

SJVIA PHARMACY BENEFIT MANAGER (PBM) RFI/RFP REPORT

The RFP Process:

On behalf of San Joaquin Valley Insurance Authority (SJVIA), Keenan & Associates conducted a Pharmacy Benefit Manager (PBM) Request For Information (RFI) repricing and a full Request for Proposal (RFP) marketing, in order to obtain competitive Prescription Drug Plan (PBM) proposals that would provide the best service and net value for SJVIA's Prescription Drug Plan. The following vendors were invited to participate:

- CitizensRx
- EmpiRx
- EnvisionRx
- Envolve Pharmacy Solutions
- OptumRx
- Anthem - *Did not comply with the requirements of the RFP*
- WelldyneRx – *Did not comply with the requirements of the RFP*
- Alliant - *Declined to participate*
- CVS / Caremark- *Declined to participate*
- ESI-KPPC - *Declined to participate*

The goal was to find a vendor that will maximize purchasing economies, minimize employee transition issues, and provide for the most cost effective and seamless administration of the plan.

To preserve confidentiality vendors will be referred to by code names. The key will be made available to the SJVIA Board members.

RFI - Prescription Drug Repricing Analysis Process:

The PBM repricing exercise was based on the PBM vendors repricing of the 2016 prescription drug claims for the five continuing entities in the SJVIA. This included repricing over 136,000 claims and the rebates that would be earned. Vendor 5369 and Vendor 5623 showed the greatest face value savings at \$3.94m and \$2.92m respectively. Face value savings are based on what the vendor reports in its proposal and has not been validated to its contract language. Savings are produced by a combination of prescription drug pricing strategies and clinical program management to encourage appropriate drug utilization, and specialty drug cost control.

WelldyneRx and Anthem did not comply with the requirements of the RFP. Both did not provide an executable contract that would support their responses and pricing. Without the executable contract, we would be placed in the position of taking savings and terms and conditions based on the PBM's face value. Keenan therefore eliminated them from the RFP process.

The following chart provides the proposed Annual Cost Summary for each PBM validated to the terms and conditions of the executable contracts provided.

SJVIA - RFP Pricing Comparison	Vendor 5537	Vendor 5929	Vendor 5424	Vendor 5623	Vendor 5369
Final Cost	\$16,613,017	\$16,061,408	\$15,392,665	\$13,692,680	\$12,932,813
Savings from Incumbent New Offer	\$0	\$551,609	\$1,220,352	\$2,920,337	\$3,948,460
% Savings from Incumbent New Offer	0.00%	3.32%	7.35%	17.58%	23.77%

This report focuses its comparison between Vendor 5369, Vendor 5623 and Vendor 5537 against the incumbent.

RFP - Questionnaire and Contract Review Process:

Keenan reviewed the RFP questionnaire responses, binding contracts, and formulary disruption analysis from Vendor 5369, Vendor 5623, and Vendor 5537, to evaluate the services and solutions they could offer SJVIA.

The initial RFI repricings were updated to include any missing administrative fees or rebates. Vendor 5369 and Vendor 5623 still showed the greatest savings for SJVIA, at \$3.94m and \$2.92m after the contractual review and updating the missing information. Any proposed allowances or operational guarantees were also included in the assessment and review process. Below are some of the terms and conditions specific to each vendor's contract:

Vendor 5537:

- The agreement is for a three year term with evergreen language. SJVIA has the right to terminate the contract after 1 year with 90 days advance notice. This is a benefit for SJVIA, as they are not locked in after the initial year.
- Pricing based on the use of Vendor 5537's exclusive Specialty Pharmacy.
- Rebate guarantees are reconciled in the aggregate. This is a disadvantage to SJVIA, as any surplus achieved in one rebate channel can be used to offset a deficit in another.

