

PHARMACY BENEFIT MANAGER PROCUREMENT BRIEFING DOCUMENT

2019



PLAN NAME

PHARMACY BENEFIT MANAGER RFP EVALUATION

EXECUTIVE SUMMARY

Founded in 2000, HealthLinX is a firm focused solely on prescription benefit management. Over 60 years of experience in PBM employment provide us with insight into the inner workings of a PBM including pricing strategies, service expectations, and program function.

HealthLinX's approach to the request-for-proposal (RFP) process is based upon sound project management. A comprehensive, controlled and irrefutable vendor selection process has been developed. Experience indicates that Plans appreciate the thoroughness of the process which prevents vendor challenges and helps them make a final selection with confidence. Key areas of the process which HealthLinX has identified are:

- Data Collection and Needs Assessment
- Drafting of RFP
- Determination of Candidates
- Distribution of RFP
- Intake of RFP Responses and Inventory
- Evaluation of PBM Response
- Report of Final Results/Briefing Documents
- Finalist Selection
- Finalist Interviews
- Selection of PBM
- Contract Negotiations

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RFP PROCESS

HealthLinX released a Request for Proposal (RFP) on X/X/XXX. All prospective bidders received one bid package. Upon receipt of an Intent to Bid, a HIPAA Compliant electronic claim data file was sent. The following deadlines were communicated in the cover letter to the prospective bidders.

Due Dates and Estimated Schedule

Return of Intent to Bid:	6/6/2019
Proposals Due:	6/28/2019
Selection of Finalists:	8/21/2019
Finalist Interviews:	9/4/2019
PBM Selection:	9/6/2019
Implementation Start:	10/1/2019
Contract Effective Date:	1/1/2020

HealthLinX (HLX) sent out 10 RFP packages to bidders that expressed an interest in the Prescription Procurement RFP. The bidders that received a package are:

- Bidder 1
- Bidder 2
- Bidder 3
- Bidder 4
- Bidder 5
- Bidder 6
- Bidder 7

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Decline to Bid

- Bidder 1
- Bidder 2

Submission

HealthLinX (HLX) received all bids on time and inventoried the contents. We communicated any shortcomings with the PBM's and provided extensions where needed to receive the most accurate materials. All RFP's are stored electronically and are used to examine and grade the responses.

Disqualification

No bidders were disqualified.

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BIDDER OVERVIEW

Bidder 1

Location: Salt Lake City, Utah

Size: Currently small/mid-sized; has been showing growth.

Plan Specific:

Bidder 2

Location: Salt Lake City, Utah

Size: Currently small/mid-sized; has been showing growth.

Plan Specific:

Bidder 3

Location: Salt Lake City, Utah

Size: Currently small/mid-sized; has been showing growth.

Plan Specific:

Bidder 4

Location: Salt Lake City, Utah

Size: Currently small/mid-sized; has been showing growth.

Plan Specific:

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Bidder 5

Location: Salt Lake City, Utah

Size: Currently small/mid-sized; has been showing growth.

Plan Specific:

Bidder 6

Location: Salt Lake City, Utah

Size: Currently small/mid-sized; has been showing growth.

Plan Specific:

Bidder 7

Location: Salt Lake City, Utah

Size: Currently small/mid-sized; has been showing growth.

Plan Specific:

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RFP RESPONSES AND GRADING

HealthLinX staff graded the XX questions developed specifically for the PLAN. The questions were separated into categories and graded using a consistent grading system. The responses to each question were provided to HLX by each bidder and compiled into our proprietary grading system.

Each question was graded on a scale of 0 to 10, 10 being the best response possible. The guidelines for grading are as follows: 10-Industry Standard, 8-Exceeds Requirements, 6-Meets All Requirements, 4-Meets Some Requirements, 0-Disqualified. The combination of weighting and grading results in a raw score for each question.

Based upon the weighted questions and scores from 0-10, the following are the scores in alphabetical order of the remaining bidders:

- Bidder 1 – **85.39**
- Bidder 2 – **83.95**
- Bidder 3 (Incumbent) – **85.75**
- Bidder 4 – **88.14**
- Bidder 5 – **87.19**
- Bidder 6 – **79.28**
- Bidder 7 – **94.25**

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FINANCIAL OFFER

Each of the bidders was provided a technical pricing document and a detailed pricing file to reprice all claims from X/X/XXXX to X/X/XXXX. We required the PBMs to agree to a specific set of pricing criteria and guarantees. The financial offers were analyzed and compared to the current contract. We applied no inflation or increase in utilization to the process.

