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C-2

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November 20, 2018

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HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Adopt Specifications No. RFP LW18-050 and award a contract to Pharmaceutical Technologies, Inc., of Omaha, Nebraska, for the administration and delivery of Workers' Compensation Pharmacy Products and Services through a network of pharmacies for the City of Long Beach Workers Compensation Program, in an annual amount of \$212,865; authorize a 20 percent contingency in the amount of \$42,573 annually, for a total contract amount not to exceed \$255,438 annually; and authorize the City Manager, or designee, to execute all documents necessary to enter into the contract, including any necessary amendments thereto, for the period beginning January 1, 2019 through December 31, 2020, with the option to renew for three additional one-year periods.

DISCUSSION

City Council approval is requested to enter into a contract with Pharmaceutical Technologies, Inc. (PTI) to administer and deliver Workers' Compensation Pharmacy Products and Services, as a Pharmacy Benefit Manager (PBM), through a network of pharmacies for the City of Long Beach (City). This PBM would serve the pharmaceutical needs of the injured workers of the City as required by the Workers' Compensation Laws of California, ascribe to a fully disclosed and transparent pricing structure, and include contractual provisions that would generate measurable savings for the City's Workers' Compensation Program. If approved, this contract will replace the prior PBM agreement.

Request for Proposal (RFP) RFP LW18-050 was advertised in the Long Beach Press-Telegram on December 14, 2017, and 32 potential proposers specializing in pharmacy benefit management were notified of the RFP opportunity. Of those proposers, 30 downloaded the RFP via the City's electronic bid system. The RFP document was made available from the Purchasing Division, located on the seventh

floor of City Hall, and the Division's website at www.longbeach.gov/purchasing. Approximately 5,311 vendors were notified of the RFP opportunity. The RFP announcement was also included in the Purchasing Division's weekly update of Open Bid Opportunities, which is sent to 22 local, minority and women-owned business groups. Five proposals were received on December 21, 2017. Of those five proposers, none were a Minority-owned Business Enterprise (MBE), none were a Women-owned Business Enterprise (WBE), none were a certified Small Business Enterprise (SBE), and none were a Long Beach business (Local). The selection committee determined that Pharmaceutical Technologies, Inc., of Omaha, Nebraska (not an MBE, WBE, SBE, or Local), was the most qualified firm to provide the services.

After the selection committee's initial review, four respondents were invited to participate in the selection interview, which included the expert consultant, the Principal Deputy City Attorney, the Workers' Compensation Claims Manager and Claims Supervisors, as well as a representative from the Financial Management Department.

The selection committee reviewed and evaluated the four proposals in accordance with the following criteria:

- Demonstrated competence
- Experience in performance of comparable engagements
- Expertise and availability of key personnel
- Reasonableness of cost
- Financial stability
- Conformance with the terms of this RFP

PTI was selected as the most qualified vendor. PTI possesses a transparent business model that aligns with the City's Workers' Compensation program goals and objectives for performing pharmacy benefit management services. PTI has demonstrated a fully-integrated PBM, using a proprietary claims processing system, an extensive network of pharmacies, and a full suite of service offerings. In addition, PTI can deliver a cost-effective pharmacy benefit management program to the City.

Workers' compensation costs remain a significant statewide issue. As the City continues to build upon its cost containment program, in an effort to reduce costs and improve efficiencies, PTI as the selected vendor has developed a comprehensive, electronically managed program to dispense prescription medications, with specific customizations based upon the unique needs of the City. PTI has a vast national network of pharmacies and mail order pharmacy program. PTI is also able to adhere to the California formulary requirements, as well as provide customized and flexible formulary options to the City.

This matter was reviewed by Assistant City Attorney, Michael J. Mais, on November 9, 2018, and Budget Management Officer, Rhutu Amim Gharib, on November 9, 2018.

TIMING CONSIDERATIONS

City Council action to adopt Specifications No. RFP LW18-050 and award a contract concurrently is requested on November 20, 2018 to ensure that the contract is in place expeditiously.

FISCAL IMPACT

In 2011, the Workers' Compensation Division spent approximately \$1,989,360 in prescription medications and related pharmaceuticals. At the end of 2014, the first year in contract with PTI as the City's Pharmacy Benefit Manager, the pharmacy costs decreased to \$1,003,925, a savings of nearly \$1,000,000, or 50 percent. Although not as dramatic, the 2017 cost was \$917,395, representing an additional savings of 9 percent over the past 4 years. It is expected that the City will continue to experience maximum cost savings with the ability to maintain total costs of the pharmacy program at less than \$1,000,000 annually. Additional cost savings will be realized through greater mail order penetration, and programs to reduce opioid usage.

The contract amount of \$255,438 is the processing/administrative cost to PTI to deliver the pharmacy benefit management program. There is existing appropriation in the insurance fund (IS 390) in the Citywide Activities Department (XC).

There is no local job impact associated with this recommendation.

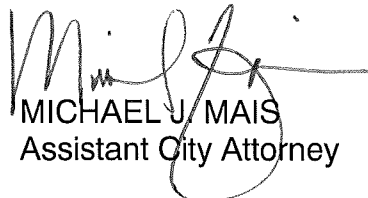
SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,

CHARLES PARKIN, City Attorney

By


MICHAEL J. MAIS
Assistant City Attorney