

November 17, 2005

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

RFP # F10R6200071

Questions Set #2.

Ladies/Gentlemen:

This list of questions and answers is being issued to document written questions received from vendors and also to clarify certain information contained in the above named RFP.

59. Are there any minimum restrictions on the size of clients that can join that pool?

Answer: See Addendum No. 2

60. What would the term of the contract be for entities that join the Pool throughout the life of the contract? i.e. if an entity joins in year three, does it receive year three pricing and so on.

Answer: The example is correct. An entity that joins the Maryland Rx purchasing pool in FY 09 will enjoy the rebate guarantees, ingredient cost guarantees, and dispensing fee guarantees quote in accordance with Attachment K, as revised by Addendum No. 2, for FY 09.

61. 1.2 Abbreviations and Definitions, e. Contractual Employee:

- a. How many Contractual Employees are currently enrolled in the Benefits Program?
- b. Is it possible for a Contractual Employee to receive prescription benefits without having paid his/her premium to the State? If so, will the State reimburse the PBM for costs incurred?

Answer: a. As of September 2006 there were 1,975 Direct Pay enrollees in a medical plan and 1,352 enrolled in the RX program. Direct Pay enrollees are defined in section 1.2-j and include contractual employees (a specific number of contractual employees is not available).

Answer: b. The State will provide the vendor with enrollment data that will allow for eligibility verification. The State will provide reimbursement for claims processed by the vendor. However, there will be eligibility reviews performed by the State or it's designee. If it is determined that the vendor had, having received proper notification concerning enrollment (i.e. termination or non payment of premium), paid claims for individuals not eligible for coverage, adjustments against future invoices may be taken. See section 3.6.1 of the RFP.

62. 1.19 Access to Public Records Act Notice:

Should the textual information that the vendor wishes to remain confidential be duplicated after the Table of Contents, or can the vendor simply reference the information, e.g. Section and Page Number, in this section?

Answer: Referencing the section and information by page number and section number after the Table of Contents is sufficient.

63. 1.20 Offeror Responsibilities

Regarding the identification of subcontractors; Does this apply to all subcontractors that vendor may utilize to operate its business or is it specific to subcontractors that provide the core services related to administering the pharmacy benefit plan as well as MBEs?

Answer: All subcontractors

64. 1.21 Mandatory Contractual Terms

Should any/all exceptions to the RFP or the Contract be identified by reference, e.g. Section, Page Number, or should the full textual content of the exception be included in the Executive Summary?

Answer: The Executive Summary must contain the full exception, with any explanation that the offeror provides.

65. 3.2 Objectives

Please provide a listing of the types of audits that the State, or an independent auditor, would be conducting.

Answer: See Attachment A – Pharmacy Benefits Purchasing Pool Management and Pharmacy Benefits Administrator Services Contract - Section 7. The State expects that the services provided to it will be fully-auditable. Please see Section 3.2.

66. 3.3.6 Milestone

Regarding the Annual Rate Setting Process for each subsequent Plan Year, is this referring to the members rate/premium?

Answer: Yes, the vendor will assist the State and the State’s consultant by providing claims and utilization data and other State specific information that will enable the State to set total premiums (both the employee and State contributions) for the next plan year at a level to cover projected expenditures.

67. 3.4.1.2 Claims Administration

Regarding the fourth bullet, does the term “plan design” also refer to formulary changes?

Answer: Yes.

68. 3.4.1.6 Account Management

The State is requiring an on-site Account Services Representative and an Account Manager. Is the State interested in a listing of other members of the State's proposed Account Team as well as their Biographies?

Answer: Yes. Additional resumes/biographies should include: any clinical services (pharmacist) manager that will be handling the State account; the claims manager that will handle the State's account, and the Customer Service manager that will be handling the State account.

69. 3.4.1.10 Medicare Part D

Can the State provide a listing, (number count), of Medicare D Eligibles by tier? What is the planned arrangement for Medicare D Eligibles for the period 1/1/06 through 6/30/06?

Answer: The State currently has a listing of retirees who have a Medicare coverage level as far as A and B. Retirees will be allowed to take Part D and keep the State plan, if they wish.

70. Attachment J-9 Analysis of Mail Purchasing Capabilities

In the last column of the table under heading: Mail Pharmacy AWP Price, (as of 10/1/05), is the State looking for the full/straight AWP here or the discounted AWP?

