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## CORRESPONDENCE MEMORANDUM

**DATE:** April 23, 2013  
**TO:** Group Insurance Board  
**FROM:** Jeff Bogardus, Manager, Pharmacy Benefit Programs  
**SUBJECT:** Recommendation for Extension of the Pharmacy Benefit Management Administrative Services Only Contract with Navitus Health solutions, LLC

**Staff requests the Group Insurance Board (Board) exercise the option for a two-year extension of Navitus' contract for the administration of pharmacy benefits as the Board's pharmacy benefit manager (PBM). This will extend the contract for PBM services to run from January 1, 2014, through December 31, 2015. Navitus has proposed no administrative fee increase for both plan years 2014 and 2015.**

### Background

The original contract term was from January 1, 2011 through December 31, 2013, with an option to extend the contract for two additional two-year periods, or extend the contract for one additional four-year period. The administrative fees charged by Navitus for the 2013 plan year were approved at \$2.60 per member per month (PMPM) for the commercial coverage and \$10.88 PMPM for the Medicare Part D employer group waiver plan (EGWP) and wrap benefit coverage. The current contract allows for a maximum percentage increase for a contract extension under Part 1, Section 1.04 (c):

*"Cost increases for any contract extensions may be capped at the rate of inflation or 3% per annum (whichever is lower) from the contract effective date to the renewal date as measured by the National (U. S. City Average) consumer price index for all urban consumers (CPI-U) unless justified by Navitus and otherwise agreed to by the Board.*

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

*Lisa Ellinger*

Electronically Signed 5/7/13

Board	Mtg Date	Item #
GIB	5.21.13	4G

## Discussion

Navitus is the third party administrator (TPA) of the pharmacy benefit programs for the State and Wisconsin Public Employer (WPE) group health insurance programs. They administer the commercial coverage provided to active employees, continuants, early retirees and each of their dependents, as well as the Navitus MedicareRx Prescription Drug Plan (PDP), Medicare Part D employer group waiver plan (EGWP) for Medicare enrolled retirees and their dependents.

Navitus has proposed maintaining the current 2013 administrative fees, as shown below, for both the 2014 and 2015 plan years:

	<u>2014-2015 Proposed</u>	<u>2013 Current</u>	<u>Change</u>
• Commercial Coverage .....	\$2.60 PMPM.....	\$2.60 PMPM.....	0.00%
• EGWP + Wrap Coverage.....	\$10.88 PMPM.....	\$10.88 PMPM.....	0.00%

Navitus has satisfactorily administered the pharmacy benefits in accordance with the agreed-upon standards and according to the terms of the administrative agreement. Navitus has met or exceeded all performance standards related to member eligibility management, claims processing, pharmacy network administration, member communications, and other measurable customer service standards. In addition, the audit reports produced by Tricast, the vendor contracted to audit the pharmacy benefit programs, regarding Navitus' compliance for the years 2007 through 2010 indicate that Navitus is compliant with the administrative service agreement and revealed no significant shortcomings.

Since 2004 when Navitus was first contracted as the PBM complaints about the pharmacy benefit programs have continued to decline: from a high of 494 total complaints in 2004 to 102 complaints in 2011 out of more than 200,000 utilizing members annually. In 2012 there was a slight uptick in the number of complaints to 164. This can be directly attributed to the implementation of the Navitus MedicareRx (PDP) plan. The number of grievances submitted to the Department of Employee Trust Funds (ETF) associated with the pharmacy benefit programs has also showed a downward trend. There were 53 grievances submitted in 2012, down from 141 in 2009. As reported by the Ombudsperson Services, in 2011 and 2012 70%-75% of the decisions Navitus made were upheld through the grievance process. Complaints and grievances submitted to ETF reflected copayment reductions, prior authorization requests, coverage of experimental or non-covered drugs, reimbursement requests, and requests for making exceptions to established quantity limits. They did not reflect Navitus customer service issues or implications that Navitus mishandled the benefit plan design or contractual provisions in providing pharmacy benefit management services.

Navitus has continued to collaborate with the Board and adapt to the Board's and group health insurance programs' changing needs. This is reflected in the successful implementation, and ongoing administration of the Navitus MedicareRx (PDP) plan for all State and WPE program members who are Medicare eligible, as well as the outreach currently being conducted with the various parties interested in the Navitus SpecialtyRx program due to the benefit changes implemented for 2013. Navitus has also delivered positive results in managing and controlling the prescription drug trend for the State and WPE programs throughout the relationship with the Board. The service Navitus provides reflects continued commitment to the State and WPE programs.

Staff supports the two-year extension of the contract with Navitus. The current contract does make available the option to extend the contract for four years. However, staff feels the two-year extension is warranted, given the uncertainty of what lies ahead for the group health insurance programs with regard to the Patient Protection and Affordable Care Act, and state legislative mandates. If the two-year extension is granted, the Board will have another opportunity to extend the contract again at the end of 2015.

### **Conclusion**

Staff recommends approval of the two-year extension of the contract with Navitus, to run from January 1, 2014, through December 31, 2015.

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