

- B.7** 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)

## STAFF REPORT

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**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

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**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

# Financial Proposal Comparison – City of Reno

Channel and Category	2024	2025
Retail 30-Day		
Brand Discount Rate	AWP-19.10%	AWP – 19.500%
Brand Dispensing Fee	\$0.85	\$0.85
Generic Discount Rate	AWP-83.80%	AWP – 84.00%
Generic Dispensing Fee	\$0.85	\$0.85
Retail 90-Day		
Brand Discount Rate	AWP-23.10%	AWP – 23.50%
Brand Dispensing Fee	\$0	\$0
Generic Discount Rate	AWP-83.80%	AWP – 85.00%
Generic Dispensing Fee	\$0	\$0
MAIL		
Brand Discount Rate	AWP-25.00%	AWP –25.00%
Brand Dispensing Fee	\$0	\$0
Generic Discount Rate	AWP-85.00%	AWP – 87.00%
Generic Dispensing Fee	\$0	\$0
Specialty Drugs		
Specialty Drugs*	AWP-20.00%	AWP – 20.00%

REBATES		
Category	2024	2025
Retail 1-83 Day Supply	\$177.23	\$286.75
Retail 84+ Day Supply	\$532.43	\$769.44
Mail	\$532.43	\$769.44
Specialty	\$1,526.76	\$2,846.25
	95% Pass Through	97% Pass Through

\*Rebate estimate only - move from Preferred to Advantage. 16.4% increase in rebate yield by moving formularies.

**AMENDMENT NO. 03 TO THE  
PHARMACY BENEFIT MANAGEMENT SERVICES AGREEMENT**

This Third Amendment (“**Amendment**”) is made and entered into as of January 1, 2025 (“**Amendment Effective Date**”), by and between MaxorPlus, Ltd., a Texas limited partnership (“**MaxorPlus**”) with its corporate headquarters located at 320 South Polk Street, Suite 900, Amarillo, TX 79101 and City of Reno, Nevada (“**Client**”) a municipality with its corporate headquarters located at One East First Street, PO BOX 1900, Reno, NV 89505.

WHEREAS, MaxorPlus and Client have entered into that certain Pharmacy Benefit Management Services Agreement with an effective date of January 1, 2022, and as amended by the parties from time to time (the “**Agreement**”); and

WHEREAS, the parties desire to amend the Agreement as set forth herein.

NOW, THEREFORE, in consideration of the mutual promises contained herein, and intending to be legally bound, the parties agree to the following:

1. In Section 4.2, Confidentiality, new Section 4.2.4, Compliance with the CAA, is added to the Agreement as follows:

4.2.4 Compliance with the CAA. For purposes of clarity, the parties agree that nothing in this Agreement is intended to be or shall be construed as a “gag clause” that restricts or prohibits the sharing of information or data pursuant to the Consolidated Appropriations Act of 2021 (“CAA”) Division BB, Title II, Section 201 (Prohibition of Gag Clauses) and any other applicable Laws. The term “gag clause” shall have the meaning ascribed under the CAA and any implementing regulations or guidance documents.

2. In Section 6, Term and Termination, Section 6.1, Term, is deleted from the Agreement and replaced with the following:

**6.1 Term**. This Agreement shall be in effect through December 31, 2027. The Agreement shall be automatically renewed for additional one (1) year periods (each a “**Renewal Term**”) unless a party provides ninety (90) days prior written notice of non-renewal before the end of the then current term, or this Agreement is otherwise terminated as permitted herein.

3. In Section 7, General, Section 7.11, Change in Law, is deleted from the Agreement and replaced with the following:

**7.11 Change in Law**. In the event of the enactment, promulgation, rescission, modification or interpretation of any Law after the date hereof (“**Change in Law**”) which would (a) adversely affect the manner in which either party is obligated to perform under this Agreement, (b) adversely affect for either party the financial terms applicable under this Agreement, (c) have the effect of requiring the financial terms applicable under this Agreement to be extended or offered to a third party, or (d) directly or indirectly causes Manufacturers to make material changes that adversely affect the ability of MaxorPlus to meet its guarantees, then Client and MaxorPlus shall each have the right and obligation to enter into good faith negotiations with the other party in order to equitably adjust the terms of this Agreement to

take into account such Change in Law or to agree on reasonable terms for maintaining the intent of this Agreement without the effect of such enactment, promulgation, etc. Agreement on any such terms shall be in the sole discretion of each party, however, each party shall use its best efforts to reach agreement. If the parties do not agree within sixty (60) days of a party's written request for negotiations, either party may terminate this Agreement.

