



Legislation Text

File #: 2020-0961, **Version:** 1

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, Board of Directors of the Northern Sonoma County Air Pollution Control District

Department or Agency Name(s): Human Resources

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

Vote Requirement: Majority

Supervisory District(s): Countywide

Title:

Authorize the Director of Human Resources to execute amendments to the agreement with CVS/Caremark for Prescription Benefit Management services for the County Health Plans, and to extend the agreement term for one year, June 1, 2021 through May 31, 2022.

Recommended Action:

Authorize the Director of Human Resources to execute amendments to the agreement with CVS/Caremark for Prescription Benefit Management services for the County Health Plans, and to extend the agreement term for one year, June 1, 2021 through May 31, 2022.

Executive Summary:

The recommended action authorizes the Director of Human Resources to execute amendments to the current agreement with CVS/Caremark for Prescription Benefit Management services for the County Health Plans, and to extend the agreement term for one year, June 1, 2021 through May 31, 2022 for an estimated annual cost savings of \$450,000 for plan years 2020/2021 and 2021/2022 when compared to the 2019/2020 terms.

Discussion:

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

The County utilizes CVS/Caremark (Caremark) as the prescription benefit manager (PBM) for the CHP. The current contract term is June 1, 2018 through May 31, 2021. Each year, the County's benefits consultant, Segal, and the County's Joint Labor-Management Benefits Committee evaluate Caremark's services. Annually, the prescription costs are evaluated with the overall market.

On behalf of the County, Segal, the County's benefits consultant successfully negotiated improved pricing. Pharmaceutical prices are based upon an Average Wholesale Price (AWP), with a percentage discount that is negotiated. The proposed rates included increased discounts, which plan participants will immediately realize. Annual pharmacy claim costs for the two County Health plans make up about half of total plan costs, as utilization of more advanced medications are taking the place of medical treatment. The newly negotiated discounts are projected to result in annual pharmacy costs savings for FY 2020/21 and 2021/2022 of approximately \$450,000. The cost savings to the plan could result in future premium reductions. Therefore, Human Resources recommends the extension of the Caremark for one more benefit plan year, June 1, 2021 through May 31, 2022

Due to purchasing requirements, Human Resources staff will work with Segal and the Joint Labor Management

Benefits Committee (JLMBC) to complete a Request for Proposal (RFP) for Pharmacy Benefits Management in 2021. Results and recommendations from this RFP will be presented for your Board's consideration in 2022, in time for the start of the next benefits plan year.

Prior Board Actions:

June 23, 2015 - Board authorized amendment to extend agreement and improve terms

March 20, 2012 - Board authorized amendment to extend agreement and improve terms

FISCAL SUMMARY

Expenditures	FY 20-21 Adopted	FY21-22 Projected	FY 22-23 Projected
Budgeted Expenses	\$9,367,500	\$9,367,500	\$9,367,500
Additional Appropriation Requested			
Total Expenditures	\$9,367,500	\$9,367,500	\$9,367,500
Funding Sources			
General Fund/WA GF			
State/Federal			
Fees/Other	\$9,367,500	\$9,367,500	\$9,367,500
Use of Fund Balance			
Contingencies			
Total Sources	\$9,367,500	\$9,367,500	\$9,367,500

Narrative Explanation of Fiscal Impacts:

There are no direct savings to the County as all costs associated with the CHP are paid through premiums charged to employees, retirees, and eligible dependents. Expenditures to pay CVS/Caremark for Prescription Benefit Management services will be paid within existing appropriations in the County Health Plan Internal Services Fund, which is primarily funded through participants' plan premiums.

Staffing Impacts: None.			
Position Title (Payroll Classification)	Monthly Salary Range (A-I Step)	Additions (Number)	Deletions (Number)

Narrative Explanation of Staffing Impacts (If Required):

None.

Attachments:

None.

Related Items “On File” with the Clerk of the Board:

Amendment 2 to the Administrative Services Agreement with CVS/Caremark