



Agenda Statement

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Title: Authorization to Proceed with a Proposed Change to the Prescription Drug Benefit Provider

Sponsors: City Council

Indexes:

Code sections:

Attachments: 1. Prescription Benefits Manager

| Date | Ver. | Action By | Action | Result |
|----------|------|--------------|----------|--------|
| 1/2/2019 | 1 | City Council | approved | Pass |

ITEM TITLE:

Authorization for Staff to Proceed with a Proposed Change to the Prescription Drug Benefit Provider

SUBMITTED BY: Brian Carlson, Finance Director

FISCAL NOTES:

Expenditure Required: n/a

Unencumbered Balance: n/a

Funding Source: Health insurance reserve fund; funded via payroll deductions

RECOMMENDATION:

Authorize staff to proceed

SUMMARY STATEMENT:

- Staff is forwarding to Council a broker/consultant recommendation to change the Health Plan's prescription medication provider.
- Council has directed staff to obtain Council approval of any health-plan changes that impact the end-user costs and/or benefits. Though this is not a plan change, it does ultimately have limited end-user impact.
- The prescription medication benefit is approximately \$700K of the total health plan expense (10%-15%)
- The purpose of the proposed change is to improve the cost structure by:
 - Capturing and retaining rebates which have been retained by the current benefit provider, totaling over \$120K annually (combined City/School)

- Switching to a provider who offers better pricing for our Health Plan profile (estimated \$80K combined annual savings) via better ingredient cost pricing and lower dispensing fees
 - Incentivizing and implementing limited formulary changes where prescription equivalents or alternatives are available
- The proposed change would take effect with the plan renewal on April 1.
- The lead-time to implement such a change necessitates a commitment in advance of the plan renewal date.
- As this proposed change does not change the Health Plan language, it does not violate the School's collective bargaining terms.
- A retrospective analysis of the contract change (called a "disruption analysis") indicates a low level of disruption: 0.4% of total prescriptions would have been excluded from coverage in favor of cost-effective alternatives.
 - Staff, broker, and proposed new contractor will proactively communicate changes to impacted plan participants in advance of the change
 - The city has latitude to mitigate the impact of these changes to the participants

PDF Attachment: Prescription Benefits Manager