

CalPERS Pharmacy Benefits Contracting Update

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June 2025

CalPERS Pharmacy Benefits



Pharmacy vendors

OptumRx (self-insured), Blue Shield and Kaiser (fully-insured)

Primarily patient or caregiver administered drugs covered under the pharmacy benefit



Medical pharmacy vendors

Our HMO and PPO health plans

Primarily provider administered drugs (e.g., infusions, some injections, etc.) covered under the medical benefit

Importance of our Pharmacy Vendor

TOTAL OUTPATIENT PHARMACY SPEND

2020**2021****2022****2023****Total spend**

\$1.76 billion

\$1.91 billion

\$2.01 billion

\$2.39 billion

**Total spend as %
of premium**

18%

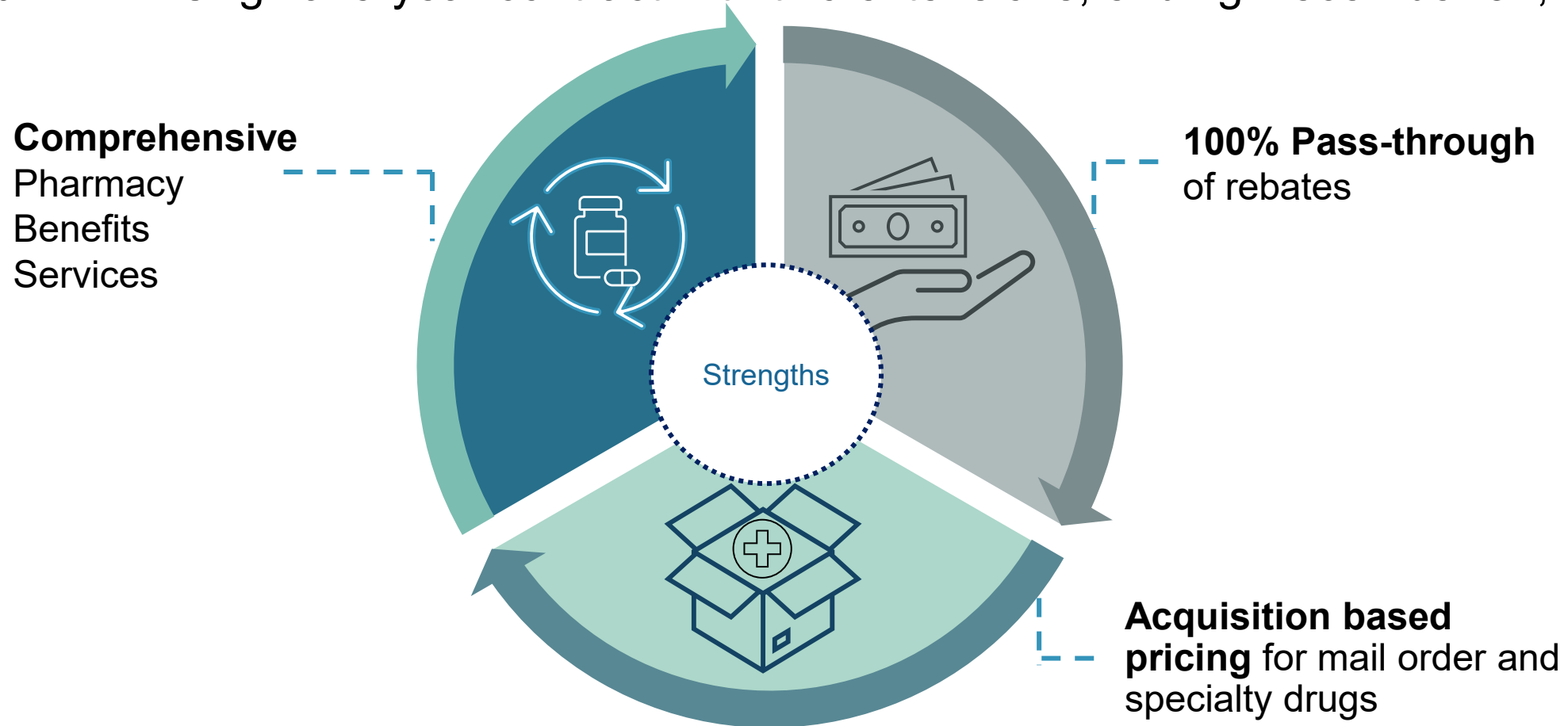
19%

19%

21%

CalPERS PBM Contract

Optum Rx: Original 5-year contract with two extensions, ending December 31, 2025



Objectives for Pharmacy Benefits Contract



Affordability

- Pricing arrangement that ensures stability for CalPERS and its members.
- Measure and assess pharmacy and medical spend with a focus on both trend and total cost of care.



Quality & Access

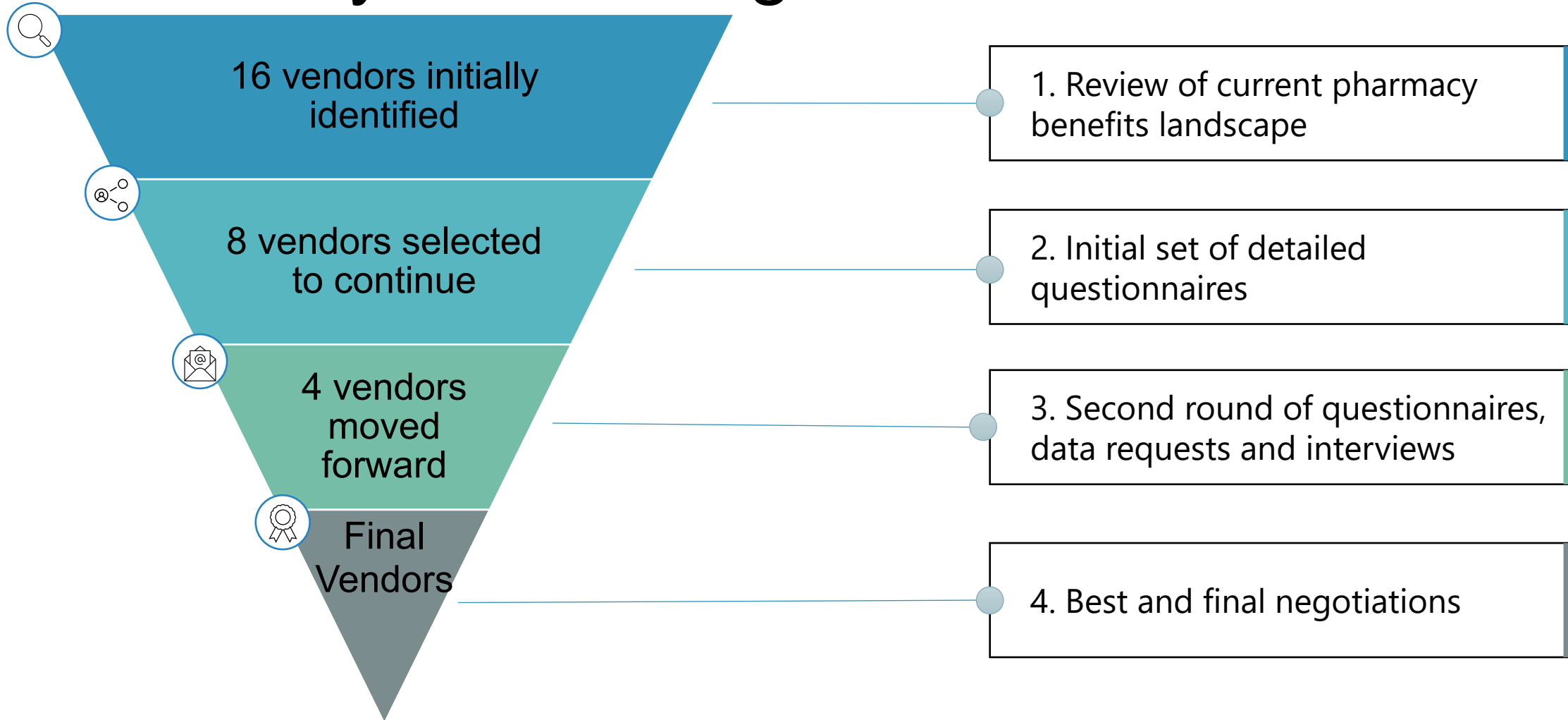
- Substantial performance guarantees linked to timely access, safety & exceptional customer service.
- Support our population health goals through Quality Alignment Measure Set alignment



