

RESOLUTION NO. 2006-180

AUTHORIZING AN EXTENSION OF CONTRACT NO. 2002-082D WITH CAREMARK, INC. TO PROVIDE A MANAGED PRESCRIPTION DRUG PROGRAM FOR A PERIOD OF TWO YEARS IN AN AMOUNT NOT TO EXCEED \$4,470,750.00 FOR 2007 AND IN THE SAME AMOUNT FOR 2008 FOR A TOTAL CONTRACT AMOUNT NOT TO EXCEED \$8,941,500.00 (GENERAL FUND, VARIOUS DEPARTMENT BUDGETS)

WHEREAS, the Authority provides a prescription drug program for its employees; and

WHEREAS, by Resolution No. 2002-166, the Board of Trustees authorized Contract No. 2002-082D with Caremark, Inc. located at 2211 Sanders Road, Northbrook, Illinois to provide administration and claims adjudication of a managed prescription drug program to the Authority for a one-year period with the Authority's option for three additional one-year periods; and

WHEREAS, the contract is now in its last option year, as authorized by the General Manager/Secretary-Treasurer; and

WHEREAS, the Authority received proposals on July 31, 2006 for a managed prescription drug program for a one year period with three, one-year options; and

WHEREAS, after evaluation by a panel of Authority employees and in accordance with Procurement Policies and Procedures, all proposals were rejected; and

WHEREAS, Caremark, Inc. has offered to continue its services at the same rates for a period of two years in an amount not to exceed \$4,470,750.00 for 2007 and in the same amount for 2008 for a total contract amount not to exceed \$8,941,500.00; and

WHEREAS, the General Manager/Secretary-Treasurer deems the offer to extend the current contract with Caremark, Inc. to be the most advantageous to the Authority, price and all other factors considered and recommends acceptance hereof by the Board of Trustees.

NOW, THEREFORE BE IT RESOLVED by the Board of Trustees of the Greater Cleveland Regional Transit Authority, Cuyahoga County, Ohio:

Section 1. That the extension of the Caremark, Inc. contract to provide additional managed prescription drug services for a period of two years be and the same is hereby accepted.

Section 2. That the General Manager/Secretary-Treasurer be, and he hereby is authorized to extend Contract No. 2002-082D with Caremark, Inc. for a period of two years commencing January 1, 2007 and ending December 31, 2008.

Section 3. That said contract shall be payable out of the General Fund, Various Department budgets, in an amount not to exceed four million four hundred seventy thousand seven hundred fifty & 00/100 dollars (\$4,470,750.00) for the first year and in the same amount for 2008 for a total contract amount not to exceed eight million nine hundred forty-one thousand five hundred and 00/100 dollars (\$8,941,500.00) at rates established based on the Authority's anticipated prescription drug utilization.

Section 4. That said extension shall be binding upon and an obligation of the Authority contingent upon funding for future years, compliance by the contractor to Specifications and Addenda, if any; the Affirmative Action Plan adopted by the Board of Trustees in Resolution 2006-77; bonding and insurance requirements and all applicable laws relating to the contractual obligation of the Authority.

Section 5. That the Greater Cleveland Regional Transit Authority's Board of Trustees expects that Caremark, Inc. will attempt to exceed the 3% DBE goal assigned to this procurement.

Section 6. That all other terms and conditions of said contract shall remain unchanged.

Section 7. That this resolution shall become effective immediately upon its adoption.

Adopted: October 17, 2006

\_\_\_\_\_  
President

Attest: \_\_\_\_\_  
CEO, General Manager/Secretary-Treasurer



Greater Cleveland Regional Transit Authority  
**STAFF SUMMARY AND COMMENTS**

<b>TITLE/DESCRIPTION:</b> AUTHORIZING AN EXTENSION OF CONTRACT NO. 2002-082D WITH CAREMARK, INC. TO PROVIDE A MANAGED PRESCRIPTION DRUG PROGRAM FOR A PERIOD OF TWO YEARS IN AN AMOUNT NOT TO EXCEED \$4,470,750.00 FOR 2007 AND IN THE SAME AMOUNT FOR 2008 FOR A TOTAL CONTRACT AMOUNT NOT TO EXCEED \$8,941,500.00 (GENERAL FUND, VARIOUS DEPARTMENT BUDGETS)	<b>Resolution No.:</b> 2006-180
	<b>Date:</b> October 12, 2006
	<b>Initiator:</b> Human Resource Department
<b>ACTION REQUEST:</b> <input checked="" type="checkbox"/> Approval <input type="checkbox"/> Review/Comment <input type="checkbox"/> Information Only <input type="checkbox"/> Other _____	

- 1.0 **PURPOSE/SCOPE:** This action will allow the Authority to extend Contract No. 2002-082D with Caremark, Inc. to continue to provide employees accessibility to a managed prescription drug program for a two-year period.
  
