

Purchasing Summary

EVENT # 7590	TITLE: Pharmacy Insurance Services	ESTIMATED COST OF: \$6,927,499.00
TYPE OF PROCUREMENT: Sole Source	ANNUAL CONTRACT <input checked="" type="checkbox"/> ANNUAL MAINTENANCE AGREEMENT <input type="checkbox"/>	ONE TIME PURCHASE <input type="checkbox"/>
CONTRACT TERM (IF APPLICABLE) March 1, 2020 through December 31, 2022		
M/WBE (IF APPLICABLE) N/A		
MATRIX (IF APPLICABLE) N/A		

NOTES

Recommend approval to award an annual contract for pharmacy insurance services from Express Script Inc. in the amount of \$6,927,499.00. The guaranteed Average Script Price (ASP) of \$56.90 in 2020, 56.90 in 2021, 56.40 in 2022 and specialty drug program discount rate of 16.20% from 2020-2022. The approximate annual cost will amount to:

FY 2020 - \$6,927,499
 FY 2021 - \$7,121,132
 FY 2022 - \$7,319,530

The total guaranteed three-year contract will cost approximately \$21,368, 161. Based on estimated future spend and historical claims data, the City of Savannah's Pharmacy plan is projected to cost the City of Savannah \$26,173,356 from 2020-2022. The total guaranteed cost savings from this three-year contract is \$4,805,194.

Background: The contract is used by the City of Savannah to provide pharmacy prescription services for the self-funded pharmacy plan. The premium coverage is calculated based on an Average Script Price per prescription in the City's self-funded pharmacy plan. Currently, the pharmacy program manages on an Average Wholesale Price (AWP) model through our Pharmacy Benefit Manager (PBM), CVS Caremark. The achieved Average Script Price for our general drugs on our CVS plan was \$83.93 in 2018. For our volume of business, the market Average Script Price (RFP competitive market) for the general drug is \$55 to \$60. The number of 30-day general drug scripts in 2018 was 77,633 for the City of Savannah.

With future, similar use, and our Average Script Pricing contract with Express Script Inc. will enable a guaranteed average script price of no greater than \$56.90 and a savings over a 3-year period of 4.8 million dollars to the prescription drug plan. In other words, ASP creates a competitive environment for the Pharmacy Benefit Manager to bid an average script price versus an unpredictable number such as \$83.93. The strategy enables the City to transfer the risk of rising costs, managing inflation, budgeting effectively, and keeping our benefit costs low each year for our employees. For this reason, 6-month and annual audits are performed during the duration of the contract to recoup additional costs, and to ensure data reported by our Pharmacy Benefit Manager is accurate. If for some reason, the average script price is higher than the bid number during the course of the contract, the PBM is required to reimburse the City.

The agreement is a 3-year contract. The Pharmacy Benefit Manager is responsible for paying commissions and fees to the broker as listed in the RFP agreement. The reason this is a sole source contract is because the City's current benefits consultant, USI Insurance Services, conducted a market assessment and determined this is the most cost effective plan.

The proposal was advertised, opened, and reviewed. Delivery: As needed. Terms: Net 30 days. The bidder was:

S.S. Express Script, Inc. (St. Louis, MO)(D) \$6,927,499.00

A pre-bid conference was not conducted as this is a sole source procurement. (D) Indicates non-local, non-DBE business. Recommend approval.

Local Available:

Total Sent: 1

Total Received: 1

DBE Received: 0

Vendor Federally Debarred/Suspended: No