

Resolution approving an addendum to the existing agreement between the City of La Crosse and Navitus Health Solutions, LLC to provide pharmacy benefit management services for a three (3) year term beginning January 1, 2015.

## **RESOLUTION**

WHEREAS, the current contract for pharmacy benefit management services between the City of La Crosse and Navitus Health Solutions, LLC for the City's prescription drug benefit as provided under the medical benefit plan terminates on December 31, 2014, and

WHEREAS, Resolution #14-0166 authorized the Human Resources Department to seek proposals for pharmacy benefit management services for the City's prescription drug benefit, and

WHEREAS, an open and competitive bid process was utilized to secure proposals from pharmacy benefit management companies and the recommendation of the Director of Human Resources is to select the proposal submitted by the current pharmacy benefit manager, Navitus Health Solutions, LLC.

NOW THEREFORE BE IT RESOLVED that the attached Addendum modifying the existing Agreement between the City of La Crosse and Navitus Health Solutions is hereby approved effective January 1, 2015.

BE IT FURTHER RESOLVED, that the Director of Human Resources and the Director of Finance are authorized to take all necessary steps to implement such Agreement.

**SECOND RENEWAL ADDENDUM  
PHARMACY BENEFIT MANAGEMENT SERVICES AGREEMENT**

This Second Renewal Addendum to Pharmacy Benefit Management Services Agreement is effective as of January 1, 2015 between Navitus Health Solutions, LLC (“Navitus”), and the City of La Crosse (“Client”).

WHEREAS, Navitus and Client have executed a Pharmacy Benefit Management Services Agreement dated January 1, 2009 and a Pharmacy Management Services Addendum, dated January 1, 2012 (collectively, the “Agreement”);

WHEREAS, Navitus and Client desire to amend the Agreement as set forth below;

NOW THEREFORE, Navitus and Client agree as follows:

**1. Amendments to the Agreement.**

**1.1. Section 4.04. Guaranteed Rebates.** Section 4.04 of the Agreement is hereby amended and restated as follows:

“PBM will provide the rebate guarantees below, placing up to twenty-five percent (25%) of the administrative fees at risk. Navitus guarantees that Client will receive the Rebates listed below, on average, per brand Covered Product Claim paid by Navitus with regard to Eligible Persons’ utilization of brand Covered Products.

\$20.00/per Brand Retail Rx  
\$60.00/per Brand Mail Rx

Rebate guarantees are based on primary claims and use of the Navitus Traditional Formulary with either a 3-Tier or 4-Tier design with a minimum copay differential of \$15 between preferred brands and non-preferred brands. Excludes any claims for which Navitus is unable to submit and collect rebates (e.g., 340B, Long Term Care facilities, FSS pharmacies, GPO pricing), including any claims that may qualify for rebates under any government program (e.g., Managed Medicaid rebate discounts). Per brand guarantees do not include non-rebated brands with generic equivalents or non-legend drugs, designated as over-the-counter (OTC) excluding diabetic test strips and supplies. In the event a member pays greater than 50% of the cost of the claim, the plan may not be eligible for that claim’s rebates. In order to qualify for stated guarantees, client must realize and maintain a minimum prescription volume (i.e. utilization) of 100 qualifying brand claims in the respective, stated channel (e.g. mail, retail-90) per quarter.

Final accounting and payment of all penalties related to rebate guarantees will be made after final agreement of the parties on the amounts due following Navitus delivery of a final report of Rebate performance 180 days after the end of each calendar year. Notwithstanding the foregoing, the maximum amount of all penalties payable by Navitus will not exceed 25% of the administration fees in any reporting period.”

**1.2. Article VI, Term of Agreement.** Article VI of the Agreement is hereby deleted in its entirety and replaced with the following:

“This Agreement is effective as of the Effective Date and shall continue in full force and effect until December 31, 2014 (the “Initial Term”). After the expiration of the Initial Term, this Agreement will continue until December 31, 2017 (the “First Renewal Term”). After the expiration of the First Renewal Term, this Agreement will continue thereafter from year to year (each such year, a “Renewal Term”) unless sooner terminated as described below.”

**1.3. Exhibit 1. Administrative Fee Schedule.** Exhibit 1 of the Agreement is hereby amended and restated as set forth in Exhibit 1a, attached hereto.

**1.4. Exhibit 2. Prescription Pricing Schedule.** Exhibit 2 of the Agreement is hereby amended and restated as set forth in Exhibit 2a, attached hereto.

**2. Other Terms.** All other terms of the Agreement, which have not been expressly modified by this addendum, will remain in full force and effect.

IN WITNESS WHEREOF, Navitus and Client have caused this addendum to be signed by duly authorized representatives below.

