



OFFICE OF THE CITY ATTORNEY  
Long Beach, California

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November 13, 2012

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

RECOMMENDATION:

Authorize the City Manager to execute a contract and any necessary amendments thereto with Pharmaceutical Technologies, Incorporated, ("PTI") for the administration and delivery of Workers' Compensation Pharmacy Products and Services through a network of pharmacies (referred to as the "NPS System") for the City of Long Beach Workers Compensation Program for the period beginning January 1, 2013 through December 31, 2013, with automatic one-year renewal options, unless terminated by either party at least sixty days before the end of the current term.

DISCUSSION

Through the City's Risk Management Division, the professional services of Cadre Rx (Cadre) were requested to evaluate pharmacy claims paid on behalf of Workers' Compensation claimants with the intent of identifying an opportunity for cost savings. In the outcome of this study, Cadre was able to estimate that the City of Long Beach was paying above the fair market value in the cost per prescription, which could result in a significant annualized savings.

A Request for Proposal was initiated with the goal of identifying a Pharmacy Benefit Manager (PBM) that would ascribe to a fully disclosed and transparent pricing structure, improved administrative efficiencies, and contractual provisions that would generate measurable savings for the City's Workers' Compensation Program. In addition, the selected PBM would be required to satisfactorily serve the pharmaceutical needs of the injured workers of the City of Long Beach as required by the Workers' Compensation Laws of California.

PRINCIPAL DEPUTIES

Dominic Holzhaus  
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DEPUTIES

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Cristyl Meyers  
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Tiffani L. Shin  
Linda Trang  
Theodore B. Zinger

After a lengthy selection process, Pharmaceutical Technologies, Incorporated ("PTI") was chosen as the preferred vendor. As the selected PBM, PTI provides pharmaceutical services that support cost containment, cost justification, and healthcare reporting.

For workers' compensation, PTI has developed a comprehensive, electronically managed program to dispense prescription medications, with specific customizations based upon the unique needs of the City of Long Beach. It is expected that significant cost savings will be generated as a result of the proposed contractual relationship with PTI.

#### TIMING CONSIDERATIONS

City Council action is requested on November 13, 2012 to allow the City to enter into contracts commencing on January 1, 2013.

#### FISCAL IMPACT

In 2011, following a review of the medical costs by the City's Risk Management Division; it was found that the Workers' Compensation Division spent approximately \$1,989,360 in prescription medications and related pharmaceuticals. A contract with PTI as the City's Pharmacy Benefit Manager will provide for a more cost effective mechanism to provide pharmaceutical services. It is estimated that the City will experience an annual savings of up to \$123,712 on all pharmacy and prescription medications, representing an approximate reduction of 6.2%.

#### SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,

ROBERT E. SHANNON, City Attorney

By   
ANNE LATTIME  
Principal Deputy City Attorney