Answer: See Addendum # 2 – Attachment J-9 is deleted

71. Attachment K-1, Instructions, B. 6.

Should the vendor use the NDC-11 for the actual package size or packages of 100?

Answer: Please provide the NDC-11 that will be used to price the claim at the mail.

72. What population is represented on the CD that was provided at the Pre-Bid Conference? How do we discern Eligible Members from Covered Members when running retail network access analysis?

Answer: The census file provided on the CD includes fields labeled "RxTier" and "RxDep". Records which contain data in these fields designate persons who currently participate in the State's pharmacy benefit program.

73. Can you provide a breakout of Medicare eligible members?

Answer: The census data lists the age as of 1/1/2006. This would allow vendors to determine if members are Medicare eligible due to age. More detailed information regarding Medicare eligibility is not available at this time.

74. What was the drug spend for the Medicare eligible members in FY 2004?

Answer: This information is not known. Information regarding Medicare eligibility was not tracked in conjunction with drug spend.

75. Can you provide FY 2004 or the first half of FY 2005 Rx counts broken out by mail/retail, brand/generic?

Answer: Please see the utilization data on the attached file (“Caremark Utilization Data”).

76. Can you provide a break out of mail and retail drug spend for FY 2004 or the first half of FY 2005?

Answer: Please see the utilization data on the file attached file (“Caremark Utilization Data”).

77. Can you provide the average days supply per Rx at retail for the FY2004 or the first half of 2005? Can you provide the average days supply per Rx in total and broken out by brand and generic?

Answer: Please see the utilization data on the attached file (“Caremark Utilization Data”).

78. Can you provide the average AWP per Rx, by brand and generic, at retail and mail for the FY2004 or the first half of 2005?

Answer: Please see the utilization data on the file attached file (“Caremark Utilization Data”).

79. Can you provide a copy of the State’s current Formulary?

Answer: A complete copy of the current formulary is not available.

80. With all of the interest in obtaining prescription drugs from Canada, is there any prohibition on state employees submitting claims for medications they purchased there?

Answer: Yes. State employees are prohibited from submitting claims for medications they purchased from Canada.

81. Do you by chance have a complete listing of names & companies that attended the pre-bid meeting. I picked up one of the attendee lists after the meeting, but it appears that everyone was not listed. (i.e. some of the MBE's)

Answer: The listing the State has is the same one handed out after the meeting. It does list the four MBE's at the pre-proposal conference. They were:
Complimentary Care Company – Susan Sullivan – (301) 530-6012
DirectPharmacy Service - Lizann Cooke (215) 956-5167
Have Penn Will Travel – Susan Middaugh – (410) 997-0700
NJ & C Insurance Services – Arthur Holland – (410) 385-0500.

82. I am not sure if I received the answers to the questions asked at the pre-bid meeting and prior. An email was sent to our proposal area with the meeting minutes, but I never received it personally and never received the Q&A you spoke about during the meeting. Could you please forward this to my attention and add me to the email list going forward.

Answer: This is the second set of the Questions and Answers (Q&As). You should have already received the first set of Q&As. The State did not issue any written answers for the questions asked verbally at the pre-proposal conference but any discussion would be reflected in the transcript that is available at nominal cost. The State directed the participants at the pre-proposal conference to submit questions by email. Q&A Sets #1 and #2 are the responses to the questions the State has received.

83. Do you by chance know the name of the MBE that has previously participated in the benefit fairs for the State of Maryland?

Answer: The current contractor has utilized one MBE over the course of the contract, NJ & C Insurance Services – Arthur Holland – (410) 385-0500.

84. Please confirm that attachment "N-2d" reference to "Membership by Plan Type", refers to the actual groups going to be set up for the State of Maryland. (i.e. Pool Member Group, groups by location, active vs retiree etc)

Answer: The report referenced in Attachment N-2d shall be used to summarize enrollment data by Plan Type, with Plan Type defined by the individual Participating Pool Participant. At the discretion of the Participating Pool Participant, Plan Type may designate subgroups such as Actives versus Retirees or other sub-groupings as designated by the Participating Pool Participant.

85. Could you briefly define Direct Bill & Satellite as referenced in N-3. I believe Direct Bill references claims sent into the PBM by the member directly, but was not sure about Satellite. It looks like it may reference Pool Members?

Answer: These groups are defined in Section 1.2 j and ii. These are individual members that are eligible and enrolled under the State of Maryland Employee and Retiree Health

and Welfare Benefits Program. They should not be construed as “Purchasing Pool Members or Participants”, defined in 1.2 gg.

