

Pharmacy Benefit Manager Contract

Board of Trustees' Meeting
November 18, 2009

Contract Extension

Medco Health Solutions' contract term for providing pharmacy benefit management services will terminate December 31, 2010. It is the recommendation to extend the Pharmacy Benefit Management (PBM) contract term an additional six months and terminate the contract June 30, 2011.

Rationale

- Session Law 2009-16, Senate Bill 287 will impact the competitiveness of the request for proposal by restricting the savings cap for pharmacy reimbursement for the first six months of the contract period. PBMs would not be able to offer the Plan the deepest rates effective January 1, 2011.

Rationale, cont.

- Increased cash flow of \$20 million between January 1, 2010-June 30, 2011 due to an increase in prepayment of rebates.
- To align the PBM contract term with the Medicare Part D year so there will be no delay or disruption of Medicare Part D revenue.

Rationale, cont.

- The timeframe of the solicitation and implementation of the PBM RFP will directly coincide with the Population Health Management and Performance Audit RFPs. Plan staff could not adequately support three large RFPs and implementation simultaneously.

Rationale, cont.

- By aligning the contracting year, it would be easier to administer the benefit structure and out of pocket maximums. Also, it would allow benefit changes resulting from the 2011 Legislative Session to be incorporated into the implementation.