Transparency

- Full transparency of all relevant financial information.
- Complete audit rights to ensure integrity of administrative, clinical and payment services.

Pharmacy Contracting Process



Second Round Evaluation



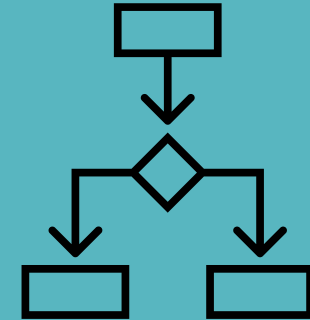
Financial Evaluation

Financial aspects of each submission including rebates, pricing and guarantees including overall cost trend



Clinical Evaluation

Clinical aspects of each submission including formulary and utilization management, biosimilar approach and specialty management



Operational Evaluation


Operational elements of each submission such as audit rights, transparency, flexibility and data capabilities

Performance Guarantees




PBM accountability aligned with CalPERS financial and quality objectives:

- Seeking at least 100% of fees at-risk for controlling cost and improving quality
- Potential \$150 million at-risk over five-year contract with additional dispensing fees at risk if utilization exceeds projections



Cost trend guarantees will help ensure financial predictability throughout the contract and aligns with efforts under the PPO medical contract as well as with OHCA growth targets



Quality guarantee focuses on two Quality Alignment Measure Set (QAMS) measures to align with and support quality efforts across medical and pharmacy contracts



