

ITEM #: 6
DATE: 12-17-24
DEPT: HR

COUNCIL ACTION FORM

SUBJECT: **PHARMACY BENEFIT MANAGER SERVICES CONTRACT**

BACKGROUND:

The City provides employees a competitive benefits package including health insurance and prescription coverage. In 2023, the City's health insurance consultant, Gallagher, conducted an analysis of the City's pharmacy benefit management services. This review indicated an opportunity to mitigate substantial future cost increases by seeking competitive proposals for pharmacy benefit management services. A request for proposal process was initiated, which resulted in the selection of CarelonRx for the City's Pharmacy Benefits Manager (PBM) services.

CarelonRx promised the City a significant savings on prescription drug pricing with minimal disruption to employees and their covered dependents. CarelonRx has been able to meet the City's expectations on savings. **However, the disruption to employees and covered dependents has been significant.** CarelonRx's customer service has been addressed on several occasions in the last year, and the service remains unacceptable. In early December, CarelonRx informed City employees and dependents that a major pharmacy would no longer be in Carelon's network. The potential disruption to employees from this change is significant. The notice was sent to employees and dependents without advance warning or consultation.

Discussions with the City's health insurance consultant indicate that the possibility exists of returning to a PBM relationship with Wellmark, which previously provided the service. Wellmark may be able to preserve a significant amount of the savings that the City enjoyed by carving PBM services out and do so in a manner that is less disruptive to employees and their dependents. Therefore, staff is seeking authorization to provide notice of contract termination to CarelonRx, and authorize staff to enter into negotiations with Wellmark. Once a contract with Wellmark has been negotiated, it will be presented to City Council for approval.

ALTERNATIVES:

1. Authorize staff to terminate the contract with CarelonRx and direct staff to begin negotiations for pharmacy benefits manager (PBM) services with Wellmark.
2. Direct staff to continue the contract with CarelonRx.

CITY MANAGER'S RECOMMENDED ACTION:

Based on the challenges presented in the current contract with CarelonRx and the failure to remedy service levels, it is apparent that the terms of the contract for PBM services are not being met. Staff believes a contract with Wellmark can be negotiated that will result in acceptable service levels and acceptable costs. Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative #1, as described above.