



ROBERT L. EHRLICH, JR.  
Governor

CECILIA JANUSZKIEWICZ  
Secretary

MICHAEL S. STEELE  
Lieutenant Governor

November 3, 2005

## ADDENDUM #2

### Pharmacy Benefits Purchasing Pool Management and Pharmacy Benefits Plan Administration Services

#### Solicitation No. F10R6200071

Ladies/Gentlemen:

**PROPOSAL DUE DATE IS CHANGED TO NOVEMBER 29, 2005 AT 2:00 P.M.**

This Addendum is being issued to amend and clarify certain information contained in the above named RFP. All information contained herein is binding on all offerors who respond to this RFP. Specific parts of the RFP have been amended. The following changes/additions are listed below; new language has been double underlined (i.e., word) and language deleted has been marked with a strikeout (i.e., ~~word~~).

#### 1. **Revise, Closing Date (page ii)**

Change ~~Monday, November 14~~ to Tuesday, November 29, 2005

#### 2. **Revise, Section 1.10 Proposals Due (Closing) Date:**

An unbound original and seven (7) bound copies of each proposal (technical and financial) must be received by the Procurement Officer, at the address listed in Section 1.6, no later than 2:00 PM (local time) on ~~Monday, November 14~~ Tuesday, November 29, 2005 in order to be considered.

Requests for extension of this date or time will not be granted. Offerors mailing proposals should allow sufficient mail delivery time to ensure timely receipt by the Procurement Officer. Except as provided in COMAR 21.05.03.02, proposals received by the Procurement Officer after the due date, on ~~November 14~~, November 29, 2005 at 2:00 PM (local time) will not be considered.

#### 3. **Replace Section 1.1.2 with the following:**

##### 1.1.2 **Maryland Rx Program**

~~The Department administers the pharmacy and prescription benefits plan that covers State employees, State retirees, Satellite organization employees, direct pay enrollees, and their respective eligible~~

~Effective Resource Management~

45 Calvert Street • Annapolis, MD 21401-1907

Tel: (410) 260-7041 • Fax: (410) 974-2585 • Toll Free: 1 (800) 705-3493 • TTY Users: call via Maryland Relay

<http://www.dbm.maryland.gov>

~~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 Welfare Benefits Program.~~

Pursuant to State Personnel and Pensions Article, §2-502.1, the Department is establishing the Maryland Rx Program, a purchasing pool for pharmacy benefits for the State Employee and Retiree Health and Welfare Benefits Program, local governments and employers for employees in Maryland. The Department administers the pharmacy and prescription benefits plan that covers State employees, State 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 Welfare Benefits Program.

These other non-State entities will be entitled to participate in the purchasing pool and to secure pharmacy benefit management services from the Contractor on the ~~same~~ terms and conditions described in this RFP, Section 3.4.2 as the State through separate contracts with the Contractor. A Purchasing Pool Member **must** use the same formulary, pricing structure, and terms as the pharmacy benefits plan of the State except for limited circumstances noted in the RFP, Section 3.4.2.2, but all costs (fees and claims) will be paid by the Purchasing Pool Member directly to the Contractor, with rebates and discounts for each Purchasing Pool Member's plan costs directly paid to that Purchasing Pool Member. All drug ingredient cost and pricing terms, dispensing fees, and rebates financial terms set for each Purchasing Pool Member (including the State) (rebates, discounts, fees, etc.) shall be set at the tier for the aggregate purchasing pool population, and the contracts between the Contractor and individual Purchasing Pool Members may not extend beyond the termination date of the Contract between the State and the Contractor. Each Purchasing Pool Member will be responsible for all costs associated with ~~his/her~~ its respective plan.

### **3. Replace Section 1.2(gg), the definition of Purchasing Pool Participant with the following:**

**gg. Purchasing Pool Participant (PPP), Purchasing Pool Member, Pool Member or Pool Participant** – means an entity that participates in the pharmacy benefits purchasing for its own self-funded plan. Each purchasing pool participant will be able to contract with the Contractor for pharmacy and prescription benefits management services on the ~~same~~ terms and conditions described in this RFP as the State, but by way of a separate contract with the Contractor. Drug purchases and enrollment from all participating Purchasing Pool Members will be aggregated to set certain cost and payment terms.