These are groundbreaking guarantees in the pharmacy benefits industry

Negotiations



Financial



- Net value
- Cost Trend Guarantee
- Basic vs Medicare

Clinical



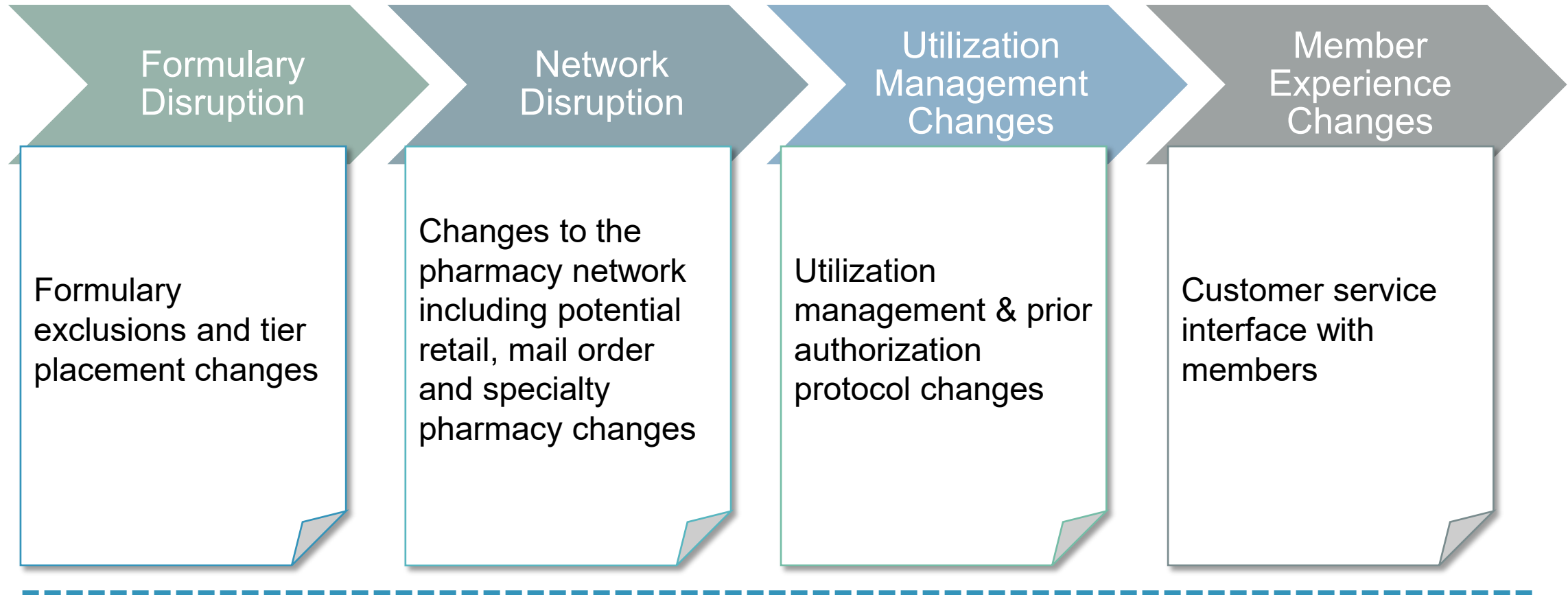
- Formulary
- Utilization Management

Contract Terms



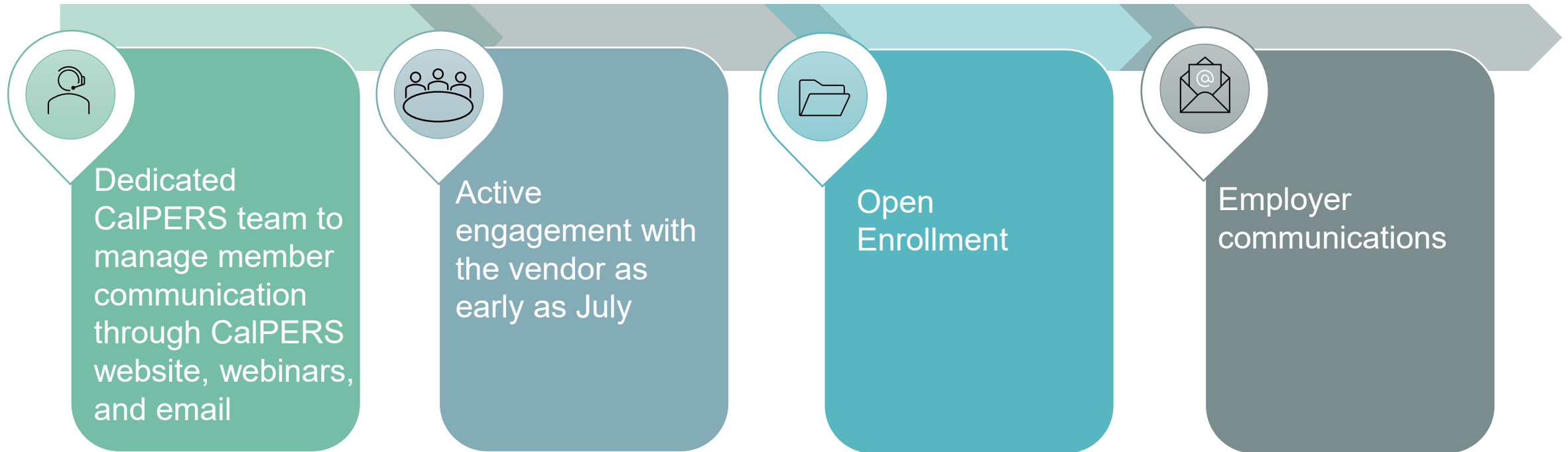
- Auditing
- Transparency

Pharmacy Disruption: Considerations for Clinical Care and Member Experience



Transition and Implementation

Planning for extensive member outreach and communication regardless of whether we have a new vendor, because we will have a new contract.



Questions