Formulary Disruption Summary - Based on Most Recent Six Months of Data						
Current Tier	New Tier	Member Impact Per Tier	% Members Filling Scripts	Total Rx Count	% Rx	Impact
1	1	Not Provided		20,397	87.19%	Neutral
2	2			1,197	5.12%	Neutral
2	3			235	1.00%	Negative
3	2			730	3.12%	Positive
3	3			501	2.14%	Neutral
C	NC			333	1.42%	Negative
				23,393	100.00%	

During the six month period that was reviewed, 23,393 prescriptions were filled. When analyzing the prescriptions under the Express Scripts formulary, there would be no disruption (neutral) to 94.45% of the prescriptions filled, and there would be a positive impact to 3.12% of the prescriptions filled under our plan -- moving from tier 3 to tier 2 (reducing the copay from \$50 to \$35). This means that 97.57% of the prescriptions filled under the plan over the six month period would have either no disruption or have a positive impact.

The move to Express Scripts would have a negative impact on 2.42% of the prescriptions filled. The medication would either move from tier 2 to tier 3 (increasing the copay from \$35 to \$50) or move from a covered medicine to a non-covered medicine under the new formulary. If a medication would no longer be covered under the new formulary, an alternate medication would need to be prescribed.

Below is a listing of the top 10 drugs that would be excluded on the new Express Scripts formulary and the alternative medication available under the new formulary. The majority of the medications are diabetes medications. Lockton would work with the County to develop a communication plan for members and address the impact of the negative disruption in advance of the change so that members could make necessary medication changes. A 90 day implementation period is recommended. Members currently using a blood glucose meter other than the preferred top brand for Express Scripts, will be provided a replacement by the manufacturer at no cost.

Category Drug Class	Formulary Exclusion Drug	Member Impact per Drug	Top 10 Rx Count	Alternative Formulary Considerations
Diabetes	NovoLOG FlexPen	Not Provided	50	Humalog
Diabetes	Victoza	Not Provided	45	Bydureon, Byetta, Trulicity
Diabetes	NovoLOG	Not Provided	28	Humalog
Diabetes	NovoLOG Mix 70/30 FlexPen	Not Provided	27	Humalog
Multi-Source Brand Exclusion	Zetia	Not Provided	20	ezetimibe
Diabetes	Onglyza	Not Provided	18	Januvia, Tradjenta
Diabetes	Tanzeum	Not Provided	18	Bydureon, Byetta, Trulicity
Respiratory	Proventil HFA	Not Provided	14	ProAir HFA/RespiClick, Ventolin HFA
Diabetes	Alogliptin Benzoate	Not Provided	10	Januvia, Tradjenta
Diabetes	NovoLOG Mix 70/30	Not Provided	9	Humalog
Grand Total of Top 10 Utilized Formulary Exclusions			239	

The recommended PBM change to Express Scripts will include a disruption to a small percentage of the prescriptions filled under the plan (2.42%), and provides a substantial savings that is projected to be \$703,961. This amount represents a savings of 17.62% when compared to the incumbent renewal offer from Prime Therapeutics and will allow members to continue to receive a competitive pharmacy benefit under the plan without changing the copayment amounts in our existing pharmacy plan design.

During the implementation process to the new PBM, members who are impacted by the change in pharmacy tier will be identified and provided information so that they understand the impact to them. Educational information will be provided as well as meetings held to explain the PBM change and assist employees in the transition.

FUNDING:

Funding for the pharmacy benefit is included in the health plan trust fund. The projected savings of \$703,961 is inclusive of administrative fees paid to RXBenefits, will help offset the rising cost of the pharmacy benefit, and is expected to reduce the impact of future increases through a competitive PBM contract that includes 100% return of pharmacy rebates to the trust fund, improves the negotiated rates for prescriptions, provides dedicated pharmacy customer service support for members, and maintains the current pharmacy copayment amounts under the plan.

RECOMMENDATION:

Staff respectfully requests the Board of County Commissioners approve the recommendation to change the pharmacy benefit manager to Express Scripts effective May 1, 2018 for an initial twelve month period and authorize the Board Chairman to sign the administrative services agreement with RXBenefits after review and approval by the County Attorney.