

CalPERS Pharmacy Benefits Contract Recommendation

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Board of Administration Offsite

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

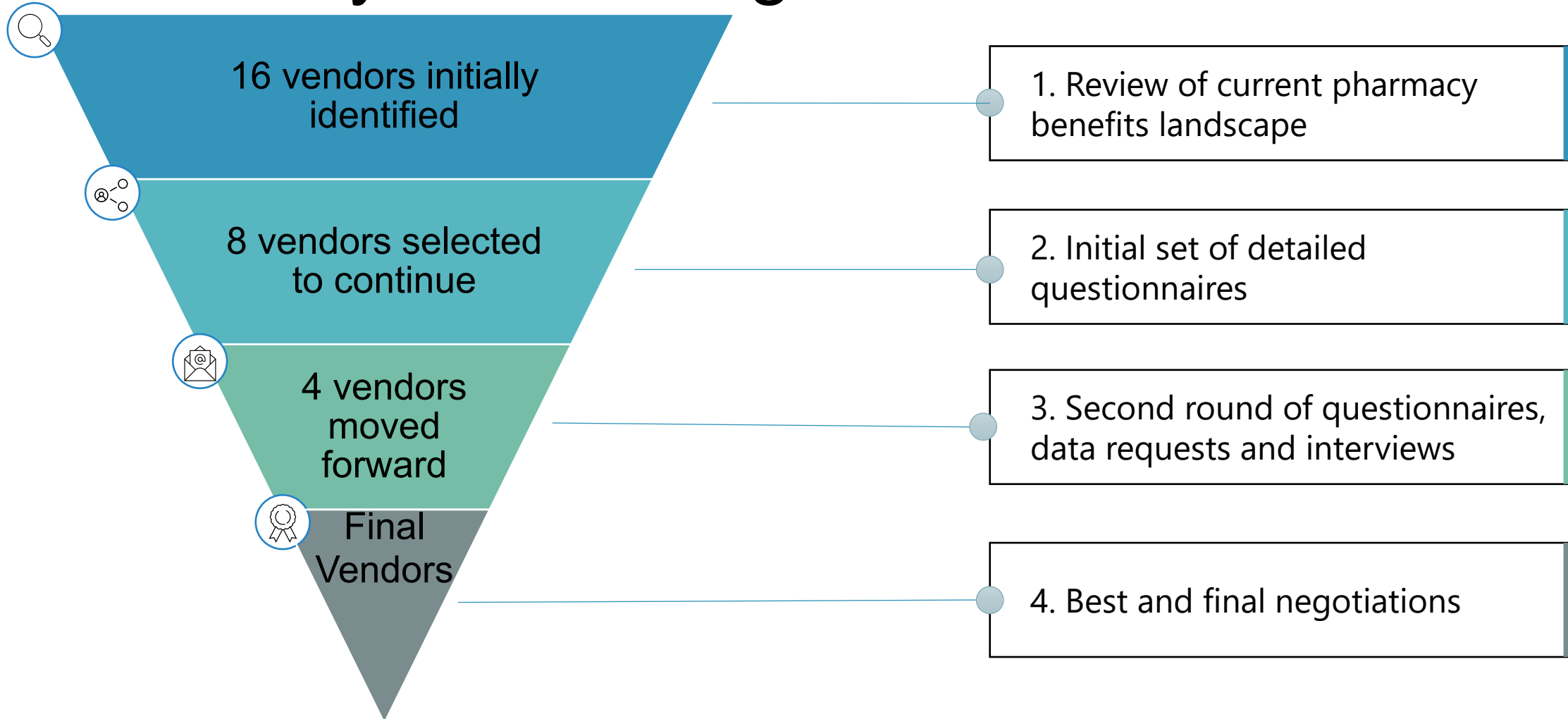
- Substantial performance guarantees linked to timely access, safety & exceptional customer service.
- Foster member access to low-cost, high-quality pharmacy benefits.



