

COUNCIL ACTION FORM

**SUBJECT: AGREEMENT FOR WORKERS COMPENSATION PHARMACY
BENEFITS ADMINISTRATION**

BACKGROUND:

The City of Ames has worked with Pharmaceutical Technologies, Inc. (PTI) and its wholly owned subsidiary, National Pharmaceutical Services (NPS), through Wellmark's pharmacy program "Catalyst RX". For FY 2009-10 the City of Ames is entering into a direct agreement with PTI/NPS. NPS offers discounted prescription medication only to those City of Ames employees who have work related injuries or illnesses.

The following coverages are part of the program provided by PTI/NPS:

- 10% discount on Average Wholesale Prices (AWP) + \$4.00 filing fee on Preferred Brands
- 10% discount on AWP + \$2.00 filing fee on Non-preferred Brands
- 10% discount on AWP + \$2.00 filing fee on Brands with a Generics
- The Maximum Allowable Cost (MAC) + \$6.00 filling fee on Generics

Staff did not seek alternatives to this program. The relationship with NPS continues to be a good one.

There is not a renewal quotation for this type of service and the expense for this service is accounted for in the Workers' Compensation budget. The actual cost for the service in 2008 was \$16,838 and, so far in 2009, \$17,614.

Staff does estimate that Workers' Compensation prescription costs will increase and anticipates approximately \$20,000 in charges in FY 2009-10.

ALTERNATIVES:

1. Accept the proposal from Pharmaceutical Technologies, Inc.
2. Reject the proposal from Pharmaceutical Technologies, Inc. and have staff seek other quotations for coverage.

MANAGER'S RECOMMENDED ACTION:

It is important to maintain these coverages to help contain Workers' Compensation pharmaceutical costs. Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, thereby approving the renewal of Workers' Compensation pharmacy coverage with Pharmaceutical Technologies, Inc.