### **4. Replace Section 3.4.1 of the RFP as follows:**

#### **3.4.1 Pharmacy and Prescription Benefits Plan Administration**

The State is soliciting proposals for one Contractor to provide all of the required services for this RFP. The Contractor will provide a responsive, efficient, auditable, service-oriented system that will permit all eligible Members to obtain pharmacy and prescription benefits for themselves and their enrolled and eligible Dependents, and provide access to pharmacy benefit management services for all Purchasing Pool Participants. The Contractor will be able to accommodate a flexible plan design from the State to minimize costs while providing adequate coverage.

The successful Offeror who is awarded the contract pursuant to this RFP will be required to provide the services required by this RFP and proposed by the Offeror with an effective date of coverage beginning July 1, 2006, and begin the necessary implementation services in early 2006.

The services the Contractor shall provide for the State Plan and, at the election of each Purchasing Pool Member and subject to negotiations for administrative services and administrative fees between the Contractor and the Purchasing Pool Member for the plan of each Purchasing Pool Members include:

[Sections 3.4.1.1 through 3.4.1.12 remain unchanged]

## **5. Replace Sections 3.4.2 through 3.4.2.3 of the RFP with the following:**

### **3.4.2 Maryland Rx Purchasing Pool**

Eligible members of Maryland Rx include the State of Maryland Employee and Retiree Health and Welfare Benefits Program, local governments and employers for employees in Maryland. The State self-funded Plan is administered through the State of Maryland Employee and Retiree Health and Welfare Benefits Program and is the only guaranteed member of the Maryland Rx Program purchasing pool.

The other entities will be entitled to participate in the purchasing pool and to secure pharmacy benefit management services from the Contractor, ~~on the same terms and conditions as the State through separate contracts with the Contractor.~~ Such Purchasing Pool Members must agree to self-insure their respective plans and the risk of benefits coverage for their respective plans.

Drug ingredient cost and pricing terms, dispensing fees, and rebates (as set forth in Attachments K2A1 through K-2B4, lines 6 through 14) must be guaranteed by the Contractor and provided by the Contractor for the State and each Purchasing Pool Participant of the Maryland Rx Program. The Contractor may negotiate separate administrative services and separate administrative fees for each Purchasing Pool Participant in connection with providing administrative services for the Purchasing Pool Participant's prescription benefits plan. The administrative services provided to the State for the State's self-funded prescription benefit plan are described in Section 3.4.1 (including all subsections) and 3.5 of this RFP. The State shall pay administrative fees to the Contractor for the administrative services in accordance with Attachment K and the procedure identified in Section 3.6.2 of this RFP.

Each Purchasing Pool Member shall set the premiums (including employee and employee portion as applicable) for its own self-funded plan and is not limited by premiums and employer contributions set by the State for the State's Plan.

The State will undertake efforts to notify local governments and businesses in Maryland of the availability of the Maryland Rx Program purchasing pool. The Contractor may also publicize the existence of the Maryland Rx Program.

#### **3.4.2.1 Purchasing Pool Eligibility**

**3.4.2.1.1** The Contractor shall confirm in writing the eligibility of an entity to participate in the Maryland Rx Program with the Department prior to adding the entity to the Maryland Rx Program purchasing pool.

**3.4.2.1.2** Each entity seeking to be a Purchasing Pool Member must agree to:

- a. Permit the Department to have access to enrollment information (limited to Member names and Social Security Numbers) for purposes of Maryland Rx administration, such as auditing and verifying eligibility of the entity as a Purchasing Pool Member;
- b. Permit the Department to have access to aggregate and de-identified claims and utilization information for purposes of Maryland Rx administration;

- c. Notify Members of the entity's own prescription plan that wage data information may be accessed as part of the eligibility audit and verification function;
- d. Self-insure or otherwise pay all the costs and fees associated with its own prescription benefits plan administered by the Contractor as part of the Maryland Rx Program;
- e. Provide coverage through the Maryland Rx Program only for Members who are employed in and paid wages in the State of Maryland;
- f. Provide enrollment and eligibility data to the Contractor;
- g. Negotiate with the Contractor the administrative services to be provided in administering the Purchasing Pool Member's prescription drug plan and the administrative fees paid by the Purchasing Pool Member to the Contractor for those services;
- h. Maintain a plan design for its own prescription benefits plan in the Maryland Rx Program in accordance with Section 3.4.2.2;
- i. Agree to commit to participating in the Maryland Rx Program for a full 12 month plan year period at a time;
- j. Agree to disclose to the State upon leaving the Maryland Rx Program whether the entity continues with the Contractor as its pharmacy/prescription benefits manager and to provide aggregate enrollment information to the State for administration of the Maryland RX Program in accordance with Section 3.4.2.5(d) of this RFP; and
- k. Acknowledge that the Purchasing Pool Member remains the sponsor of the entity's own prescription benefits plan for its employees and is responsible for the administration, legality, and operation of that plan.