4. In Section 6.2, Termination, new Section 6.2.6 is added to the Agreement as follows:

6.2.6 Notwithstanding any other provision in this Agreement, in the event that Client terminates this Agreement outside of the terms listed in this Section 6, including, but not limited to, providing less notice than required in Section 6.2.2, then Client shall forgo and MaxorPlus may retain any earned but unpaid Rebates following the effective date of the termination. The foregoing shall not limit and shall be in addition to any and all remedies MaxorPlus may have at Law, equity or under this Agreement, including but limited to injunctive relief, specific performance, or damages for breach of contract.

5. **Exhibit C**, Financial Terms, is deleted in its entirety from the Agreement and replaced with the **Exhibit C** attached hereto.

6. Except as expressly set forth herein, all terms of the Agreement remain unchanged and in full force and effect. Capitalized terms in this Amendment shall have the meanings stated in this Amendment or in the Agreement. To the extent this Amendment contains any inconsistencies between it and the Agreement, the parties agree that the terms of this Amendment shall govern with respect to the subject matter herein.

IN WITNESS WHEREOF, this Amendment has been executed by the parties through their duly authorized officers effective as of the date provided above.

MaxorPlus, Ltd.

City of Reno, Nevada

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

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

Name: Jennifer Gallego

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

Title: President

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

Date: \_\_\_\_\_

Date: \_\_\_\_\_

## EXHIBIT C Financial Terms

### 1. Retail Prescriptions

**1.1 Generally.** Subject to the Discount Exclusions, for each Covered Drug dispensed by a Participating Pharmacy to a Member, Client shall reimburse MaxorPlus an amount equal to (1) the lesser of the Participating Pharmacy's Usual and Customary Price or the contracted rate with the Participating Pharmacy (either a discount off AWP or MAC) plus the applicable dispensing fee, (2) plus any applicable sales or use taxes, (3) less the Member's Co-payment. Client is responsible for the payment of any applicable sales or use taxes, and Client shall reimburse MaxorPlus for all taxes paid on its behalf by Participating Pharmacies. MaxorPlus shall pass through to Client only the amount charged by Participating Pharmacies for the Claim. MaxorPlus shall remit the full amount of Client's payment to Participating Pharmacies.

**Retail Minimum Aggregate Effective Discount Rate and Dispensing Fee Guarantees**

Channel and Category	1/1/2025 – 12/31/2025	1/1/2026 – 12/31/2026	1/1/2027 – 12/31/2027
Retail 30-Day			
Brand Discount Rate	AWP – 19.50%	AWP – 19.55%	AWP – 19.60%
Brand Dispensing Fee	\$0.85	\$0.85	\$0.85
Generic Discount Rate	AWP – 84.00%	AWP – 84.10%	AWP – 84.20%
Generic Dispensing Fee	\$0.85	\$0.85	\$0.85
Retail 90-Day			
Brand Discount Rate	AWP – 23.50%	AWP – 23.55%	AWP – 23.60 %
Brand Dispensing Fee	\$0	\$0	\$0
Generic Discount Rate	AWP – 85.00%	AWP – 85.10%	AWP – 85.20%
Generic Dispensing Fee	\$0	\$0	\$0

"Retail" means Covered Drugs filled by Participating Pharmacies to Members.

"30-Day" means all Prescriptions filled at Participating Pharmacies with a days' supply of 1 to 83 days.

"90-Day" means Prescriptions filled at Participating Pharmacies with a days' supply of 84+ days.

**1.2 Exclusions.** Retail Minimum Aggregate Effective Discount Rates and Dispensing Fees do not apply to compounds, coordination-of-benefit Claims, Subrogation Claims, Manual Claims, Claims for Specialty Drugs, vaccines, over-the-counter drugs, Claims from long term care facilities, discount cards, Claims paid at government-required rates, Claims from I/T/U pharmacies, Claims from home infusion pharmacies, workers compensation Claims, patent litigated Claims and Claims from pharmacies owned by, or on the site of, Client (collectively, "**Discount Exclusions**").

