

LRB-RESEARCH AND ANALYSIS SECTION

FINANCE & PERSONNEL COMMITTEE

**ITEM 5, FILE # 061573
SPONSOR: ALD. MURPHY
LESLIE SILLETTI**

APRIL 5, 2007

This resolution authorizes an agreement with Navitus Health Solutions to provide the Drug Review Program, which will result in an estimated \$20,000 per month savings for the City of Milwaukee and \$5,000 per month for employees, collectively, who are part of the Basic Plan. Current employees and retirees comprise Basic Plan membership.

Background

1. Navitus Health Solutions is the City's contracted Prescription Benefit Manager (PBM) for the Basic Plan, of which there are more than 5,000 members (approximately 2,225 active employees and 2,898 retirees).
2. Navitus proposed a voluntary "Preferred Formulary Retrospective Drug Utilization Review Program" to reduce members' and the City's drug costs, and DER is recommending it.
3. Through this program, Navitus will communicate with members' doctors through a letter when lower cost, comparable drugs are available. In turn, doctors will communicate lower-cost options to patients, and patients may choose to switch to the lower cost drug.
4. Navitus stated more than 20% of persons in this program typically switch to lower-cost options.
5. Basic Plan members currently pay 20% of prescription drugs, and the City pays 80%.

Summary of Fiscal Impact

Navitus estimates this change will result in savings of \$20,000 per month for the City if 25% of members change to lower-cost alternatives, which will save \$5,000 per month for members of the Basic Plan, collectively. Navitus' fee will be determined by 25% of actual savings, and only if the switch in drug brand is within 4 months of when Navitus communicated by letter with the doctor.

The City's savings will be reflected in the Employee Health Care Benefits Special Purpose Account, Claims Sub-account. The Claims sub-account was funded at \$29,920,000 in the 2007 Budget, with the total Health Care Benefits SPA funded at \$106,730,000.

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