Transparency

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

Pharmacy Contracting Process



Negotiations

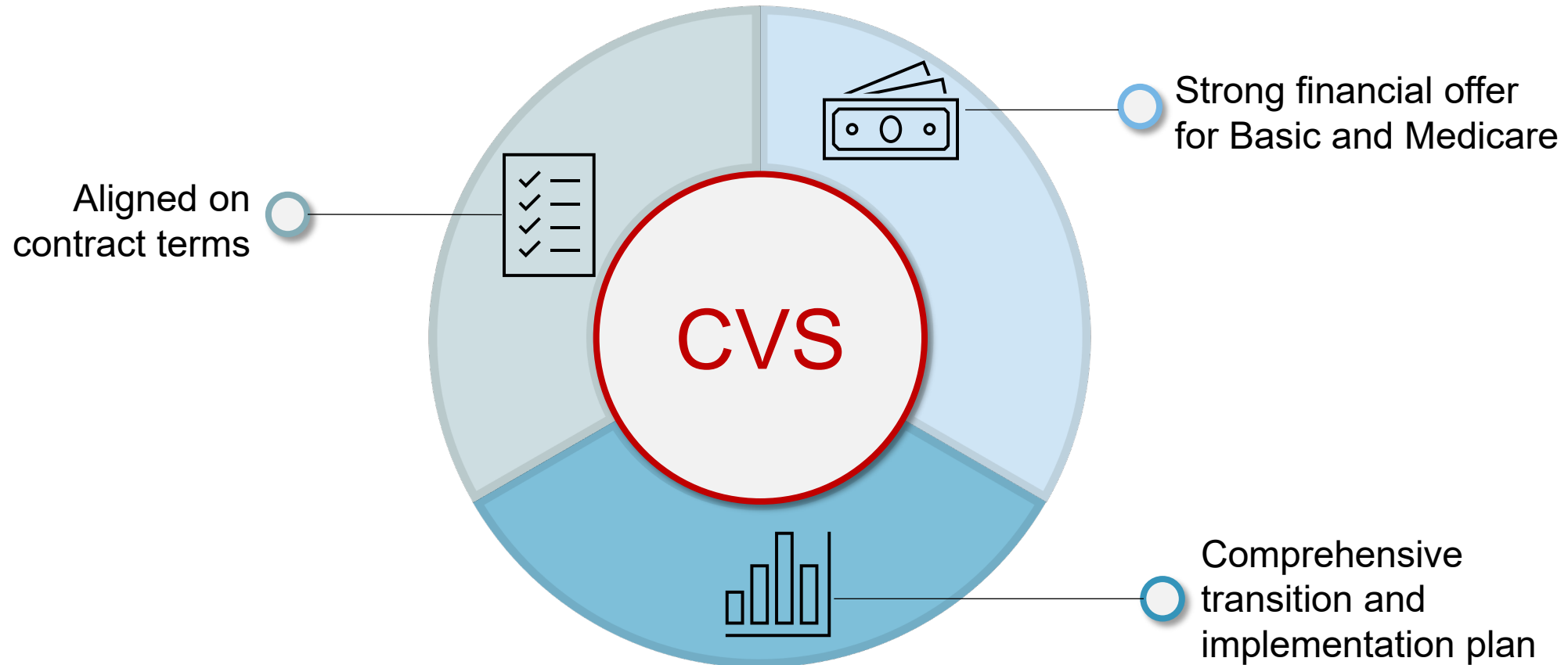
Contract negotiations resulted in better contract terms



- More favorable contract terms around auditing rights, transparency, and fiduciary responsibility
- Improved flexibility in formulary and utilization management, as well as potential carve out of services as determined by CalPERS
- Significant money at risk for both cost trend and quality for the Basic and Medicare populations

Final Vendor Recommendation

CVS was found to be the strongest candidate based on the following:



Why CVS?

- CVS had the best and most credible financial offer
 - Substantially better prices on drugs
 - Substantially better rebates
 - Saving largely generated from pricing and rebates, not from dramatic changes in formulary
- CVS' formulary for Medicare is comparable to current Medicare formulary
 - Formulary is tighter but clinically appropriate
 - Disruption estimated to be approx. 15% members for Medicare and 5% for Basic members
- CVS agreed to strong contract terms on accountability, transparency and transformative financial guarantees

Financial and Clinical Performance Guarantees



Significant administrative fees at risk for controlling cost and improving quality, for both Basic and Medicare.



\$250 million dollars at risk over the 5-year contract period with trend targets of 6.5% for both Basic and Medicare.