Benchmark Data for Repricing

Date Projected using 1/1/18 - 12/31/18 claims data
 Claims Excluded: Compounds

Plan Name	Mail Order Indicator	Generic Indicator	Year One Claims	Year One AWP	Year Two Claims	Year Two AWP	Year Three Claims	Year Three AWP
PLAN	Mail	Brand	x	\$x	x	\$x	x	\$x
PLAN	Mail	Generic	X	\$x	x	\$x	x	\$x
PLAN	Retail	Brand	X	\$x	x	\$x	x	\$x
PLAN	Retail	Generic	x	\$x	x	\$x	x	\$x
PLAN	Retail Maintenance	Brand	x	\$x	x	\$x	x	\$x
PLAN	Retail Maintenance	Generic	x	\$x	x	\$x	x	\$x
PLAN	Specialty	Brand	x	\$x	x	\$x	x	\$x
PLAN	Specialty	Generic	x	\$x	x	\$x	x	\$x
TOTAL					xx,xxx	\$xxx,xxx	xxx	\$x,xxx,xxx

Financial Scoring Process

The following formula is used to calculate the final cost of each offer: $(Drug\ Cost - Rebates) + Administrative\ Fees$.

Drug Cost: The bidders submitted network offers (discounts) which were repriced in comparison to the current contract.

Rebates: The rebates are provided on a guarantee basis by brand claim by channel. Because certain claims are not eligible for rebates, HealthLinX applied an exclusion percentage of XX% which adjusts the eligible claim count. This ensures savings aren't being overstated. It should be noted that rebates are paid in arrears and the plan will start receiving the new rebate amounts 9 months after the implementation of a new offer.

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Administrative Fees: The plan is currently on a Pass-Through contract. **Bidder 1** decreased the current \$2.25 per-member-per-month (PMPM) admin fee to \$2.21 in their renewal offer. Other bidder admin fees were as follows: **Bidder 2** = \$3.00 per paid claim, **Bidder 3** = \$1.85 per paid claim, **Bidder 4** = \$3.88 PMPM, **Bidder 5** = \$3.50 per paid claim

Bidder	Fee	Fee Type	Monthly Fee Total	Yearly Fee Total
Bidder 1	\$x.xx	PMPM	\$x.xx	\$x.xx
Bidder 2	\$x.xx	PER CLAIM	\$x.xx	\$x.xx
Bidder 3	\$x.xx	PER CLAIM	\$x.xx	\$x.xx
Bidder 4	\$x.xx	PMPM	\$x.xx	\$x.xx
Bidder 5	\$x.xx	PER CLAIM	\$x.xx	\$x.xx

PLAN Totals:	
Members Per Month	x
Est Claims Per Month	x

Bidder	If all were a PMPM Rate
Bidder 1	\$x
Bidder 2	\$x
Bidder 3	\$x
Bidder 4	\$x
Bidder 5	\$x

Lastly, the financial score is based upon comparison to the best price. The points attributable by offer were calculated using the least expensive offer as the benchmark and calculating the percentage difference: $(\text{Minimum Cost Offer} / \text{Offer Cost}) \times 100 = \text{Points Attributable to the Offer}$.

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INITIAL FINANCIAL OFFERS

Bidder	Offer ID	Network Name	Specialty Network Name	Formulary Name	Formulary Tier	Formulary Disruption	Year One Cost Less Rebates	Year Two Cost Less Rebates	Year Three Cost Less Rebates	All Years Cost Less Rebates	Savings Over Current \$	Savings Over Current %	Points
Bidder 1	10	Open	Closed	Clinical Focus	Three Tier (incentivized)	x%	\$xxx	\$xxx	\$xxx	\$xxx	\$xxx	\$xxx	100.00
Bidder 2	4	Restricted	Closed	Select Formulary with Exclusions	Three Tier	x%	\$xxx	\$xxx	\$xxx	\$xxx	\$xxx	\$xxx	96.41
Bidder 3	12	Restricted	Closed	Open Access	Three Tier (incentivized)	x%	\$xxx	\$xxx	\$xxx	\$xxx	\$xxx	\$xxx	95.63
Bidder 4	7	Restricted	Closed	Premium Formulary	2 tier or 3 Tier	x%	\$xxx	\$xxx	\$xxx	\$xxx	\$xxx	\$xxx	94.44
Bidder 5	11	Open	Closed	Open Access	Three Tier (incentivized)	x%	\$xxx	\$xxx	\$xxx	\$xxx	\$xxx	\$xxx	93.21
Bidder 6	6	Open	Closed	Premium Formulary	2 Tier or 3 Tier	x%	\$xxx	\$xxx	\$xxx	\$xxx	\$xxx	\$xxx	90.65
Bidder 7	5	Restricted	Closed	2.0 Open Formulary	Three Tier	x%	\$xxx	\$xxx	\$xxx	\$xxx	\$xxx	\$xxx	89.16
Bidder 8	1	Restricted	Closed	Traditional	Three-Tier	x%	\$xxx	\$xxx	\$xxx	\$xxx	\$xxx	\$xxx	87.14
Bidder 4	3	Restricted	Closed	Traditional	Three-Tier	x%	\$xxx	\$xxx	\$xxx	\$xxx	\$xxx	\$xxx	86.70
Bidder 7	9	Open	Closed	Select Formulary	Any	x%	\$xxx	\$xxx	\$xxx	\$xxx	\$xxx	\$xxx	82.25
Bidder 2	8	Open	Closed	Pharmacy Network	6 Tier (can combine levels)	x%	\$xxx	\$xxx	\$xxx	\$xxx	\$xxx	\$xxx	77.62
Bidder 3	2	Restricted	Closed	Traditional	Three-Tier	x%	\$xxx	\$xxx	\$xxx	\$xxx	\$xxx	\$xxx	75.35