**3.4.2.1.3 Eligibility for the Maryland Rx Program will be determined as follows:**

- A. Governmental Entities. For purposes of eligibility to participate as a Purchasing Pool Member, local governments include the counties of Maryland, Baltimore City, municipalities (see (<http://www.mdarchives.state.md.us/msa/mdmanual/01glance/html/mun.html#K>) for a list) and quasi-governmental entities, such as cooperative inter-governmental councils and special taxing districts.
- B. Other Employers. Any other entity, ~~(including but not limited to a not-a~~ for-profit organization, business, or any other employer), that has Maryland employees ~~\_~~ but only with respect to the Maryland employees ~~\_~~ will be eligible to participate as a Purchasing Pool Member. The prescription benefits plan for which the entity participates in the Maryland Rx Program may include as eligible Members only those employees who are paid wages in the State of Maryland.
- C. The Contractor shall provide notice to the State of any potential Purchasing Pool Member or entity that seeks to join the Maryland Rx Program. In the event that an entity attempts to join the Maryland Rx Program purchasing pool but is not eligible to join the Maryland Rx Program, the State will notify the Contractor and that entity will not join the Maryland Rx Program.

**3.4.2.2 Purchasing Pool Member Plan Designs**

A. ~~A Purchasing Pool Member must use the same formulary, preferred drug list, and network as the State Plan, plan design, co-payment and coinsurance pricing structure, and terms as the pharmacy benefits plan of the State Plan;~~ but all costs (fees and claims) will be paid by the Purchasing Pool Member directly to the Contractor, with rebates and discounts for each Purchasing Pool Member's plan costs

directly paid to that Purchasing Pool Member. Purchasing Pool Members may set co-payments and co-insurance but such co-payments or co-insurance must

~~To the extent that a deviation from the formulary, preferred drug list, network, plan design, co-payment and coinsurance pricing structure, and terms of the pharmacy benefits plan of the State Plan will not impede or limit cost savings or impede or limit use of the aggregate population and utilization pricing terms and guarantees provided through the Contract, the Contractor may permit a Purchasing Pool Member to use such deviations upon written notice to the State:~~

- have at least a three-tiered co-payment structure;
- have at least a \$10 differential between brand formulary (i.e. preferred) and brand non-formulary (i.e. non-preferred) (typically termed Tier 2 and Tier 3); and
- allow up to a 45 day supply for a single co-payment.

~~B. Except as provided above, each Purchasing Pool Member may create its own plan design. The Contractor shall provide a certification to the State regarding any plan designs used by Purchasing Pool Members that deviate from the plan design of the State Plan~~

### **3.4.2.3 Pricing for Purchasing Pool Members**

~~A. All financial terms set for each purchasing pool member (rebates, discounts, fees, etc.) Drug ingredient cost and pricing terms, dispensing fees, and rebates (as set forth in Attachments K2A1 through K-2B4, lines 6 through 14) set for each Purchasing Pool Member shall be set at the tier for the aggregate purchasing pool population in the Maryland Rx Program, and the contracts between the Contractor and individual purchasing pool members may not extend beyond the termination date of the Contract between the State and the Contractor. The guarantees quoted by the Contractor in its financial proposal (Attachments K-2A1 through K-2B4, lines 6 through 14) shall apply to each Purchasing Pool Participant on an annual basis for the duration of a Purchasing Pool Participant's participation in the Maryland Rx Program. The State, as a Purchasing Pool Participant, shall enjoy the benefit of these guarantees with respect to the State's Plan.~~

~~B. The administrative fee paid by each Purchasing Pool Member for the administrative services requested by the Purchasing Pool Member for administration and management of its prescription plan by the Contractor shall be negotiated by the Contractor and the Purchasing Pool Member at the time the Purchasing Pool Member joins the Maryland Rx Program, and shall be at least as competitive as the administrative fee already provided to any other similarly situated Purchasing Pool Participants utilizing the same administrative services.~~