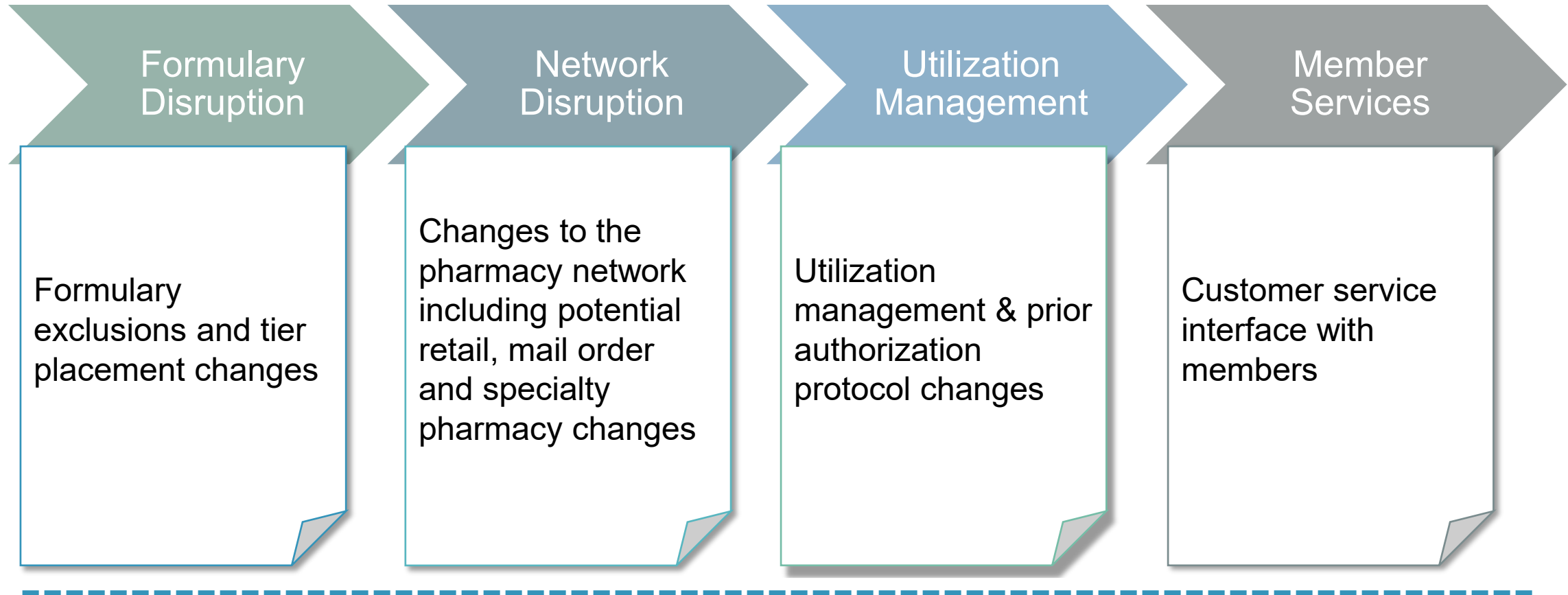


Quality guarantee focuses on two Quality Alignment Measure Set (QAMS) measures to align with and support quality efforts across medical and pharmacy contracts



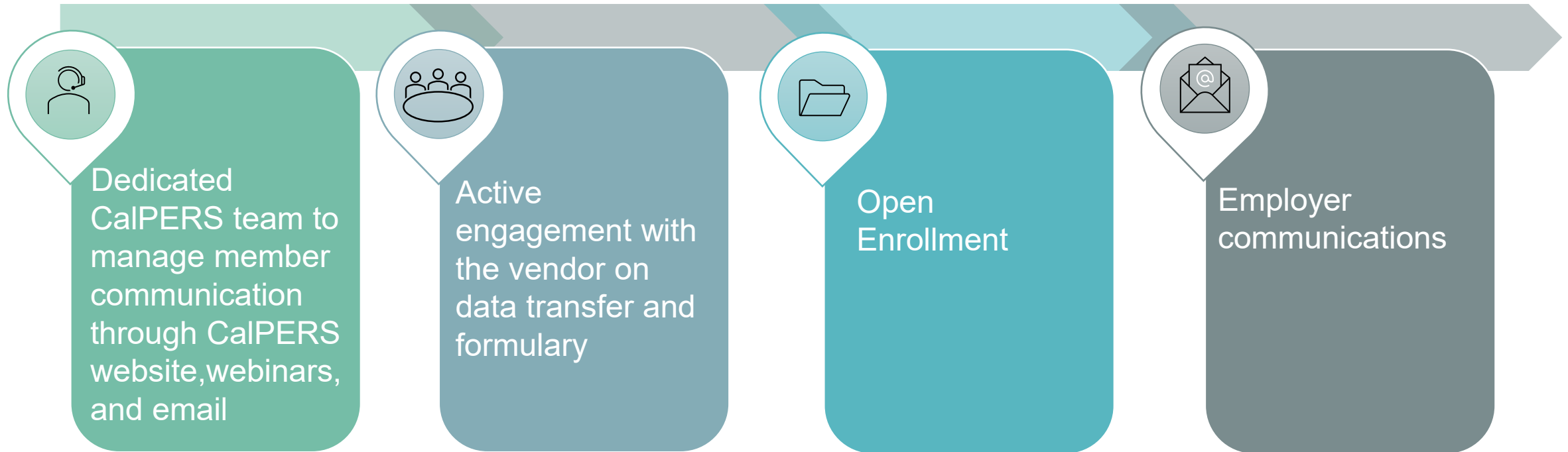
Builds on the recent PPO contract by having the same measures with a 3rd partner, increasing alignment and focus

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.



PBM Contract is a New Beginning focused on Accountability

- New contract will have stronger contract terms related to key CalPERS goals of transparency and accountability
- Program oversight essential to hold PBM accountable:
 - Regular auditing
 - Annual pricing and rebate reviews
 - Formulary assessment for clinical and financial optimization for CalPERS and its members

Next Steps



Vote on recommendation for Vendor Contract



Sign and Process Contract



Commence Implementation and Transition Activities, including Communication plan



Contract starts 1/1/26

Questions