- 2.0 **DESCRIPTION/JUSTIFICATION:** The Authority provides medical, prescription drug, dental, vision and life insurance benefits to its employees. This action will enable the Authority to continue to provide a managed prescription drug program to its employees for the period January 1, 2007 through December 31, 2008.
  
- 3.0 **PROCUREMENT BACKGROUND:** The Request for Proposal was posted on the GCRTA web site and advertised in the local newspapers. Providers were asked to propose on any or all lines of coverage. Proposals were received on July 31, 2006 for this solicitation. Mercer Human Resource Consulting, the Authority's Benefits Consultant, and a panel of Authority employees evaluated the proposals in accordance with established Procurement Policies and Procedures. All proposals received for the prescription drug program were rejected as evaluated against the criteria. It was deemed in the Authority's best interest to extend the current prescription drug contract with Caremark, Inc. for a period of two years. This timeframe coincides with the Health Action Council contract and allows the Authority to take advantage of deeper discounts and provide employees with a comprehensive network. Caremark, Inc. was awarded Contract No. 2002-082D as a result of a competitive Request for Proposal process.
 

Projected costs are based on current enrollment and rates established for each specific plan for the plan year 2007 as detailed in Attachment A. The same projection is used for 2008. A cost analysis has been performed by the Procurement Department and the extension of the Caremark, Inc. contract has been determined to be fair and reasonable to the Authority.
  
- 4.0 **AFFIRMATIVE ACTION/DBE BACKGROUND:** All Affirmative Action requirements have been met. A 3% DBE goal on contract administrative costs was established for this procurement when approved in October 2002 by Resolution No. 2002-166. Caremark, Inc. has recommitted to this contract goal under the extension and will achieve it through the utilization of P.S. Promotions in an amount of \$1,562 per year. P.S. Promotions is the DBE firm approved under the current contract.

- 5.0 POLICY IMPACT: This extension must be completed in order to permit the Authority to enroll employees in its managed prescription drug program in accordance with the Authority's personnel policies and contractual agreements with the labor unions.
- 6.0 ECONOMIC IMPACT: This contract extension shall be funded through the General Fund, Various Department budgets in an amount not to exceed four million four hundred seventy thousand seven hundred fifty & 00/100 dollars (\$4,470,750.00) for the first year and in the same amount for 2008 for a total contract amount not to exceed eight million nine hundred forty-one thousand five hundred and 00/100 dollars (\$8,941,500.00). This is a 12.5% increase in total projected costs for plan year 2007.
- 7.0 ALTERNATIVES: Reject this change order. Rejection of this extension would risk not having a managed prescription drug program available to the Authority's employees.
- 8.0 RECOMMENDATION: This contract extension was reviewed by the Finance Committee at their October 3, 2006 meeting and recommended for approval by the Board of Trustees. It is recommended that the extension of this contract for an additional two years with Caremark, Inc. be accepted and the resolution passed authorizing the General Manager/Secretary-Treasurer to modify the contract.
- 9.0 ATTACHMENTS: Attachment A.

Recommended and certified as appropriate to the availability of funds, legal form and conformance with the Procurement requirements.

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CEO, General Manager/Secretary-Treasurer

<b>ATTACHMENT A</b>			
<b>RECOMMENDED PROVIDERS AND ESTIMATED BUDGET FOR PLAN YEAR 2007</b>			
	<b>Estimated</b>	<b>Plan</b>	
<b><u>Employee Benefit Plans</u></b>	<b><u>Enrollment</u></b>	<b><u>Type</u></b>	<b><u>Funding</u></b>
<b>[MEDICAL]</b>			
<b>Medical Mutual</b>	1720	PPO/HMO	Self-Funded
<b>Kaiser</b>	627	HMO	Fully-Insured
<b>[PRESCRIPTION DRUG]</b>			
<b>Caremark</b> <i>(Employees enrolled in Medical Mutual are automatically enrolled with Caremark prescription drug coverage.)</i>	1720	PBM	Self-Funded
<b>[DENTAL]</b>			
<b>Medical Mutual</b>	2047	Traditional	Self-Funded
<b>CIGNA - DMO</b>	308	DMO	Full-Insured
<b>[VISION]</b>			
<b>Spectera</b>	2328	Managed Vision	Fully-Insured
<b>[TERM LIFE INSURANCE]</b>			
<b>Fort Dearborn Life Insurance</b>	3814	Insurance	Fully-Insured
	active & retiree		
<b>[FLEXIBLE SPENDING ACCT]</b>			
<b>Medical Mutual</b>			
<b><u>TOTAL 2006 BUDGET</u></b>		<b>\$22,888,000.00</b>	
<b><u>TOTAL 2007 BUDGET</u></b>		<b>\$25,749,000.00</b>	
<b>% INCREASE</b>		<b>12.5</b>	