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COMBINED SCORES

In order to balance the RFP Responses and Financial Offers, HLX takes the average of both scores. Below is a chart of the combined scores of each bidder by offer:

	Bidder 1	Bidder 2	Bidder 3	Bidder 4	Bidder 5	Bidder 6	Bidder 7	Bidder 8	Bidder 9	Bidder 6	Bidder 4	Bidder 3
RFP Score	X	X	X	X	X	X	X	X	X	X	X	X
Financial Score	X	X	X	X	X	X	X	X	X	X	X	X
COMBINED SCORE	X	X	X	X	X	X	X	X	X	X	X	X
RANK	X	X	X	X	X	X	X	X	X	X	X	X

PERFORMANCE GUARANTEES

The performance guarantees were reviewed and graded on a scale of 0 to 10. The guidelines for grading are as follows: 10-Industry Standard, 8-Exceeds Requirements, 6-Meets All Requirements, 4-Meets Some Requirements, 0-Disqualified. The average score across all guarantee categories was calculated for each bidder. Because of the variability of performance guarantees, HealthLinX does not include this section into the combined scores. Performance guarantees will be negotiated with finalists.

- Bidder 1 – 2
- Bidder 2 – 2
- Bidder 3 (Incumbent) – 4
- Bidder 4 – 4
- Bidder 5 – 2
- Bidder 6 – 0
- Bidder 7 – 4

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IMPLEMENTATION CREDIT AND PHARMACY MANAGEMENT ALLOWANCE

The bidders (besides the incumbent Navitus) provided implementation allowances with their offers. These allowances assist with the costs of transitioning to a new PBM. These costs include: member communication, ID cards, Open Refill Transfer Files, etc. Some bidders also included a pharmacy management allowance which can be used annually towards consulting fees, clinical programs, Appeal fees, etc.

Bidder	PLAN Enrollment	Implementation Offer	Implementation Allowance	Annual Pharmacy Allowance
Bidder 1	xxx	\$xxx	\$xxx	\$xxx
Bidder 2	xxx	\$xxx	\$xxx	\$xxx
Bidder 3	xxx	\$xxx	\$xxx	\$xxx
Bidder 4	xxx	\$xxx	\$xxx	\$xxx
Bidder 5	xxx	\$xxx	\$xxx	\$xxx
Bidder 6	xxx	\$xxx	\$xxx	\$xxx
Bidder 7	xxx	\$xxx	\$xxx	\$xxx

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BIDDER DEVIATIONS

Bidder 1:

- *Did not offer any performance guarantees.*

Bidder 3:

- *Plan would be subject to a coalition type agreement, meaning pricing would not be guaranteed at the group level.*

Bidder 4:

- *Rebates are fixed, and manufacturer admin fees would not be passed along to the plan.*

Bidder 5:

- *Does not use Medispan for pricing guarantees*

Bidder 7:

- *Pricing Guarantees are reconciled by channel not line by line.*

RECOMMENDATIONS/NEXT STEPS

1. Review the performance of the bidders in the RFP process with the Trustees and Plan Professionals.
2. Determine three finalists.
3. Ask the finalists for a best and final offer (BAFO).
4. HLX will discuss shortcomings in the responses and financials with the finalists.
5. Schedule interviews if it is the will of the Trustees.
6. Monitor the BAFO process and load any new pricing in the system.
7. Review the rules of the finalist interviews with the finalists (time, topics, shortcomings, etc.)