86. RFP Section 3.4.2 says that “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.”

a) Must all fees be exactly the same for all entities in the pool?

Our concern is that a significant portion of the costs for serving a client are fixed costs, and the costs do not vary proportionately by the client’s size. For example, the cost for handling an eligibility feed are very similar for a client with 1,000 lives and a client with 10,000 lives, but we will be able to spread our costs for the smaller client over only 1/10th the number of claims and our cost per claim will be much higher. For a client with only 100 lives, the cost per claim would be proportionately higher than for the 1,000 life group.

If we charge the same price for all clients, we have to raise the price as the average size of each client declines. Since the State is the largest group and additional groups in the pool will almost certainly be smaller, we would probably have to increase our fees as the pool size increases (and average size decreases). Larger clients (particularly the Department) will then have to subsidize the smaller clients, or those that have the option will drop out of the group and find their own, less expensive, arrangements.

Answer: See Addendum No. 2

b) Must all services be exactly the same for all entities in the pool?

The State has requested a variety of services that add significantly to bidders’ fixed and variable costs. For instance, the State requires an on-site account representative, quarterly on-site meeting with the Account Team, and attendance at many open enrollment meetings. Providing such services for each entity in the pool will raise the percentage of our fees that cover fixed costs, which makes the adverse selection problem discussed above worse.

Answer: See Addendum No. 2

c) Does the MBE participation goal apply proportionately to pool members?

The State has defined 5% of the administrative fees as the MBE participation requirement. We support the state’s objectives of promoting minority owned businesses. However, the services for which we are contracting with MBEs may not be scalable. For example, to serve the State and its 99,500 contract holders, the MBE may need two full time employees. These two employees may not have the capacity to serve any additional clients, but hiring an additional person would

allow the MBE to serve 140,000 contract holders at several pool entities including the State. If the pool signs up clients with a total of only 110,000 contract holders, the MBE would have significantly higher unit costs. The requirement to serve an indefinite number of people leads to a significant increase in risk for both the PBM and its subcontractors.

Answer: The MBE goal is measured against the State's payment of admin fees (lines 1-6 of Attachments K-2A1 through K-2B4 and not against administrative fees paid by Purchasing Pool Participants in the Maryland Rx Program as a whole.

87. May the PBM require a minimum length of contract with pool members? If an entity wants to join in the fourth year, must the PBM accept them as a client even though there is no chance in the remainder of the contract to recoup implementation costs?

Answer: See Addendum No. 2

88. I am unable to locate instructions for completing N-2a,b,c,d documents. Can you let me know where I can find a download for instructions on these templates or provide by return email?

Answer: Attachments N-2a – N-2g illustrate specific reports the Contactor selected would be required to provide the State on an ongoing basis. These attachments do not require completion. Rather, Offers should describe their ability to provide these mandatory reports in their response to Section 4.4.2.3 Response to Scope of Work.

89. Would you please verify and clarify the top 100 drugs by only 7 digits which will not specify dose amount? Is only 7 digits your intention on this analysis?

Answer: Yes, seven digits will be required for this report.

90. Can you please clarify the AON involvement in the bid. We have received the initial bid through an independent broker but have also worked with AON and it would help us to know if your intention is to have AON provide the analysis of all bids and will continue as your consultant regardless of the PBM you may select?

Answer: The State's contract with Aon is not limited to this procurement and will not change based upon the offeror to whom a contract is awarded in connection with this proposal. Aon, as the State's consultant, will provide advice and analysis in connection with the procurement but only the evaluation criteria and selection process and procedures identified in the RFP, Sections 5.1 through 5.5, will be used to determine the award.

91. We are working on the Geo-Access tabs in the "pharmacytechresponse" Excel document and need some clarification. Tabs J5-A and J5-B ask for information for "all eligible employees and retirees" and tabs J5-C and J5-D ask for information for "all employees and retirees currently participating in the State Pharmacy Benefits

Plan." The difference between "all eligible employees and retirees" and "all employees and retirees currently participating in the State Pharmacy Benefits Plan" is not clearly defined on the data CD we received with the RFP. Please help us identify which employees and retirees are currently participating so we can accurately complete these Excel sheets.

Answer: The census file provided on the CD includes Eligible Members. Those who have elected coverage (i.e., Covered Members) have data in the fields labeled "RxTier" and "RxDeps".