



STATE OF WISCONSIN
Department of Employee Trust Funds
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CORRESPONDENCE MEMORANDUM

DATE: October 17, 2014

TO: Group Insurance Board

FROM: Jeff Bogardus, Manager, Pharmacy Benefit Programs
Mary Statz, Director, Health Benefits and Insurance Plans Bureau

SUBJECT: Extension of the Pharmacy Benefit Management Administrative Services
Only Contract with Navitus Health Solutions, LLC (Navitus)

Staff requests the Group Insurance Board (Board) exercise the option for a two-year extension of the contract with Navitus for the administration of pharmacy benefits, as the Board's pharmacy benefit manager (PBM). This will extend the contract for PBM services from January 1, 2016, through December 31, 2017. Navitus has proposed no administrative fee increase for both plan years 2016 and 2017.

Background

The original contract term with Navitus 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. In May 2013 the Board exercised the option to extend the contract for one two-year period, which will expire on December 31, 2015.

The administrative fees charged by Navitus since January 1, 2013, as approved by the Board, have remained 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

Electronically Signed:
10/30/2014

Board	Mtg Date	Item #
GIB	11.18.14	4A

Discussion

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

Navitus has proposed maintaining the current 2013 administrative fees, as shown below, for both the 2016 and 2017 plan years.

Coverage	2016-2017 Proposed	2014-2015 Current	Change
Commercial	\$2.60 PMPM	\$2.60 PMPM	0.00%
EGWP + Wrap	\$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 2012 revealed no significant shortcomings and indicated that Navitus is compliant with the administrative service agreement.

Since 2004, when Navitus was first contracted as the PBM, member contact with Department of Employee Trust Funds (ETF) Ombudsperson Services staff about the pharmacy benefit programs have continued to decline: from a high of 494 total contacts in 2004 to just 94 in 2013 -- out of more than 200,000 utilizing members annually. In 2012 there was a slight increase in the number of contacts to 164, which can be directly attributed to the implementation of the Navitus MedicareRx (PDP), Medicare Part D plan. However, Medicare Part D-related contacts have diminished since the initial implementation.

The number of grievances submitted to ETF associated with the pharmacy benefit programs showed a slight upward trend in 2013. There were 60 grievances submitted in 2013, up from 53 in 2012. Consistent with previous years, 75% of the decisions Navitus made were upheld through the grievance process. Complaints and grievances submitted to ETF reflected Navitus's denials of requests for the following:

- copayment reductions;
- prior authorization requests;
- coverage of experimental or non-covered drugs;
- reimbursement requests; and
- requests for making exceptions to established quantity limits.

The member contacts 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 other interested parties, and adapt to the group health insurance programs' changing needs. This is reflected in the ongoing administration of the Navitus MedicareRx (PDP) plan for all State and WPE program members who are Medicare eligible. Navitus is also collaborating with ETF, the Pharmacy Society of Wisconsin and UW Health to evaluate options for controlling the specialty medication trends and the pharmacy benefit design specific to specialty medications. In addition, Navitus has taken the lead in collaborating with the health plans participating in the State and WPE group health insurance programs to implement a solution to accumulate medical and pharmacy out of pocket costs incurred by our members for the new high deductible health plan deductible and federal maximum out of pocket limits for 2015.

Navitus has continued to expand its client base, bringing large groups of covered lives under their PBM administration, while continuing to provide the State and WPE group health insurance programs, as well as the Board and staff, with the customer service, support and respect that we have come to expect through this partnership. The service Navitus provides reflects its continued commitment to the State and WPE programs.

Staff supports the two-year extension of the contract with Navitus. If the two-year extension is granted, the Board will have exercised the final extension available under the current contract. In late 2016 staff will then begin the process leading to issuance of a Request for Proposal for PBM services effective January 1, 2018. Staff are currently moving forward with collaborative efforts surrounding benefit design and the management of specialty medications, strategic planning initiatives involving the new benefits consultant, and the development of a new benefits administration system at ETF. Extending the current PBM contract with Navitus will enable staff to focus on these important strategic matters without diverting resources to a new request for proposal process.

Conclusion

Staff recommends approval of the two-year extension of the contract with Navitus, to run from January 1, 2016, through December 31, 2017.

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