



Arthur J. Gallagher & Co.
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San Joaquin Valley Insurance Authority Prescription Drug RFP Analysis

HEALTHCARE ANALYTICS | JUNE 3RD, 2015

Executive Summary - Project Background

- **San Joaquin Valley Insurance Authority (SJVIA)** currently contracts with **US Script** for its pharmacy benefit management (PBM) services through 12/31/2015.
- San Joaquin Valley Insurance Authority engaged Healthcare Analytics (HCA) to assess the PBM marketplace to ensure that they attain the best financial arrangement for the 2016-2018 plan years
 - The key to the analysis, and what clearly differentiates GBS from other consulting firms, is our in-depth evaluation of the bidding PBM's *contract language*
 - There is a direct link between variations in contract language and the overall financial impact for each PBM's bid
- In order to select the best candidate for PBM services, HCA conducted an extensive Request for Proposal (RFP) process which included an analysis of all submitted proposals



Executive Summary - Project Background

- 9 PBMs were solicited for proposals
 - CVS Caremark declined to bid.
- HCA's analysis of these PBMs included, but was not limited to, the following parameters:
 - Review of bidding PBM's **contract language**
 - Review of the proposed **financial terms** to calculate the potential costs and/or savings projected over the contract term (using HCA's proprietary PBM pricing model)
 - Evaluation of **questionnaire** responses
 - Comparison of the **unit cost and cost per day** amounts of highly utilized drugs in all networks; and
 - Review of the **Maximum Allowable Cost** (MAC) lists provided by each bidding PBM

PBM or Health Plan	Submitted Bid	Declined to Bid
Anthem-ESI	✓	
CVS Caremark		X
Envision	✓	
Express Scripts (ESI)	✓	
IPM	✓	
MedImpact	✓	
Navitus	✓	
ProCare Rx	✓	
US Script	✓	

Contract Terms and Financial Analysis

- Contract terms affect the ***financial outcome*** as each vendor applies those terms against the claims to determine cost. Therefore, it is extremely important to review and analyze each contract to determine how the terms will influence Rx costs
- The contract terms review is not mutually exclusive of the financial analysis. In fact, most of the contract terms are factored into the financial modeling
- In total, the scoring is based on 60 total points possible (10 points for qualitative assessment of contract terms and 50 points for financial modeling).

Contract Terms Review

- Each contract was reviewed against 26 different elements of the contract (including terms and definitions) to determine how the contract will affect costs (*see Appendix for complete details of contract terms review*)
 - Overall, the Pass-Through model contract terms and definitions are well defined and easy to understand
 - The Traditional model contract terms are ambiguous. Since the terms and definitions are not well defined, the terms are susceptible to manipulation



Executive Summary - Summary of Findings (Overall)

- Out of a 100 point scoring system, the results of the analysis are as follows:

Rank	PBM/Health Plan	Contract Terms and Financial Analysis	Questionnaire Responses	Comparison of Unit Cost of Top Drugs	MAC List	Total
1	Envision (Pass-Through)	55.03	30.00	4.83	4.01	93.87
2	US Script (Pass-Through)	53.95	29.63	4.14	5.00	92.71
3	Navitus (Pass-Through)	52.85	29.88	4.78	4.37	91.87
4	ProCareRx (Pass-Through)	53.42	29.00	4.91	4.11	91.45
5	Express Scripts (Traditional)	53.85	28.26	4.51	3.88	90.49
6	MedImpact (Traditional)	52.07	27.76	4.35	4.40	88.58
7	Anthem-ESI (Traditional)	50.98	28.63	4.51	3.80	87.92
8	IPM (Traditional)	46.88	27.76	4.52	3.88	83.04
9	IPM (Pass-Through)	46.01	27.76	4.52	3.88	82.18

* Incumbent in *BLUE* font

Executive Summary

Best and Final Offers – adjustments made to original bid and with better best and final from US Script

Finalist	Discounts	Rebates	3 Year Enhanced Savings Projections
Envision	Best discounts (\$153K over 3 years)	Increase in rebates (\$29K over 3 years)	\$182,000
Express Scripts	Increase in Discounts (\$120K over 3 years)	Biggest increase in rebates (\$209K over 3 years)	\$328,000
MedImpact	Bigger Discount (\$265K over 3 years)	Increase in Rebates (\$115K over 3 years)	\$380,000
US Script (better best and final)	Increase in Discount (\$404K over 3 years)	Best Increase in Rebates (\$868K over 3 years)	\$1,272,000