



**DEPARTMENT OF GENERAL SERVICES
OFFICE OF STATE PROCUREMENT
ACTION AGENDA
August 7, 2024**



SUPPLEMENTAL

REVISED

*Contact: Secretary Helene Grady 410-260-7041
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**54-S. SERVICES CONTRACT
*Department of Budget and Management***

**Contract ID: *Pharmacy Benefits Management Services and Purchasing Pool Management
BPM039929***

ADPICS No.: F10B4600030, F10B4600031 and F10B4600032

Contract Description: The Department of Budget and Management (DBM) administers the Pharmacy Benefits Plan (the Plan) that covers Active Employees, State Retirees, Satellite Account Employees and Retirees, Direct pay enrollees, and their respective eligible dependents. The plan is self-funded by the State and is an employee-sponsored health plan administered as part of the State Employee and Retiree Health and Welfare Benefits Program.

Awards: MedImpact Healthcare Systems, INC.; San Diego, CA

Contract Term: January 1, 2025 – December 31, 2027 (w/two 2-year options)

Amount: \$1,303,098,566.00 (3 Years, Base Contract)
\$ 683,353,947.00 (2 Years, Renewal Option #1)
\$ 455,728,860.00 (2 Years, Renewal Option #2)
\$2,442,181,373.00 Total (7 Years)

Procurement Method: Multi-Step Invitation for Bids – Competitive Sealed Bidding

Bids:

<i>Bidders</i>	<i>Bids</i>
MedImpact Healthcare Systems, INC.; San Diego, CA	\$2,442,181,373.00
Caremark PCS Health L.L.C; Woonsocket, RI	\$2,810,905,541.00

Living Wage Eligible: Yes

MBE/VSBE Participation: 5% / 1% (on the Administrative Fees)

Performance Security: No

Hiring Agreement Eligible: Yes

Incumbents: Caremark PCS Health L.L.C; Woonsocket, RI



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54-S. SERVICES CONTRACT (cont'd)

Requesting Agency Remarks: DBM issued a Multi-Step Invitation for Bids (MS-IFB) for Pharmacy Benefits Plan Management Services and Pharmacy Purchasing Pool Management to procure services for the State of Maryland in connection with the State Employee and Retiree Health and Welfare Benefits Program and the Maryland Rx Program on January 23, 2024 VIA the eMarylandMarketplace (eMMA).

DBM administers the Plan that covers Active Employees, State Retirees, Satellite Account Employees and Retirees, Direct pay enrollees, and their respective eligible dependents. The plan is self-funded by the State and is an employee-sponsored health plan administered as part of the State Employee and Retiree Health and Welfare Benefits Program. The State requested services to be provided in two Functional Areas. Functional Area (FA) 1 – Active Employees, non-Medicare Retirees, and State of Maryland Rx Purchasing pool. Functional Area (FA) 2 – Medicare Eligible Retirees Employer Group Waiver Program (EGWP). In accordance with Chapter 397 of 2011, the State is in the process of transitioning Medicare-eligible retirees to Medicare Part D effective January 1, 2025. However, FA-2 EGWP has been included on a contingent basis. Thus, DBM does not plan to execute a notice to proceed for FA-2 EGWP at this time.

The State engaged The Segal Group, Inc. (Segal) as the Department's benefits consultants and Milliman as the reverse auction provider. Both teams actively assisted the State in this procurement as consultants and observers. The State also had several observers monitoring the procurement process, including representatives from the American Federation of State, County and Municipal Employees of Maryland and the Maryland Prescription Drug Affordability Board. The State posted the MS-IFB to eMMA on January 23, 2024, and held a pre-bid conference on January 30, 2024. After the pre-bid conference was held, the potential bidders were offered a period of time to identify their questions, and those were submitted to the State on February 13, 2024. The final set of answers to the questions was posted to eMMA on March 27, 2024. Four amendments were issued regarding timelines throughout the Question-and-Answer period, and one amendment was made to Attachment B. These were all posted to eMMA for bidders and the public to view.

The State conducted this procurement in three phases: Minimum Qualifications (Phase I), Participant Bidding Agreement (PBA) (Phase II), and the Reverse Auction (Phase III), consisting of three rounds. The State utilized Milliman's Secure Transfer Portal RFP360 platform to conduct each round of this procurement and bidding process to ensure the results were safely handled and secured.



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The final round of bidding closed on May 22, 2024, and results were posted to eMMA, identifying each bidder's identity, on May 28, 2024. MedImpact submitted the lowest total projected cost and is recommended for award. MedImpact's bid over the full seven-year contract term was \$368,724,168.00 lower than Caremark's bid, a difference of 15.1%.

Following a thorough review of all information, including consultation with our contractors, the State finds that this is the best outcome, and the results evidence the cost savings contemplated by existing PBM specific legislation. DBM recommends that MedImpact be awarded this contract. On June 4th, 2024, the incumbent Contractor Caremark protested DBM's contract award to MedImpact. DBM denied this protest on June 26th, 2024. An appeal was submitted to the Maryland State Board of Contract Appeals (MSBCA) on July 8, 2024. A hearing for the motion to dismiss the Caremark appeal was heard by the MSBCA on August 1, 2024, and the appeal was dismissed.

- Fund Source:** 100% Reimbursable
- Approp. Code:** F10A0245
- Resident Business:** No
- MD Tax Clearance:** 24-2450-0111

This item was withdrawn as Item 46-S from the 7/17/2024 DGS Agenda.

BOARD OF PUBLIC WORKS ACTION

THIS ITEM WAS:

APPROVED

DISAPPROVED

DEFERRED

WITHDRAWN

WITH DISCUSSION

WITHOUT DISCUSSION