Vendor 5369:

- Three year term with evergreen language. SJVIA has the right to terminate the contract after 1 year with 90 days advance notice to Vendor 5369. This is a benefit for SJVIA, as they are not locked in after the initial year.
- Pricing based on the use of Vendor 5369's exclusive Specialty Pharmacy.
- Vendor 5369's Health Clinical maximum savings guarantee of \$2.25m is contingent upon full adoption of all current and future clinical programs for the duration of the guarantee without any deviation.
- Vendor 5369's Health clinical minimum savings guarantee is \$1.85m and requires no additional clinical programs be implemented.
- Enhanced evidence-based guidelines for all clinical programs (PA, Step and QL's) ensures safe patient management, best clinical outcomes and are fully aligned to payer lowest net costs, not distribution profits. Well designed predictive modeling helps prevent unnecessary cost increases for the client and member claims data is reviewed real-time on a daily basis to monitor the utilization.
- Rebates provided are based on a formulary with **no** drug exclusions. This is a benefit for SJVIA, as members will not be impacted for drugs that are not covered.
- Rebate guarantees are reconciled in the aggregate. This is a disadvantage to SJVIA, as any surplus achieved in one rebate channel can be used to offset a deficit in another.

Vendor 5623:

- Two year term with evergreen language. This is a disadvantage for SJVIA, as they are locked in for two year term.
- Pricing based on the use of Vendor 5623's exclusive Specialty Pharmacy.
- Rebates provided are contingent upon proposed formulary with drug exclusions. This is a disadvantage for SJVIA, as members will be disrupted for drugs that are no longer covered.
- Rebate guarantees are reconciled in the aggregate. This is a disadvantage to SJVIA, as any surplus achieved in one rebate channel can be used to offset a deficit in another.

Keenan evaluated the formulary disruption on maintenance medications, in order to determine the SJVIA member disruption for transitioning to the potential new vendor.

- Vendor 5623's formulary, there would be 505 or 8% of members that would have to switch to a covered alternative drug. Below is summary of the formulary member impact analysis.
- Vendor 5369 and Vendor 5537 pricing and rebates are based on a formulary without drug exclusions.

Type of Change	Vendor 5537		Vendor 5623		Vendor 5369	
	Proposed (Open Formulary w/out Drug Exclusions)		Proposed (Formulary with Drug Exclusions)		Proposed (Open Formulary w/out Drug Exclusions)	
	# of Members	% of Members	# of Members	% of Members	# of Members	% of Members
No Change	All	100%	4,901	74%	4,371	80%
3Tier to 2Tier (Decrease in copays)	0	0%	521	8%	295	5%
2Tier to 3Tier (Increase in copays)	0	0%	712	11%	801	15%
Excluded - Must switch to alternative	0	0%	505	8%	0	0%

Below are some additional differentiators of the three vendors:

Vendor 5369 is offering more operational guarantees and allowances with \$810k available to SJVIA and an additional \$2.25m in a clinical care management guarantee. The clinical savings guarantee is auditable and measured at the drug/member level. See exhibit below.

SJVIA - Allowances and Guarantees	Vendor 5537	Vendor 5623	Vendor 5369
Implementation Allowance	N/A	\$33,501 (\$3.00 per member)	\$35,000
Implementation Satisfaction Guarantee	N/A	\$30,000	\$500,000
Audit Allowance/Pharmacy Management Fund	\$25,000	\$33,501 or (\$3.00 per member)	\$25,000
Max Operational Performance Guarantee	\$25,000	\$70,000	\$250,000
Care Management Savings Guarantee	N/A	N/A	\$1,850,000 minimum \$2,250,000 maximum

Financial Summary:

