

RESOLUTION

WHEREAS, the Board of Light, Gas and Water Commissioners in their meeting of August 19, 2010, awarded Contract No. 11406, Managed Prescription Drug Program, to Medco Health, in the funded amount of \$53,869,000.00, and is now recommending to the Council of the City of Memphis that it approve said award as approved in the MLGW 2010 fiscal year budget as approved and subsequent years budget as proposed; and

WHEREAS, the project scope is to provide pharmacy benefit management for Preferred Provider Organization (PPO) Program and retiree drug subsidy; and

WHEREAS, twenty-two proposals were solicited; MLGW received seven (7) proposals on May 7, 2010, with one of the most responsive proposals being from Medco Health. The Division will pay 75% of the employee's annual premium in the estimated funded amount of \$40,401,750.00 and the MLGW employees will be responsible for 25% of the annual premiums through payroll deduction in the estimated amount of \$13,467,250.00. The projected amount to be funded by MLGW is \$40,401,750.00, the actual payments from January 1, 2011 to December 31, 2013 will be reconciled to the projected amount and the results reported to the Board of Commissioners at the end of each term. The term of this contract is for a 36-month period from the date of the Notice to Proceed; and

NOW THEREFORE BE IT RESOLVED by the Council of the City of Memphis, that there be and is hereby approved an award of Contract No. 11406, Managed Prescription Drug Program, to Medco Health, in the funded amount of \$53,869,000.00, chargeable to the MLGW fiscal year 2010 as approved and subsequent years budget as proposed.

EXCERPT
from
MINUTES OF MEETING
of
BOARD OF LIGHT, GAS AND WATER COMMISSIONERS
CITY OF MEMPHIS
held
October 7, 2010

Vice Chairman Brittenum moved that the Board redraft the resolution that was approved prior, that went to the City Council, to provide the necessary basis for the decision to award the Contract 11406, Managed Prescription Drug Program (the "Contract"), to Medco Health Solutions ("Medco"), in the funded amount of \$53,869,000.00. Commissioner Evans seconded that motion and after discussion moved to amend the resolution previously adopted by the Board on August 19, 2010 awarding the Contract to Medco. The amended motion was seconded by Commissioner Wishnia. The purpose of the amendment to the action previously taken is to clarify, at the request of the Memphis City Council, that the Medco proposal is the most advantageous for the utility for the following reasons:

1. Although the scoring by staff and the consultants for Medco and Express Scripts, Inc. ("ESI") was equal, review of the detailed criteria considered reflects that Medco outperformed ESI in 4 of the 7 categories included in the proposal. The use of three categories for scoring (i.e. excellent, good and fair) resulted in the points being even because the categories were too broad.

2. In light of the tie score, the detailed criteria was evaluated by each Board member to determine which one would be the best for the utility going forward.

3. The gap between scores for the two companies is greater where Medco outperformed ESI than where ESI outperformed Medco.

4. Financial ratings were the same for both parties but only two of four rating agencies rate ESI while Medco has ratings from three of the four rating agencies.

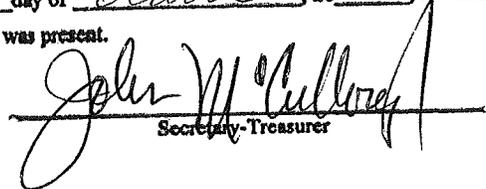
5. Specifically, the detailed criteria scores for Medco exceeded those for ESI in the areas of:

- a) Network Maintenance and Flexibility where ESI scored 95.9% and Medco scored 96.2% in the geographical access subcategory and in the subcategories of performance guarantees and implementation credits ESI offered \$100,000 and \$5.00 per enrolled member, respectively, while Medco offered \$20 per primary household (based on approximately 4100 primary households, an amount of \$81,000) but \$6.00 per household (note:, the number of households and number of enrolled members are the same),
- b) Administrative Services where ESI had an average score of 3.8 from client references (most of whom were not local companies) and Medco had an average score of 5.0 from client references (most of whom were known and familiar companies) (the Board acknowledged that ESI outperformed Medco scoring 85% and 82.5% respectively on the administrative services questionnaire score),
- c) Data Management where ESI scored 80% and Medco scored 90%, and
- d) Clinical Services where ESI scored 63.6% and Medco scored 86.4%.

6. ESI's bid price is lower but in this case price is not the sole consideration and, considering the full range of the factors set forth in the RFP, the Medco proposal is the most advantageous.

NOW, THEREFORE, BE IT RESOLVED THAT, the Board of Light, Gas & Water Commissioners does hereby amend the resolution previously adopted at its meeting on August 19, 2010, awarding Contract No. 11406 to Medco Health Solutions to include the information set forth in the Preambles above as clarification for the City Council of the Board's reasons for the action so taken.

I hereby certify that the foregoing is a true copy of a resolution adopted by the Board of Light, Gas and Water Commissioners at a ~~regular~~ ^{special} meeting held on 27 day of October, 20 10, at which a quorum was present.


Secretary-Treasurer

Minutes Approved 10.7.10