

ITEM #: 16
DATE: 01-14-25
DEPT: HR

COUNCIL ACTION FORM

**SUBJECT: PHARMACY BENEFIT MANAGER (PBM) SERVICES TRANSITION TO
WELLMARK BLUE CROSS BLUE SHIELD**

BACKGROUND:

For almost 20 years, Wellmark Blue Cross Blue Shield of Iowa had been the City's provider for administrative services and excess coverage for the self-insured health and pharmacy programs. In 2024, City Council approved separating pharmacy services from Wellmark and moving to a vendor specializing in pharmacy benefit management (PBM) services.

After an extensive RFP process, in January 2024, the City contracted with CarelonRx to provide PBM services. CarelonRx was able to project exceptional savings over the course of three years, while Wellmark BCBS was unable to be competitive with its pricing during the RFP. In the last twelve months with CarelonRx providing PBM services, the City has experienced the projected savings. However, service levels have not met expectations even after remedial efforts were made.

In December, City Council authorized City staff to terminate the contract with CarelonRx and to begin negotiations with Wellmark BCBS. City staff, with the assistance of Gallagher Benefits Services, has engaged in negotiations with Wellmark BCBS to re-engage with PBM services.

Wellmark BCBS has provided a pricing and rebate structure that is competitive. Projections over a three-year period, using actual claims information from a fixed, 6-month period indicate potential savings of approximately 22% (\$1.3M), over estimates for the same period with the current PBM.

Wellmark has provided contract documents (including terminal rider, final alternate rates, and updated benefits summary information for three City health insurance plans) to the City for approval, which are necessary to proceed with a transition to Wellmark for PBM services effective April 1, 2025. Gallagher Benefits Services, the City's benefits consultant, and City staff have reviewed the documents. Based on this review, the staff is recommending approval of this switch back to Wellmark.

ALTERNATIVES:

1. Approve contract documents (including terminal rider, final alternate rates, and updated benefits summary information for three City health insurance plans) from Wellmark to carry out Pharmacy Benefits Manager services for the City by negotiating rates, creating pharmacy networks, reviewing drug utilization, processing claims, and managing pharmacy-related programs, effective April 1, 2025.
2. Do not accept Wellmark for Pharmacy Benefits Manager services and direct staff to find suitable alternatives.

CITY MANAGER'S RECOMMENDED ACTION:

Wellmark BCBS has indicated through its cost projections that it is able to meet the City's expectations for PBM pricing. As the City has enjoyed a positive working relationship with Wellmark on health insurance and excess coverage programs in the past, staff is confident the service levels for pharmacy benefit services will improve by transitioning back to Wellmark for PBM services. Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative #1, as described above