~~C. Each Purchasing Pool Member shall pay the Contractor the administrative fees and claims costs for its plan. Each Purchasing Pool Member will have its own member eligibility and enrollment criteria and will be responsible for providing enrollment information to the Contractor.~~

### **3.4.2.4 Services for Purchasing Pool Members**

The Contractor shall provide Pharmacy and Prescription Benefits Purchasing Pool Management services to each Purchasing Pool Member, including:

- a. Per Purchasing Pool Member account management services on payment terms as negotiated by the Purchasing Pool Member and Contractor;
- b. Claims payment, processing and tracking services for each Purchasing Pool Member;

- c. Reports for each Purchasing Pool Member based on the Purchasing Pool Member's own prescription benefits plan;
- d. Enrollment tracking per Purchasing Pool Member;
- e. Invoicing and accepting claims reimbursements payments from each Purchasing Pool Member for each purchasing pool plan;
- f. Drug ingredient cost and pricing terms, dispensing fees, and rebates (as set forth in Attachments K2A1 through K-2B4, lines 6 through 14) Rebate and administration fee invoicing and payments per Purchasing Pool Member (at the rates at a minimum meeting the guarantees set established using the aggregate enrollment and utilization of the purchasing pool); and
- g. Pharmacy and prescription benefits management and administration services for the self-funded plan of each Purchasing Pool Member in accordance with ~~the requirements of the RFP and terms and conditions of the contract~~ terms and conditions set by the Contractor and the Purchasing Pool Member.

### 3.4.2.5 Services for Maryland Rx Program Management

The Contractor shall:

- a. Provide to the Department monthly reports detailing aggregate population and utilization information;
- b. Provide quarterly reports indicating the administrative fee costs and aggregate enrollment for each Purchasing Pool Member; ~~and~~
- c. Implement pricing discounts and guarantees, dispensing fee guarantees, and rebate guarantees for the State and all Purchasing Pool Members, and administrative fees for the State, at the beginning of the next month after which aggregate population goals for the Maryland Rx Program ~~and utilization goals~~ have been met which trigger changes in the pricing discounts and guarantees, dispensing fee guarantees, rebates guarantees, and administrative fees; and
- d. Include in the aggregate enrollment for the Maryland Rx Program, for purposes of meeting the enrollment tiers at which pricing elements change, the enrollment of any Purchasing Pool Member that leaves the Maryland Rx Program but continues with the Contractor as its pharmacy/prescription benefits manager.

## 6. Replace Section 5.2 with the following:

### 5.2 Technical Criteria

The criteria to be applied to each technical proposal are as follows, listed in descending order of importance

1. Administrative Capabilities, including, but not limited to:
  - Experience and Past Performance
  - Claims Payment
  - Transparency Reporting and Disclosure
  - Purchasing Pool Management (including minimum plan size requirements, purchasing pool participant services, etc)

2. Pharmacy Network (retail, mail and specialty pharmacies networks), including, but not limited to:

- Size of Network
- Network Management and Administration

3. Clinical Capabilities, including, but not limited to:

- DUR
- Pre-Authorization
- Managed Drug Limitation (MDL)
- Formulary Management

4. Implementation Plan and Account Management, including but not limited to:

- Account Management Team

5. ~~Alternative~~-Cost Management Strategies

6. Maryland Economic Impact

**7. Replace Section 4.4.2.3 with the following:**

**4.4.2.3 Response to Scope of Work**

A. In a *concise* manner, the Offeror shall address each requirement in Section 3.4 “Description of Scope of Work” of this RFP and describe how the Offeror’s proposed services will meet those requirements. Specifically, the Offeror shall describe its capabilities to provide the following services, noting the sub-bullets included in Section 3.4:

- Eligibility Tracking
- Claims Administration
- Member Services
- Clinical and Cost Management Programs
- Network Management
- Account Management
- Reporting
- Participant Communications
- Medicare Part D
- HIPAA
- Alternative Cost Management Strategies
- Maryland Rx Program Management

If the State is seeking Offeror agreement to a requirement, the Offeror shall state agreement or disagreement.

B. With regard to the “Alternative Cost Management Strategies” noted above, the Offeror shall provide information on specific strategies the Offeror suggests that the State consider in order to help the State better manage total costs (including costs to the State and to its participants) while minimizing the disruption / inconvenience to participants.

