



AGENDA MEMORANDUM

Action Item for the City Council Meeting June 14, 2022

DATE: June 14, 2022

TO: Peter Zaroni, City Manager

FROM: Eyvon McHaney, Director of Human Resources
EyvonMc@cctexas.com
(361) 826-3979

Josh Chronley, Assistant Director of Contracts and Procurement
JoshC2@cctexas.com
(361) 826-3169

Service Agreement for Third-Party Administration of The City's Self-Funded Employee Pharmacy Benefits

CAPTION:

Motion authorizing a one-year extension with Caremark PCS Health, LLC. ("CVS/Caremark") to provide third-party administration of the City's self-funded employee pharmacy benefits plan for an estimated cost of \$50,000, effective October 1, 2022, with funding requested in the FY 2023 Proposed Budget from the Health Benefits Fund.

SUMMARY:

This motion authorizes the second and final of two one-year contract extension options effective October 1, 2022.

BACKGROUND AND FINDINGS:

The first contract extension for employee health benefits will expire September 30, 2022. These benefits are for City employees, including both Fire and Police labor groups. This proposal is to exercise the final one-year option agreement. City staff will complete a full Request for Proposals (RFP) process next year to ensure the best value for the City.

The Caremark CVS administrative fees of \$0.60 per member per month (PEPM) include services needed for pharmacy plan administration including:

- Processing and paying an estimated \$12.5 million in insurance claims according to our specified plan designs for an estimated health plan enrollment of 2,953 employees
- Providing access to the CVS network contract discounts
- Providing customer service
- Drug Savings review Account management, consultative services, analytics and reporting tools, and group communication services

In addition to the \$0.60 administrative fee, fees are assessed on a case-by-case basis for specific services such as prior authorization and generic step therapy reviews at \$20 per review, first level appeals at \$30 per appeal, and second and third level appeals at \$375 per appeal.

The \$50,000 estimate for the proposed contract extension includes all administrative fees.

Funding is provided for these items through City premium contributions, employee, retiree and COBRA contributions, and Pharmacy rebates.

PROCUREMENT DETAIL:

This item is requesting the second and final extension granted under RFP Number. 1484 which was released January 15, 2018. The five top scoring firms proposing to provide medical and pharmacy benefits were invited for interviews. Upon completion of the interviews the five top firms were asked to submit their best and final offers (BAFOs). The BAFOs were evaluated, and final scores tabulated for each firm to determine the highest-ranking firm offering the best value to the City for health benefits.

Human Resources will complete an RFP over the next nine months, evaluating submissions for fixed and variable costs (including claims repricing), network discounts and network access, ability to match current plan design structures, cost containment, claims processing, reporting capabilities, technology integration, communication, financial stability, and past performance.

ALTERNATIVES:

The Council may choose to not pass the motion.

FISCAL IMPACT:

There are no funds needed for this fiscal year as the contract extension will not begin until next fiscal year. The estimated value of this contract extension is \$50,000 for the one-year extension term.

FUNDING DETAIL:

Description	Fund	Fund Name	Accounting Unit	Account No.	Amount
Caremark CVS					
Third Party Administration Fees					
Pharmacy - Active	5608	EmpHth Fire	5608-40602-213	537227	\$ 4,760
Pharmacy - Retiree	5608	EmpHth Fire	5608-40602-213	537228	\$ 225
Pharmacy - Active	5608	EmpHth Fire	5608-40606-213	537227	\$ 5,000
Pharmacy - Retiree	5608	EmpHth Fire	5608-40606-213	537228	\$ 50
Pharmacy - Active	5609	EmpHth Police	5609-40605-213	537227	\$ 8,250
Pharmacy - Retiree	5609	EmpHth Police	5609-40605-213	537228	\$ 6,200
Pharmacy - Active	5610	EmpHth Citicare	5610-40600-213	537227	\$ 21,545

Pharmacy - Retiree	5610	EmpHth Citicare	5610-40600-213	537228	\$	120
Pharmacy - Active	5610	EmpHth Citicare	5610-40601-213	537227	\$	3,850
Caremark CVS						
Total					\$	50,000

RECOMMENDATION:

Staff recommends approval of this motion, as presented.