SJVIA - RFP Pricing Comparison	Vendor 5537	Vendor 5929	Vendor 5424	Vendor 5623	Vendor 5369
Rx Count					
Rx Count	136,523	136,502	135,910	136,522	136,517
Excluded Rx Count	0	21	613	1	6
Rx Count (w/out Exclusions)	136,523	136,523	136,523	136,523	136,523
Cost					
Ingredient Cost	\$17,771,189	\$17,685,751	\$17,928,282	\$17,862,892	\$17,230,673
Dispensing Fee	\$95,910	\$116,967	\$104,893	\$109,872	\$121,955
Admin Fee	\$134,004	\$234,507	\$197,958	\$0	\$477,831
Keenan Pharmacy Management Fee	\$201,006	\$201,006	\$201,006	\$201,006	\$201,006
Gross Cost before Rebates	\$18,202,110	\$18,238,231	\$18,432,139	\$18,173,770	\$18,031,465
Rebates	(\$1,589,093)	(\$2,176,823)	(\$3,039,475)	(\$4,481,090)	(\$3,116,908)
Clinical Care Management Program Savings Guarantee	\$0	\$0	\$0	\$0	(\$2,250,000)
Final Cost	\$16,613,017	\$16,061,408	\$15,392,665	\$13,692,680	\$12,664,557
Savings from Incumbent New Offer	\$0	\$551,609	\$1,220,352	\$2,920,337	\$3,948,460
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Utilizing the Keenan Pharmacy Services Division – We will play an integral role in assuring that savings are achieved and program features are adhered to. Our success in managing our own pharmacy coalition and developing innovative proprietary programs for our clients makes us uniquely positioned to provide the level of pharmacy benefit consulting services SJVIA needs – strategic planning, contract negotiation, oversight, trend management, clinical stewardship, and comprehensive auditing. The fee for these services is \$1.50 per member per month and is included in the proposal.

Keenan Pharmacy Services Division consists of 12 pharmacy experts, who design, build, operate and manage pharmacy programs every day, and can provide SJVIA with the guidance and oversight needed to effectively manage your pharmacy benefit program.

Below are the services that will be provided to SJVIA:

New PBM Implementation Services

- Facilitate implementation of the new PBM services including transition of benefit design, formulary, eligibility and pre-existing prior authorization approvals to new PBM

Evaluate PBM Services

- Conduct annual reviews of PBM services, contract compliance, and performance guarantees.
- Assist in developing a plan to rectify any deficiencies.
- Perform follow-up activities as necessary to ensure contract compliance, efficient program management and responsive account management.
- Quarterly PBM Performance Reports provided.
- Update pharmacy rates and effect contract addenda as needed.
- Recommend whether a given PBM contract should be renewed, modified or terminated.

Pharmacy Benefit Consulting Services

- Review pharmacy benefit packages options and assist SJVIA in selecting best option for their business needs.
- Evaluate and recommend options for managing specialty pharmacy products.
- Analyze the performance of the retail, mail order, and specialty pharmacy benefit option and make recommendations to improve the management of the drug cost trends.
- Select clinical and other optional programs on behalf of SJVIA, or assist SJVIA in making selections on their own behalf.
- Assist SJVIA in securing and interpreting utilization and other key reports.
- Meet with SJVIA semi-annually to review drug plan performance and identify recommended changes going forward.

Account Management Services

- Manage the ongoing relationship and communications with the PBM including SJVIA specific eligibility and benefit updates.
- Represent and advocate for the SJVIA's needs to the PBM.
- Participate in all PBM and client meetings related to pharmacy benefit and mail order services.
- Assist in the resolution of problems and issues as they arise.

Pros and Cons of finalists:

Vendor 5369:	PROS	CONS
	<ul style="list-style-type: none"> • Lowest net cost • Three year term with evergreen language. No penalty to terminate after year one • Maximum Clinical Savings guarantee of \$2.25M • Minimum Clinical Savings guarantee of \$1.85M • Evidence based clinical management approach • Formulary with no excluded drugs • Concierge service model • Greater operational guarantees and allowances • Transparency 	<ul style="list-style-type: none"> • Clinical Savings guarantee of \$2.2M will be reduced if fewer clinical programs are implemented, however still significant • Rebate guarantee reconciled in aggregate • New PBM to market, Established in 2015
Vendor 5623:	PROS	CONS
	<ul style="list-style-type: none"> • Large established PBM, founded 1989 • Higher rebates • No PBM admin fee 	<ul style="list-style-type: none"> • Rebate guarantee reconciled in aggregate • Higher net cost • Formulary with excluded drugs • Income made on ingredient cost • Multiple platform concerns

Recommendation:

The PBM selection recommendation will be presented at the Board meeting