



STATE OF WISCONSIN
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CORRESPONDENCE MEMORANDUM

DATE: October 26, 2012
TO: Group Insurance Board
FROM: Jeff Bogardus, Manager, Pharmacy Benefit Programs
Health Benefits & Insurance Plans Bureau,
SUBJECT: Pharmacy Benefits Manager Contract Updates

This memo is for informational purposes only. No Board action is required.

The current administrative services contract for the State of Wisconsin group health insurance program Pharmacy Benefits Manager (PBM), effective January 1, 2011, has been amended with the following two changes:

Amendment 2, dated November 6, 2012

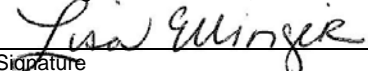
This amendment to the PBM administrative services contract revises the per-member-per-month (PMPM) fee paid to Navitus Health Solutions, the current PBM. The revised rate will be \$2.60 PMPM effective April 1, 2012. Here is a recent history of the PMPM administrative fees charged by Navitus:

<u>Plan Year</u>	<u>PMPM Admin Fee</u>	<u>Effective Date</u>
2009	\$ 3.29	1/1/2009
2010	\$ 3.29	1/1/2010
2011	\$ 2.80	1/1/2011
2012	\$ 2.91	1/1/2012
2012	\$ 2.60	4/1/2012

As part of the contract negotiation process conducted in 2009 and 2010, Navitus agreed to charge an administrative fee of \$2.80 PMPM, effective January 1, 2011. At that time, based on the size and scale of its business, Navitus did not feel it could provide PBM services at a rate lower than proposed. The renewal rate of \$2.91 PMPM for the 2012 plan year was an extension of the original, negotiated administrative fee and calculated based on the provisions of the contract in place.

Board	Mtg Date	Item #
GIB	11.13.12	7F

Reviewed and approved by:
Lisa Ellinger, Administrator, Division of Insurance Services.


Signature _____ Date 11/1/12

In retrospect, Navitus believes its proposed and negotiated \$2.80 PMPM administrative fee for the 2011 plan year was too conservative, even though the rate was a substantial reduction from the \$3.29 PMPM rate that had been in place during the 2010 plan year. As a result, based on the strength of the partnership that has developed between Navitus and the Board, as well as Navitus' growth in their business and the PBM industry, they feel that reducing the administrative fee effective April 1, 2012 is appropriate, as it provides savings for the Board's group health insurance programs while also allowing Navitus to maintain an alignment with their own financial goals.

The \$2.60 PMPM administrative fee will remain in effect for the 2013 plan year.

Medicare Part D Addendum, dated January 1, 2012

This addendum to the PBM contract is a three-party agreement between Navitus Health Solutions, Sterling Life Insurance Company, and ETF (on behalf of the Board) for the administration of the Navitus MedicareRx (PDP) employer group waiver plan. The Navitus MedicareRx (PDP) plan provides the prescription drug coverage for Medicare enrolled retirees in the State and Wisconsin Public Employers group health insurance program. Details about Medicare Part D coverage were presented to the Board at the meeting on August 23, 2011, and the agreement was signed by all respective parties. This action simply signifies the agreement is a part of the PBM contract.

Staff will be at the Board meeting to answer any questions.