These Alternative Cost Management Strategies may include changes to the current program. Examples might include Disease Management programs, a custom formulary or a retail network designed to accommodate the State’s specific employee and retiree population.

For each Alternative Cost Management Strategy, the Offeror shall specify:

- Potential impact on participants (specify the percentage of participants that would be impacted and to what extent);
- Administrative requirements on the State to implement the strategy;
- Suggested implementation plan;
- Sample member communications materials regarding the strategy; and
- Additional information you believe the State will need to evaluate the potential impact and cost to implement the strategy.

C. With regard to the “Maryland Rx Program Management” noted above, the Offeror shall identify any limits the Offeror wishes to place on participation by Purchasing Pool Members, such as minimum population size of the Purchasing Pool Member’s plan or limitations on administrative services provided to Purchasing Pool Members based upon the enrollment population in the Purchasing Pool Member’s plan. In addition, the Offeror shall describe how the Offeror intends to manage and promote the Maryland Rx Program to maximize savings for the State and other Purchasing Pool Members.

**8. Delete Attachment J-9. Section 4.4.2.5 is amended to delete the requirement that Offerors submit Attachment J-9 as part of their Technical Proposals. Attachment J-9 should not be submitted.**

**9. Replace Attachment K with the attached spreadsheets named Attachment K (revised Addendum No. 1).**

The changes made on Attachment K are not tracked but include the following changes made to clarify the pricing terms that will apply to the Contract and the RFP:

A. Changes to the Instructions (Attachment K-1) to provide that the administrative fee quotes by each Offeror (lines 1 through 5 of Attachment K-2A1 through K-2B4) apply only to the State for the administrative services provided to the State in connection with the State’s Plan and the overall management and administration of the Maryland Rx Program purchasing pool.

B. Changes to the Instructions (Attachment K-1) to clarify that the pricing guarantees quoted in lines 6 through 14 of Attachments K-2A1 through K-2B4 must be provided to each Purchasing Pool Participant for its plan. The State must enjoy the benefits of each guarantee (or of actual pricing terms that are more generous than the guarantees) for the State’s plan.



C. Changes to the Instructions (Attachment K-1) to clarify that each pricing guarantee (lines 6 through 14 of Attachments K-2A1 through K-2B4) are to be measured on an annual plan year basis using each Purchasing Pool Participant's overall drug spend and utilization for the applicable plan year. For example, the State will aggregate all generic drug purchases in the State's Plan for Plan Year FY07 to determine whether the generic pricing guarantee quoted by the Contractor and incorporated into the Contract has been met for Plan Year FY07. As another example, the State will aggregate all retail drug purchases in the State's Plan for Plan Year FY07 to determine whether the rebate guarantee for that Plan Year has been met. Savings with regard to one pricing element cannot be used to off-set the failure to meet another separate pricing guarantee. (e.g. the extent to which the generic pricing guarantee is exceeded cannot be used to offset a failure to meet the rebate guarantee).

D. Changes to Attachments K-2A1 through 2B4 to reflect that the administrative fee quoted in lines 1 through 5 applies only to the State.

E. Instructions to clarify for Offerors that pricing from one Maryland Rx Program purchasing pool enrollment tier to the next tier must become more generous to the State. An Offeror may not charge more or increase the ultimate cost to the State or to any Purchasing Pool Member when enrollment increases result in the pricing components moving to the next enrollment tier. For example, if the dispensing fee for retail prescriptions in the first tier (Less than 150,000 Members) is \$2.50, then the dispensing fee for the next enrollment tier (150,000 to 299,999 Members) must be equal to or less than \$2.50. As another example, if the ingredient cost discount off of AWP quoted for retail generic drugs is 42% at the second tier (150,000 to 299,999 Members), then the ingredient cost discount off of AWP quoted for retail generic drugs for the next tier must be equal to or greater than 42% (i.e. the actual cost is equal to or less than the equivalent of AWP minus 42%).

F. New compliance checklist items added to Attachment K-4 to reflect the amended pricing instructions and pricing terms noted in this Addendum #2.

Should you require clarification of the information provided in this addendum, please contact me at (410) 260-7662 as soon as possible.

Date Issued: November 3, 2005

By \_\_\_\_\_

Edward Bannat  
Procurement Officer