



Legislation Text

File #: 22-1675, **Version:** 1

Resolution to Authorize an Agreement with Blue Cross Blue Shield of Michigan / OptumRx for Pharmacy Benefit Management Services Effective January 1, 2023 (\$8,964,668)

This resolution authorizes the City to enter into an agreement with Blue Cross Blue Shield of Michigan (BCBSM)/OptumRx for pharmacy benefit management services, which will be added to the existing services provided for administrative claims processing for the City's medical plan. The new contract will commence January 1, 2023 and be in effect through December 31, 2023 (the Agreement). The full contract (including both medical and pharmacy benefit services) will be brought back to the Council in January of 2023 for final approval.

Public Act 106 requires the City to competitively bid our medical, dental and vision coverage every three years. Marsh and McLennan Agency (MMA), our healthcare advisor, conducts the bidding on our behalf and recommends a service provider. We completed this bidding process for plan year 2023. BCBSM/OptumRx was the best option for prescription drug claims processing. By switching from our current provider, Express Scripts, to BCBSM/Optum Rx, the City is expected to save \$1.37 million in calendar year 2023 relative to expected costs under the City's current program provided by Express Scripts.

Impacts on the City's operating result will be varied as the fiscal year runs from July-June each year; however, this change will result in cost savings within the prescription drug program in the current and next fiscal years with total amounts to be determined. Overall program fees, including those for group medical benefits administration, have decreased substantially, while Rx 'discounts' and rebates have been greatly enhanced in the City's favor for 2023, in alignment with the most favorable market terms available. Program fees are expected to decrease by an additional \$287,000 compared to current 2022 administration fees. The overall costs for the program will fluctuate monthly depending both on the number of employees and retirees enrolled in the program during any given month, and the amount of incurred claims actually paid during any given month. Additionally, with the integration of BCBSM as the administrator for both medical and prescription drug benefits, a more streamlined experience will be provided to employees, retirees, and their families.

Budget/Fiscal Impact: The Agreement with Blue Cross Blue Shield of Michigan/Optum Rx is on a calendar year basis. The necessary funds were appropriated as part of the FY23 approved Risk Fund budget through June 30, 2023. Required funding for the portion of the contract term from July 1, 2023 through December 31, 2023 will be budgeted in the FY24 Risk Fund budget. The estimated annual cost for calendar year 2023 is \$8,964,668.

The BCBSM/OptumRx Network, or its equivalent, is provided for under current labor agreements and our employee benefits program. Cost and benefit to employees will be the same as under the current program. The Agreement takes effect January 1, 2023.

Prepared by: Jessica Hull, Employee Benefits Supervisor

Reviewed by: Debra Buckson, Chief Human Resources & Labor Relations Officer
Michelle Landis, Senior Assistant City Attorney

Margaret Radabaugh, Deputy City Attorney

John Fournier, Deputy City Administrator

Approved by: Milton Dohoney Jr., City Administrator

Whereas, The City provides pharmacy benefits to City employees, their eligible dependents, and retirees and their eligible dependents, in accordance with the employee benefits program and various labor contracts;

Whereas, The term of the City's current pharmacy benefit management services contract with Express Scripts Inc. ends on December 31, 2022 and would renew on January 1, 2023;

Whereas, Human Resources Services recommends termination of the Express Scripts Inc. contract to the City Administrator and accepting the proposed Agreement with BCBSM/OptumRx for Rx benefits beginning January 1, 2023 through December 31, 2023 at an estimated annual cost of approximately \$8,964,668 for 2023, which is in line with current pharmacy trends;

Whereas, Funds were appropriated in the FY2023 and FY2024 budgets to cover costs associated with this Agreement and related pharmacy benefit program; and

Whereas, Blue Cross Blue Shield/OptumRx complies with the requirements of the City's Non-Discrimination and Living Wage Ordinances;

RESOLVED, That City Council authorizes the City to enter into an agreement with Blue Cross Blue Shield of Michigan (BCBSM)/OptumRx for the period January 1, 2023 to December 31, 2023, to provide pharmacy benefits to City employees, their eligible dependents, retirees, and their eligible dependents, and to authorize expending \$8,964,668 in fiscal year 2023 and fiscal year 2024 combined, payable from the Risk Fund, in connection with such Agreement;

RESOLVED, That the Mayor and City Clerk be authorized to sign the Agreement after approval as to substance by the City Administrator and approval as to form by the City Attorney;

RESOLVED, That the City Council approve a ten percent (10%) contingency to be expendable from the Risk Fund, subject to City Administrator approval;

RESOLVED, That the City Administrator be authorized to execute on behalf of the City the Rate Agreement for the City of Ann Arbor (also known as "Group-Wide Change" Document) required to facilitate the timely distribution of employees' member ID cards; and

RESOLVED, That the City Administrator be authorized and directed to take any further necessary administrative actions to implement this resolution including execution of any contract agreements, amendments or documentation that do not exceed the amounts authorized herein.