



# Pension and Health Benefits Committee Agenda Item 8

November 15, 2016

**Item Name:** Pharmacy Benefit Manager Transition

**Program:** Health Benefits

**Item Type:** Information

### **Executive Summary**

This agenda item provides an update to the Pension and Health Benefits Committee (PHBC) on implementation activities of the new Pharmacy Benefit Manager (PBM) for the California Public Employees' Retirement System (CalPERS) preferred provider organization and select health maintenance organization health plans. The update includes the challenges and successes toward the path forward to January 1, 2017, "Go-Live" of the new PBM with focus on customer care, pharmacy networks, clinical and benefit designs, and financial structure.

### **Strategic Plan**

This agenda item supports Goal A: "Improve long-term pension and health benefit sustainability by ensuring high quality, accessible and affordable health benefits."

### **Background**

In May 2016, CalPERS Board of Administration (Board) approved to award the PBM contract to OptumRx. Simultaneous to the award and implementation of the new contract, the current incumbent CVS Caremark has been working with CalPERS and the new PBM to effectively transition affected members. In making the transition from the prior PBM, patient safety and evidence-based formulary management practices are incorporated using historical data. This data includes quantity limits, Prior Authorization (PA), other utilization management, and evidence-based protocols for step therapy on specialty medications. In this transition, CalPERS was able to retain 90-day at retail with no co-pay changes, however, the introduction of a new PBM has resulted in a number of member calls and complaint letters regarding the switch.

### **Analysis**

Upon Board selection, staff immediately began working with the OptumRx implementation team. Required activities include customization of the drug formulary, benefit design, member communications, information systems integration, financial systems integration, Medicare Part B vs. Part D determination, and Employer Group Waiver Plan (EGWP). To avoid potential disruption of member prescription fills at the pharmacy, mitigating member disruption via proactive member communication is important to ensure members have continuous access to existing medications, and that all members leave the pharmacy with their prescriptions.

CalPERS is working with OptumRx to implement drug strategies that encourage clinically appropriate prescribing, lower net cost without sacrificing clinical outcomes, including step therapy options that offer significant savings to both CalPERS and members. OptumRx has

committed implementation and communication support to ensure accuracy in the development of utilization management and PA criteria, customer care staffing and training criteria, as well as customized and targeted communication letters and educational materials for employers, members, and providers.

In order to streamline implementation efforts, CalPERS identified seven Work Stream Groups (WSG) (Attachment 1) comprised of staff throughout the enterprise, as well as, the State Controller's Office working with OptumRx on the various project tasks identified in the project work plan. The WSG are responsible for the clinical program set-up including: formulary management, benefit design, utilization management, and appeals process; communication and member materials; eligibility and enrollment data exchange and Rx Health data feeds; carrier/account/group structure information for both commercial and EGWP; and, set-up of financial billing and payments in accordance with all state and federal laws, rules, and regulations.

Overall, the implementation and transition project is going well, tracking on time and schedule, with some deviations. CalPERS staff will continue to work with OptumRx's executive and account management staff on the effective and efficient coordination of services for CalPERS PBM members, ensuring member issues and concerns are addressed as they arise and in a timely manner. CalPERS staff will keep the PHBC apprised of the teams progress and "Go-Live" outcomes.

CalPERS staff are starting work with OptumRx staff to develop a comprehensive pharmacy management strategy to include such innovations as value based contracting, working with pharmacy manufacturers to drive value for CalPERS, sites of care management, Pharmacy and Therapeutics Committee evidenced-based formulary controls, opiate management integrated with behavioral health, BrioVA Specialty Care Center outreach, medical pharmacy and biopharmaceutical strategies, among others.

### **Budget and Fiscal Impacts**

The five-year contract agreement resulted in an increase in administrative service fees beginning January 1, 2017. However, by implementing clinical programs that are designed to improve long-term cost containment for step therapy programs and targeted specialty brands by drug class, CalPERS staff will continue to evaluate for any potential cost savings.

### **Benefits and Risks**

The new PBM contract allows CalPERS the opportunity for increased transparency into the PBM pharmaceutical agreements and obtain a more cost-effective means of dispensing pharmaceuticals while exploring tactics that better influence physician practice to evidence-based medicine and consumer pharmaceutical choices. Although CalPERS is seeking to obtain more cost-effective and efficient services as a result of this new agreement, it is unclear what impact this will have on pharmaceutical prices, which are anticipated to increase over the next five years.

### **Attachments**

Attachment 1 – 2016 PBM Implementation Status Update



---

**Kathy Donneson, Chief**  
Health Plan Administration Division

---

**Doug P. McKeever**  
Deputy Executive Officer  
Benefit Programs Policy and Planning

