



COUNTY OF SONOMA

575 ADMINISTRATION
DRIVE, ROOM 102A
SANTA ROSA, CA 95403

SUMMARY REPORT

Agenda Date: 8/13/2024

To: The Board of Supervisors of Sonoma County, Board of Directors of the Sonoma County Water Agency, Board of Commissioners of the Community Development Commission, Board of Directors of the Sonoma County Agricultural Preservation and Open Space District

Department or Agency Name(s): Human Resources Department

Staff Name and Phone Number: Cheryl Thibault, Employee Benefits Manager - 707-565-3033

Vote Requirement: Majority

Supervisorial District(s): Countywide

Title:

Employee and Retiree Prescription Benefits Agreement

Recommended Action:

Authorize the Director of Human Resources to execute an agreement with RxBenefits for Prescription Benefit Management services for the County Health Plan (CHP) for the term of three years with two one-year renewal options, effective September 1, 2024, for an estimated annual cost of \$1,099,000.

Executive Summary:

The County Health Plan (CHP) is a self-insured medical plan, providing two plan options to County employees, retirees, and eligible dependents. To operate the plan, the County contracts with various services providers to support administrative functions to the plan participants.

The recommended action authorizes the Director of Human Resources to execute an agreement with RxBenefits for Prescription Benefit Management (PBM) services that provides for access to a pharmacy network for the County Health Plan (CHP) for three to five years effective September 1, 2024, for an estimated annual cost savings of 15% compared to the County's current provider's terms, as detailed further below.

Discussion:

On or about March 2024, the County's current PBM, CVS/Caremark notified the County that they were terminating the contract with the County effective immediately, due to CHP enrollment not meeting their minimum threshold for a direct services contract. There are currently 127 members enrolled in the CHP that need continued prescription benefits. CHP enrollment was 726 prior to the CHP Medicare retirees being migrated to a new medical plan effective June 1, 2024. Enrollment in the CHP is only anticipated to decline further, as the plan is closed to new participants effective May 31, 2024. Due to the long-standing relationship between CVS/Caremark and the County, they agreed to not terminate the existing agreement prior to the County establishing a new PBM vendor, ideally by August 30, 2024.

With assistance from Segal, the County's benefits consultant, the County has identified RxBenefits as a viable replacement for CVS/Caremark. RxBenefits subcontracts with CVS/Caremark as well as other PBMs and offers large group pricing for smaller populations through its joint purchasing arrangement (covering many different smaller groups for the benefit of better pricing for all). With the RxBenefits agreement, CHP participants can

continue to use CVS/Caremark as the PBM, minimizing both pharmacy network and drug formulary disruption. In addition, the County can maintain its current benefits (copay structure) without modification.

On behalf of the County, Segal sought a fee proposal from RxBenefits. The proposal's terms are better overall from our current CVS/Caremark contract. Segal estimates up to 15% savings, as confirmed by RxBenefits, or approximately \$392,000 total over the first three years of the agreement, compared to current contract guarantees. Actual savings will be influenced by drug utilization and the mix of drugs utilized. Segal is confident that the overall financial terms are better than the County's current direct contract regardless of utilization changes. Entering into a three-year agreement offers additional financial improvements, continuity of services, longer period of guaranteed pricing, and stability in an industry experiencing significant uncertainty.

Therefore, Human Resources recommends entering into a three-year agreement, with two one-year renewal options, with RxBenefits effective September 1, 2024. The annual cost, estimated based on recent utilization data, is estimated to be \$1,099,000, for an estimated total cost over the initial three-year term of \$3,297,000. This annual cost is estimated to apply similarly should the two-year extension renewals be exercised.

Based on the factors listed above, HR requested a Single Source Waiver from competitive procurement processes (RFP), which was granted under the County's purchasing guidelines due to the specialized nature of the services, the very small population being served, and the expediency needed to maintain these essential prescription services to CHP members.

Additional County Health Plan information not attached to this Board Item can be found at the following link: <https://sonomacounty.ca.gov/county-health-plan>

Strategic Plan:

N/A

Racial Equity:

Was this item identified as an opportunity to apply the Racial Equity Toolkit?

No

Prior Board Actions:

5/14/2024 (Item 16; 2024-0281) - Board authorized agreements with Anthem Blue Cross, Kaiser Permanente, Sutter Health Plus, and Western Health Advantage.

5/24/2022 (Item 22; 2022-0494) - Board authorized agreement with CVS/Caremark for prescription benefit management.

FISCAL SUMMARY

Expenditures	FY24-25 Adopted	FY25-26 Projected	FY26-27 Projected
Budgeted Expenses	\$915,000	\$1,099,000	\$1,099,000
Additional Appropriation Requested			
Total Expenditures	\$915,000	\$1,099,000	\$1,099,000

Agenda Date: 8/13/2024

Funding Sources			
General Fund/WA GF			
State/Federal			
Fees/Other	\$915,000	\$1,099,000	\$1,099,000
Use of Fund Balance			
General Fund Contingencies			
Total Sources	\$915,000	\$1,099,000	\$1,099,000

Narrative Explanation of Fiscal Impacts:

Third Party Administration costs associated with the RxBenefits agreement are paid from employer and employee contributions to the County Health Plan Internal Service Fund (ISF) as part of the Human Resources administered budget. This is reflected in the fiscal table above.

Staffing Impacts:			
Position Title (Payroll Classification)	Monthly Salary Range (A-I Step)	Additions (Number)	Deletions (Number)
N/A			

Narrative Explanation of Staffing Impacts (If Required):

N/A

Attachments:

RxBenefits Agreement

Related Items "On File" with the Clerk of the Board:

N/A