**Navitus Health Solutions, LLC**

**City of La Crosse**

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Attachments: Exhibit 1a  
Exhibit 2a

**Exhibit 1a**  
**ADMINISTRATIVE SERVICES FEE SCHEDULE**

Client agrees to pay Navitus an administrative fee of \$2.40 per Eligible Person per month. At the beginning of the second full year of the First Renewal Term and at the beginning of each full year thereafter, the amount of the administrative charge shall be increased by four percent (4%) for inflation and other business-related expenses. The administrative fee does not include fees for certain additional charges, described below.

The administrative fee will include the following services, which are all set forth more fully in the Agreement:

- Account Management
  - Implementation Services
  - Eligibility Updates
  - Plan Changes and Support
  - Program Consultation
  
- Customer Service Call Centers
  - Eligible Persons
  - Participating Pharmacies
  - Other Pharmacies
  - Practitioners
  
- Fulfillment Materials
  - Identification card for each Cardmember (unless provided by a third party so designated by Client)
  - Member handbook (unless provided by a third party so designated by Client)
  
- Retail Pharmacy Network Management
  - Network Development and Contracting Negotiations
  - Claims Processing (Electronic and Paper) and Related Services
  - Direct Member Reimbursement
  - Pharmacy Claims Submission
  
- Clinical and Ancillary Services
  - Standard Drug Utilization Review
  - Prior Authorization Services
  - Formulary Management
  - Formulary Support
  
- Pharmaceutical Company Relations
  - Rebate Contracting
  - Rebate Contract Management
  - Rebate Invoicing, Reconciliation and Payment
  
- Reports
  - Standard Reporting Package of Standard Reports
  - Electronic claims payment file

**Additional Charges.**

Ad Hoc reporting and additional Third Party Paid Claims file development and distribution at a rate of \$150 per hour.

E-prescribing at a rate of up to \$0.18 per eligibility status transaction, initiated by a Practitioner's point of care electronic system and communicated to Navitus, relating to an Eligible Person and any medication history transaction or formulary coverage status transaction associated with the same Eligible Person and occurring in conjunction with the eligibility status transaction. Navitus will waive the \$5,000 set-up fee if the Client implements e-Prescribing upon start-up of full PBM services. Notwithstanding the foregoing, if SureScripts, Navitus' provider of e-prescribing services, increases the amount that it charges Navitus for e-prescribing provided to Eligible Persons under this Agreement, then Navitus may increase the amount that it charges Client for e-Prescribing hereunder by the amount of such increase, provided Navitus gives Client written notice of any such price increase.

\$50 for each qualified appeal for Claim re-determinations.

**Exhibit 2a**  
**PRESCRIPTION PRICING SCHEDULE**

**General.** Client acknowledges that the discount rates and dispensing fees set forth below are target discounts established for the pricing distribution channels necessary to meet access requirements. Client acknowledges that 100% of the pricing will be passed through to Client from the participating pharmacies. Navitus agrees to negotiate to achieve or exceed these target rates. Any discounts obtained by Navitus that exceed the targets stated below will be passed through to Client. It is acknowledged by both parties that individual contracts may vary from the targeted rate based upon negotiation.

Navitus reserves the right to modify pricing for certain exclusive generics based on the demands of the marketplace and in the best interests of the Client.

**A. Thirty Days at Retail Drug Program.** The Broad National Network will be implemented for Client. Reimbursement for each branded Covered Product, not requiring compounding, dispensed by a Participating Pharmacy will be based upon the lower of (1) AWP, less an average of 14.5%, plus an average dispensing fee of \$1.50; (2) such pharmacy's Usual and Customary Price; or (3) the amount submitted by the pharmacy. Reimbursement for each generic Covered Product dispensed by a Participating Pharmacy will be the lower of (1) the Navitus MAC plus a dispensing fee, if applicable; (2) each Participating Pharmacy's respective contracted price for such Covered Product, including a discount plus a dispensing fee; (3) such pharmacy's Usual and Customary Price; or (4) the amount submitted;. The average effective discount performance for generic Covered Product is AWP minus 76% plus an average dispense fee of \$1.50.

**B. Mail Service Program.** Reimbursement for each branded Covered Product dispensed by the Mail Service Pharmacy will be based upon the lower of (1) AWP, less an average of 19.8%, plus a dispensing fee of \$0.00; (2) such pharmacy's Usual and Customary Price; or (3) the amount submitted. Reimbursement for each generic Covered Product dispensed by the Mail Service Pharmacy will be based upon the lower of (1) the Navitus MAC, if applicable; (2) a discounted price of AWP less 55%; (3) such pharmacy's Usual and Customary Price; or (4) the amount submitted. The average effective discount performance for generic Covered Product is AWP minus 83% plus \$0.00 dispense fee.

