

Supplement B
Department Of Budget And Management
ACTION AGENDA
April 26, 2017



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REVISED #3

2-S. DEPARTMENT OF BUDGET AND MANAGEMENT
Office of Personnel Services and Benefits (OPSB)/Employee Benefits Division
Services Contract

Contract ID: Pharmacy Benefits Plan Management Services and Purchasing Pool Management;
ADPICS # F10B6400005

Contract Description: Provide pharmacy benefits management and prescription drug coverage for State of Maryland employees, retirees, satellite organization employees, direct pay enrollees, and their respective eligible dependents. The plan is self-funded by the State and is a group health plan administered as part of the State Employee and Retiree Health and Benefits Program. The Contract includes management of the Maryland Rx Program, a purchasing pool for pharmacy benefits for State Employee and Retiree Health and Welfare Benefits Program, eligible local government entities, and qualifying not-for-profit organizations in Maryland.

Award: CaremarkPCS Health, LLC
Northbrook, IL

Term: 1/1/2018 - 12/31/2020 (w/2 two-year renewal options)

Amount: \$1,102,686,976 (3 Years, Base Contract)
\$ 506,705,991 (2 Years, Renewal Option #1)
\$ 563,450,886 (2 Years, Renewal Option #2)
\$2,172,843,853 Total (7 Years)

Procurement Method: Competitive Sealed Proposals

Proposals:

Offerors	Technical Ranking	Evaluated Financial Proposals/Ranking	Overall Ranking*
CaremarkPCS Health, LLC Northbrook, IL	2	\$2,172,843,853 (1)	1
OptumRx, Inc. Schaumburg, IL	1	\$2,728,330,250 (3)	2
Express Scripts St. Louis, MO	3	\$2,716,290,884 (2)	3
Envision Pharmaceutical Services, LLC Twinsburg, OH	4	\$2,865,445,187 (4)	4

*Note: *Technical and financial factors had equal weight in the overall award determination.*

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2-S. DEPARTMENT OF BUDGET AND MANAGEMENT (cont'd)

MBE Participation: 0.055% (5% of Administrative Fees)
 (See Requesting Agency Remarks)

Incumbent: Express Scripts, Inc.
 St. Louis, MO

Requesting Agency Remarks: A notice of the availability of the Request for Proposals (RFP) was advertised on *eMaryland Marketplace*. Copies of the solicitation notice were sent directly to 84 prospective vendors, 57 of which are Maryland firms, and included 64 MBEs. A copy was also sent to the Governor's Office of Minority Affairs.

Five proposals were received in response to the RFP, four of which were determined to be reasonably susceptible of being selected for award. CaremarkPCS Health, LLC (CVS Health) was ranked #1 overall with the second highest ranked technical proposal and the lowest price. CVS Health was determined to have the most advantageous offer to the State and is, therefore, recommended for award.

This contract provides a Prescription Drug Benefits Plan (Plan) and related management services for Maryland employees, retirees, their dependents and other participants. The Plan covers the cost of approved prescription drugs, subject to certain copayments.

The Plan will continue to serve satellite agencies and individuals eligible for participation in the Consolidated Omnibus Budget Reconciliation Act (COBRA) Continuation of Coverage activity. It is the only drug plan offered by the State to its approximately 109,000 current members (employees and retirees) living in Maryland, across the United States, and abroad. When employees' and retirees' dependents are added, more than 211,000 individuals will be covered by this contract.

This contract will replace the current contract, which will end on 12/31/2017. Because of the need for a significant transition period for this contract in order for the contractor to be prepared for the 2018 Benefits Plan Year Open Enrollment period this fall, work will begin promptly upon approval by the Board of Public Works (BPW). However, no payments are required to be made to the contractor until after 1/1/2018.

Continuing contract features include transparency provisions requiring the contractor to fully disclose all revenue streams and pass them through to the State; permitted use by Maryland local governments and non-profit organizations that participate in the MD Rx Pool; drug utilization reviews to improve delivery quality and control costs; and provision of a broad network of pharmacies to serve State employees and retirees.

