

Setting the Standard in Health Care Excellence

July 25, 2023

Board of Supervisors
County of Ventura
800 South Victoria Avenue
Ventura, California 93009

SUBJECT:

Approval of, and Authorization for the Health Care Agency Director or Designee to Sign, on behalf of the Ventura County Health Care Plan (VCHCP), Amendment Number Fourteen to the Pharmacy Benefit Management Agreement with Express Scripts, Inc. (ESI), Effective July 1, 2023, Providing for, Among Other Things, Renewal of the Agreement Through Calendar Year 2026, for the Provision of Pharmacy Benefit Management Services to the VCHCP and the Behavioral Health Department; Ratification of the Authorization for ESI to Perform Under the Terms of the Amendment in Anticipation of Your Board's Approval.

RECOMMENDATION:

1. That your Board approve, and authorize the Health Care Agency (HCA) Director or designee to sign, on behalf of the Ventura County Health Care Plan (VCHCP), Amendment Number Fourteen to the Pharmacy Benefit Management Agreement with Express Scripts, Inc. (ESI), effective July 1, 2023, renewing the Agreement through calendar year 2026, for the provision of pharmacy benefit management (PBM) services to the VCHCP and the Behavioral Health Department, amending certain terms of the Agreement and increasing discounts on claims reimbursement rates and rebates.
2. That your Board ratify the authorization for ESI to perform under the terms of the amendment in anticipation of your Board's approval.

REASON FOR RATIFICATION:

Due to the complexities of pharmacy benefit management services negotiation took longer than anticipated therefore additional time was required to present to your Board for approval.

FISCAL IMPACT VCHCP BU #3390:

Mandatory: Yes

Authority: Health & Safety Code §§1342.7(g), 1345(b);

California Code of Regulations, Title 10, §2699.6700;
Title 28, §1300.67.24

Source of Funding: VCHCP Operational Performance
Funding Match Required: None
Impact on other Departments: None

Summary of Revenues and Costs:		FY 2023-24	FY 2024-25
Revenues:		\$0	\$0
Costs:			
Direct		\$13,285,000	\$15,679,000
Indirect-Dept		\$0	\$0
Indirect-County CAP		\$0	\$0
Total Cost		\$13,285,000	\$15,679,000
Net County Cost		\$13,285,000	\$15,679,000
Recovered Indirect Costs		\$0	\$0

The revenue and appropriations needed for this agreement are included in the FY24 adopted budget of VCHCP.

CURRENT FISCAL YEAR BUDGET TABLE

Current FY 2023-24 Adopted for Ventura County Health Care Plan Fund E-510 Division 3390				
	Adopted Budget	Adjusted Budget	Estimate to Year-End	Estimated (Savings/Deficit)
Expenditures	\$ 83,981,956	\$ 83,981,956	\$ 83,981,956	\$ 0
Revenue	\$ 84,170,439	\$ 84,170,439	\$ 84,170,439	\$ 0
Operational Income/(Loss)	\$ 188,483	\$ 188,483	\$ 188,483	\$ 0

*Includes interest and fixed assets

FISCAL IMPACT MENTAL HEALTH (MHSA) BU #3273:

Mandatory: No
Source of Funding: SD/MC FFP, MHSA Prop 63 Funds
Funding Match Required: None
Impact on other Departments: None

Summary of Revenues and Costs:		FY 2023-24	FY 2024-25
Revenues:		\$0	\$0
Costs:			
Direct		\$35,000	\$35,000
Indirect-Dept		\$0	\$0
Indirect-County CAP		\$0	\$0
Total Cost		\$35,000	\$35,000

Net County Cost	\$35,000	\$35,000
Recovered Indirect Costs	\$0	\$0

The revenue and appropriations needed for this agreement are included in the FY24 adopted budget of MHSA.

CURRENT FISCAL YEAR BUDGET TABLE

Current FY 2023-24 Adopted Budget for MHSA BU #3260-3273 CSS Adult Services				
	Adopted Budget	Adjusted Budget	Projected Actual	Estimated Savings/(Deficit)
Appropriations	\$ 53,846,120	\$ 53,846,120	\$ 53,846,120	\$ \$0
Revenue	\$ 52,705,680	\$ 52,705,680	\$ 52,705,680	\$ \$0
Net Cost	\$ 1,140,440	\$ 1,140,440	\$ 1,140,440	\$ \$0

DISCUSSION:

VCHCP arranges for the provision of health care services, including prescription medication, to members enrolled in its benefit plan. Because of the complexity of issues involved in the administration of a medication benefit program, VCHCP, like most other health plans, utilizes an independent pharmacy benefit manager to manage its program.

Under this agreement, ESI, on behalf of VCHCP, administers services which provide outpatient retail and mail-order prescription medication services to VCHCP members as well as those who receive prescription medication through the Behavioral Health Department's pharmacy benefit. Services provided by ESI include negotiations and contracting with local and national pharmacies. ESI also contracts with companies that make medications available to VCHCP members by mail. In addition ESI assists VCHCP in the development of its preferred drug list (formulary), and provides VCHCP with extensive analysis and reporting capabilities to assist VCHCP in its utilization and cost control effects.

If approved by your Board, effective July 1, 2023, Amendment Number Fourteen to the Pharmacy Benefit Management Agreement will renew the agreement through calendar year 2026, amend payment and pricing terms, and increase discounts on claims reimbursement rates and rebates.

The costs projected for the applicable fiscal years include the actual cost of the drugs dispensed to VCHCP members in addition to the administration fees charged by ESI. These costs are covered by premiums paid to VCHCP by subscribers. The costs projected for Behavioral Health are covered by MHSA Prop 63 Funds.

The total cost will vary with price inflation, member utilization, and the number of enrollees in the plan. These costs include negotiated maximized estimated savings of \$10,700,000

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for the four-year term, however there are many variables including utilization and drug mix and costs that could have an impact on the potential estimated savings. The estimated savings is based on negotiated increased discounts off average wholesale pricing and rebates. At this time, there is no anticipated need for an increase in appropriations.

The rate information for this agreement is exempt from disclosure under the Public Records Act (Gov. Code, Section 7926.205) and is redacted in the attached exhibit. An unredacted copy is available to Board members on request.

This letter has been reviewed by the County Executive Office, County Counsel, and Auditor-Controller's office. If you have any questions regarding these recommendations, please contact Dee Pupa at (805) 981-5006.



Dee Pupa
Health Care Agency Deputy Director Managed Care
Health Care Plan Administrator



Barry Zimmerman
Health Care Agency Director

Attachment: Exhibit 1 – Amendment Number Fourteen to Pharmacy Benefit Management Agreement with Express Scripts, Inc.