**C. Specialty Pharmaceutical Program.** Reimbursement performance for Specialty Pharmaceuticals is based upon a typical market basket of Specialty Pharmaceuticals, not requiring compounding. Reimbursement for Specialty Pharmaceuticals dispensed by the Navitus preferred Specialty Pharmacy will be based upon the lower of (1) AWP less an average of 15.5%, plus an average dispensing fee of \$0.00; (2) such pharmacy's Usual and Customary Price; or (3) the amount submitted. Reimbursement for each generic Covered Product dispensed by the Specialty Pharmacy will be based upon the lower of (1) the Navitus MAC, if applicable; (2) each Specialty Pharmaceutical's respective contracted price for such Covered Product, including a contractual discount; or (3) the amount submitted. Discounts for each Specialty Pharmaceutical are individually negotiated and vary by drug.

**D. AWP / WAC-Based Pricing.** Navitus is changing its pricing methodology from AWP-based pricing to WAC-based pricing. Many pharmacies have already executed agreements with Navitus to change reimbursement calculations from AWP to WAC, with some pharmacies requesting that Navitus continue using reimbursement rates based on AWP for non-MAC (maximum allowable cost) generic drugs until a later date. Navitus reserves the right to use (1) AWP-based pricing that is economically equivalent in aggregate to the WAC-based pricing listed in this Exhibit and (2) WAC-

based pricing that is economically equivalent in aggregate to the AWP-based pricing listed in this Exhibit.

**THE FOLLOWING PROGRAMS ARE OPTIONAL AND WILL APPLY IF CHECKED BELOW OR IF REQUESTED BY CLIENT DURING THE TERM OF THE AGREEMENT BY NOTICE TO NAVITUS:**

**E. [ ] Compound Drug Program.** Compound medications will be reimbursed as follows: WAC plus the compounding fee (described below), minus the Co-payment/coinsurance. The criteria for reimbursement: (1) the compound medication must have at least two ingredients, and at least one ingredient must be an FDA legend drug; (2) all active ingredients must be covered as part of the Navitus Formulary and the NDC for each must be submitted. Compound prescriptions costing over \$200.00 and compounds containing ingredients not on the Navitus Formulary require prior authorization.

Compounding Fee Time Reimbursement Rates:	1 - 5 minutes	\$10.00
	6-15 minutes	\$15.00
	16-30 minutes	\$20.00
	31+ minutes	\$25.00

**F. [ ] Ninety Day at Retail Program.** This program, which utilizes the Navitus 90-day-at-Retail Network, provides Eligible Persons with a ninety (90) day supply of maintenance medications through participating retail pharmacies. Reimbursement for each branded Covered Product dispensed by a retail Participating Pharmacy will be based upon the lower of (1) AWP, less an average of 18.75%, plus an average dispensing fee of \$0.50; (2) such pharmacy's Usual and Customary Price; or (3) the amount submitted by the pharmacy. Reimbursement for each generic Covered Product dispensed by a Participating Pharmacy will be the lower of (1) the Navitus MAC, if applicable, plus a dispensing fee; (2) each Participating Pharmacy's respective contracted price for such Covered Product, including a discount plus dispensing fee; (3) such pharmacy's Usual and Customary Price; or (4) the amount submitted. The average effective discount performance for generic Covered Products is AWP minus 79%, plus an average dispensing fee of \$0.55.

**G. [ ] Pharmaceutical Care Incentive Program.** This program forms a unique partnership between Participating Pharmacies, Practitioners, and Navitus to improve the overall level of care and, therefore, the outcome for each Eligible Person. Inherent in the program are incentives to maximize the education of the Eligible Person as well as to promote the use of generics whenever safety and efficacy allow. Reimbursement for the following interventions will be made to those Participating Pharmacies who provide the outlined interventions to those Eligible Persons eligible for Pharmaceutical Care Incentive Program.

**Pharmaceutical Care Incentive Program Reimbursement Schedule**

Therapeutic Interchange.....	\$12.00
Formulary Interchange.....	\$4.00
Change of Dosage.....	\$5.00
Patient over/under Utilization (requires notification of Practitioner) .....	\$10.00
Disease State Management (training of monitoring devices and/or inhalers) .....	\$1.00/minute

Glucose Monitors

(Max 30 minutes)

Asthma Inhalers or Peak Flow Meters	(Max 10 minutes)
Blood Pressure Monitors	(Max 15 minutes)
Nasal Inhalers	(Max 5 minutes)

Notwithstanding anything in the Agreement to the contrary, reimbursement for the above interventions is subject to change upon notice from Navitus to Participating Pharmacy, and Navitus may at any time, on thirty (30) days' written notice, terminate the Pharmaceutical Care Incentive Program in its entirety. Further, a Participating Pharmacy's eligibility may be terminated by Navitus at any time if Navitus determines, in its sole discretion, that the interventions are not being reported accurately by that Participating Pharmacy.