

STAFF REPORT

Date: November 13, 2024

To: Mayor and City Council

Through: Jackie Bryant, Interim City Manager

Subject: Staff Report (For Possible Action): Approval of Contract Renewal for the MaxorPlus Administrative Contract for a three-year period, January 1, 2025 - December 31, 2027, to achieve an estimated savings of approximately \$500,000 per year to the self-funded health plan. (Self-funded Medical Funds)

From: Angela Davis, Benefits Manager

Department: City Manager's Office - HR

Summary:

MaxorPlus provides various services in the administration of the City of Reno pharmacy benefit program. As a “carve-out” from the health plan, MaxorPlus offers benefit management services whereby pharmacy benefits are detached from the medical plan and managed separately.

MaxorPlus provides access to cost-saving opportunities such as a preferred pharmacy network, prescription claims adjudication, rebate negotiation, required compliance activities, and clinical management. As our Pharmacy Benefit Manager (PBM) MaxorPlus provides patient-facing support to employees to manage prescription benefits. As pharmacy benefit costs rise with the increase in specialty drugs and direct patient marketing, a PBM becomes the link to managing costs.

This past fiscal year we experienced an actual decrease in plan costs per member/per month, with plan costs per prescription decreasing as well. Total net plan cost for the pharmacy benefit during Fiscal Year 2023-24 was \$6,321,422. The prior year average net plan cost was \$6,926,791. In preparation for the January 1, 2025 renewal, MaxorPlus presented a proposal through the City's broker, Lockton Companies.

| Consent Review | Yes | No |
|--|-----|----|
| 1. Is this item an annual or standard item that comes before Council for regular approval? | X | |
| 2. Is this item an agreement required based on an item previously approved by Council? | | X |
| 3. Is this item included in the current budget approved and adopted by Council? | X | |

| Other Considerations | |
|---|-----|
| What percent of the total City budget does this item represent? | N/A |

Alignment with Strategic Plan:

Fiscal Sustainability

Previous Council Action:

The Nevada Business Group/Nevada Health Partners coalition moved to MaxorPlus as their contracted PBM. As a member of the coalition, the City had the opportunity to contract with MaxorPlus which was approved by Council in October of 2019. In 2022, the City of Reno moved to a direct contract with MaxorPlus and has enjoyed even deeper savings, greater rebates, and excellent pharmacy benefit management.

Background:

MaxorPlus was initially founded as a single pharmacy in Amarillo, Texas. Privately held and headquartered in Texas, MaxorPlus now operates in all 50 states and manages specialty, retail and mail order pharmacies in over 30 states. Since 1991, MaxorPlus has provided pharmacy benefit management services to group health plans. They own and operate their own mail order and specialty pharmacies which allow us to provide full-service pharmacy benefits to members. MaxorPlus offers support through Member Advocates, a member portal, and a call center for employees. The City has been under a direct contract with MaxorPlus since 2022.

Discussion:

In the spirit of continuing the long-term business partnership with the City, MaxorPlus offered a proposal for renewal of their contract effective January 1, 2025 with only minor increases to the discount structure for categories of generic and brand drugs. However, significant increases in the rebates per category annually during the three years depicted in the agreement are estimated to reap increased savings while not making changes to current plan structure. While drug mix and other industry factors will impact overall costs, it is estimated that these improved rebates, when contrasted with current rebates, will reduce the city's overall net pharmacy costs over \$500,000 per year assuming similar pharmacy claims. Through increased pass-through, retail discounts and rebates are passed along to plan sponsors with higher transparency. This item does not change pharmacy services, plan levels, or make changes to the plan structure.

Financial Implications:

The extension of this contract will increase overall savings to the Self-Funded Medical Plan. Funds are available and will be paid from the Self-Funded Medical Plan. Renewal of this contract is estimated to increase savings over \$500,000 per year. There is an administrative fee to the City in the amount of \$2.95 per claim. Net plan cost for FY23-24 was 6,321,422.

Legal Implications:

Legal review completed for compliance with City procedures and Nevada law.

Recommendation:

Staff recommends Council accept the MaxorPlus proposal and approve a three-year agreement from January 1, 2025 through December 31, 2027 to increase savings to the self-funded health plan.

Proposed Motion:

I move to approve staff recommendation to accept the MaxorPlus proposal and approve the renewal of a three-year agreement from January 1, 2025 through December 31, 2027 to increase savings to the self-funded health plan.

Attachments:

- Financial Proposal Comparison
- MaxorPlus Agreement