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ACTION AGENDA
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REVISED #3

2-S. DEPARTMENT OF BUDGET AND MANAGEMENT (cont'd)

New features to this contract include an Annual Market Check to ensure the contractor's pricing remains competitive throughout the duration of the contract, defined terminology for greater control and auditability of pricing methods, and competitive pricing for the State's Employer Group Waiver Plan.

The Award Amount above is the total estimated cost of both projected fixed fees (administrative fees) and projected claims, using a minimum guaranteed discount and projected increases for enrollment, utilization and prescription drug trend, which is the annual rate of change of prescription drug costs (per member or per primary contract holder). The Award Amount takes into account projected increases over the entire contract term.

The actual amount to be paid to the contractor will be a function of the actual number of prescriptions and cost of the drugs dispensed. The source of reimbursable funds for this contract comes from transfers from agency budgets.

On March 10, 2017, the incumbent, Express Scripts, Inc. (ESI), and the #1 technical offeror, OptumRx, Inc., filed protests against the award to CVS Health. On March 17, 2017, OptumRx, Inc. filed a supplemental protest. All three protests were denied on April 7, 2017.

A 5% MBE participation goal and a 1% VSBE participation goal based on administrative fees to be paid under the contract were established for this solicitation as the only payments retained by the contractor are the administrative fees. CVS Health has committed to meeting both goals. The 0.055% MBE participation is based upon the full contract value including the administrative fees and the pass-through prescription drug reimbursements. Most of the payments under this contract will be used by the contractor to reimburse pharmacies for prescriptions purchased by covered individuals (e.g. employees, retirees, and their dependents).

On April 17, 2017, ESI and OptumRx, Inc. filed appeals against the denials of their respective protests. DBM is requesting that the BPW approve the contract award notwithstanding appeals in order to protect substantial State interests. The substantial State interests include:

- Significant savings on pharmacy and pharmacy benefit management costs that have an appreciable impact on future budgets, taxpayers, and State programs. Compared to the current contract, the new contract will save over \$78.4 million in year one. If the new contract is utilized for its maximum seven year term, this will result in a savings of approximately \$1.1 billion as compared to the current contract.
- Savings to State employees and retirees who would save on their plan premiums as a result of the contract. Given that State employees pay 20% of the plan premiums and retirees pay 25% of their plan premiums, the lower prices reflected in the recommended awardee's proposal presents an opportunity for significant savings to State employees, as well as retirees, who may be on fixed incomes.

**Supplement B
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2-S. DEPARTMENT OF BUDGET AND MANAGEMENT (cont'd)

- The RFP for the first time clearly defines brand, generic, and specialty drugs, the drug categories forming the basis for pricing discounts and guarantees, providing the State greater control and auditing capability.
- An “Annual Market Check” which allows the State to examine the contractor’s pricing each year of the contract to ensure it remains competitive throughout the contract term.
- Avoids potentially duplicative and wasteful use of State resources if two integrations with the Statewide Personnel System (SPS) Benefits are required for two different PBM contractors due to a delay in contract award to CVS Health. Implementation of the SPS Benefits would have to be extended to conduct duplicate integrations: one with the current PBM contractor and a second one with new PBM contractor that could cost an additional \$4 - \$6 million for this project.
- Promotes a timely and orderly transition to new contractor in order to successfully meet Open Enrollment requirements for the Plan Year beginning on January 1, 2018. Transition activities need to begin immediately to avoid increased risks that may be associated with a delay in contract award, such as potential disruption of benefits for State employees and retirees. An abbreviated implementation could impact eligibility file testing/submission and ID card distribution.

Per COMAR 21.10.02.11.A(1), the BPW should find that execution of the contract without delay is necessary to protect substantial State interests, and authorize the recommended contract notwithstanding the appeals filed by ESI and OptumRx, Inc. and the second supplemental protest filed by OptumRx, Inc. on April 21, 2017.

Fund Source: 100% Reimbursable

Appropriation Code: F10A0245

Resident Business: No

MD Tax Clearance: 17-0602-1000

This Item was withdrawn as Item 2-S from the 3/22/2017 Agenda.

BOARD OF PUBLIC WORKS ACTION – THIS ITEM WAS:

APPROVED	DISAPPROVED	DEFERRED	WITHDRAWN
WITH DISCUSSION		WITHOUT DISCUSSION	