**2. Maxor Mail Pharmacy.** For Covered Drugs dispensed by Maxor Mail Pharmacy to Members, Client shall pay (1) the aggregate effective guarantees listed in the chart below (2) plus any applicable sales or use taxes or fees, (3) less any Co-payment.



**Maxor Mail Aggregate Effective Guarantees**

Category	1/1/2025 – 12/31/2025	1/1/2026 – 12/31/2026	1/1/2027 – 12/31/2027
Brand Discount Rate	AWP – 25.00%	AWP – 25.00%	AWP – 25.00%
Brand Dispensing Fee	\$0	\$0	\$0
Generic Discount Rate	AWP – 87.00%	AWP – 87.00%	AWP – 87.00%
Generic Dispensing Fee	\$0	\$0	\$0

**3. Specialty Pharmacy.** For Prescriptions dispensed by Maxor Specialty to a Member, Client shall pay MaxorPlus the aggregate effective amount listed below, less Co-payment, plus any applicable taxes. There are no dispensing fees on Covered Drugs dispensed by Maxor Specialty.

**Aggregate Effective Guarantees for Specialty Drugs at Maxor Specialty**

	Discount Rate
Specialty Drugs (exclusively with Maxor Specialty)	AWP – 20.00%

**4. Special Reimbursement for Certain Drugs.** Certain drugs that become available on the market from time to time will be priced separately from, and thus not subject to the reduced contracted reimbursement rate, due to, among other things, specialized manufacturer processes, limited availability or extraordinary shipping requirements. Such drugs might include compounds. MaxorPlus shall provide Client with a list of such drugs, and their corresponding reimbursement rates (which are generally no less than full AWP), upon request. Participating Pharmacies may dispense these drugs to Members unless the Benefit Plan design would otherwise exclude these drugs or the Client notifies MaxorPlus in writing of its objections.

**5. Administrative Services and Fees.**

Service	Fee
Administration Fee	\$2.95* per Claim
Administrative Prior Authorizations (i.e. vacation overrides, refill too soon, etc.)	Included
Electronic clinical Prior Authorizations and Other Benefit Coverage Rules	\$50 per PA
If Client implements custom criteria which creates any process outside of standard workflow, all Prior Authorizations will be charged at this higher rate	\$75 per PA
Concurrent DUR	Included
Retrospective DUR	Included
Quantity and Dosing Limits	Included
Step Therapy Program	Included
Pharmacist Redeterminations of Prior Authorization Denials	\$50 per redetermination
Appeals – Internal Level	Cost of Services
Appeals – External Review Level	Cost of Services

Clinical Custom Requests (including but not limited to, clinical audits, PA updates, PA hub, criteria changes, adjudication, and custom reporting for new drugs to market)	\$300 per hour, minimum of \$2,500
Custom IT requests (including but not limited to, Ad Hoc Client Data Reports)	\$150 per hour, minimum of \$500
Connectivity Charges for Online System	Included
Eligibility/Formulary Verification through SureScripts	\$0.20 per instance
Maxor Copay Solutions Standard	\$325 per Member participating in MCSS per quarter
Initial ID Cards	Included, plus actual postage costs if mailing directly to Members
Additional or Replacement ID Cards	\$2.00 per card plus actual postage costs
Manual Claims and Subrogation Claims Processing	\$3.00 per Claim
Participating Pharmacy Audit	Cost of Services

\* The Administrative Fee shall increase by 3% annually.

## 6. **Rebates**

**6.1 Rebate Guarantees.** Subject to the Rebate Conditions and Rebate Exclusions, MaxorPlus will provide Client the greater of (a) ninety-seven percent (97%) of Rebates received on Covered Drugs dispensed to Members, or (b) following minimum guarantees for each applicable year. All Rebates listed in this section are on a per Brand Drug basis, excluding the Rebate Exclusions.

### **Rebate Guarantees**

<b>Category</b>	<b>1/1/2025 – 12/31/2025</b>	<b>1/1/2026 – 12/31/2026</b>	<b>1/1/2027 – 12/31/2027</b>
Retail 1-83 Day Supply	\$286.75	\$314.25	\$340.00
Retail 84+ Day Supply	\$769.44	\$840.21	\$898.77
Mail	\$769.44	\$840.21	\$898.77
Specialty	\$2,846.25	\$3,017.25	\$3,198.25

**6.2 Rebate Conditions.** Rebate guarantees listed in this Agreement are contingent upon using the MaxorPlus Preferred Formulary in its entirety with a three-tier copay design, with at least a \$15 differential between the preferred and non-preferred brand Co-payments, and Client maintaining a medication possession ratio of at least 80% in key disease classes (collectively, “**Rebate Conditions**”). If any of the conditions cease being true, then MaxorPlus may adjust the Rebate guarantee effective on the date of the event. In the event that the overall wholesale acquisition cost (“**WAC**”) of the drugs underlying Claims materially decreases compared to the data provided to MaxorPlus to underwrite this pricing or if there is any utilization of biosimilar drugs, then MaxorPlus may receive credit for the financial value of such event towards the rebate guarantees in the reconciliation process.

**6.3 Rebate Exclusions.** The Rebate Guarantees listed in this Agreement exclude cosmetic drugs; appliances, devices, bandages, heat lamps, braces, splints, and artificial appliances; health and beauty aids, cosmetics, and dietary supplements; over the counter products, other than the diabetic supplies, and other than any over the counter products that are covered by the Plan as communicated to MaxorPlus during the bidding process; Manual Claims; Subrogation Claims; Claims older than 180 days; Claims for limited distribution drugs and non-FDA approved drugs; Claims for which Members pay at least 50% of the total cost; Claims for products without the brand name on the label; Claims through Sponsor-owned, university, long term care, or 340B pharmacies; Medicaid fee-for-services Claims; Claims that are reversed; Claims with invalid identifiers (i.e. provider identifiers); Claims pursuant to a 100% Member Copayment Plan; and vaccines (collectively, “**Rebate Exclusions**”).

**7. Additional Services.** Client shall be responsible for all mutually agreed upon costs and charges incurred by MaxorPlus in connection with this Agreement. Such costs shall include costs associated with responding to Client requests, costs necessitated by the acts or omissions of Client and any cost incurred by MaxorPlus in performing services in conjunction with this Agreement which may be requested or required of MaxorPlus. MaxorPlus and Client agree to negotiate in good faith the cost of any additional services requested by Client.

**8. Pricing Changes.**

**8.1** MaxorPlus may adjust any financial terms in its sole discretion if any of the following occur, which negatively impacts MaxorPlus: (a) the number of Members decreases by at least fifteen percent (15%) from the count at the time of Implementation; (b) Client implements any third party vendor programs related to prescription drugs; (c) material change in market conditions that are outside of MaxorPlus's control, which includes, but is not limited to, events such as pandemics, natural disasters, significant changes to MaxorPlus economics, unexpected generic/biosimilar launches or government intervention that would detrimentally impact the pharmaceutical benefit management industry as a whole or MaxorPlus' ability to operate normally; (d) Client does not adhere to the MaxorPlus Formulary and utilization management programs in their entirety; or (e) material change in drug or Claim utilization compared to the Claim data received during the bid process.

**8.2** If any other change occurs to financial terms that negatively impacts MaxorPlus, Client and MaxorPlus will mutually agree to modify financial terms within thirty (30) days of any financial term performance issue notification. If both parties cannot agree to modify financial terms, MaxorPlus reserves the right to adjust financial terms to arrive at financial term neutrality.

**9. Offsets.** MaxorPlus may offset over or underperformance of a category of drugs with another category of drugs within a particular channel, and across channels. For purposes of this reconciliation, a “channel” is considered a delivery system, such as retail, Maxor Mail Pharmacy, or Maxor Specialty. The reconciliation of the guarantees shall be based on all applicable Claims, regardless of Member Co-Payment. Rebates in excess of the Rebate guarantees will not be used to offset to a shortfall on any discount rate or Dispensing Fee guarantees.