

# **Request for Information (RFI) ETF0028**

## **Pharmacy Benefit Management Services**



**Issued by the  
State of Wisconsin  
Department of Employee Trust Funds  
Office of Strategic Health Policy**

**Release Date: December 29, 2015**

**Responses Due: February 4, 2016 at 2:00 p.m. CST**

# TABLE OF CONTENTS

TABLE OF CONTENTS .....	2
1 REQUEST FOR INFORMATION INTRODUCTION.....	2
2 SUBMITTING A RESPONSE .....	5
3 VENDOR RESPONSE QUESTIONS .....	5

## 1 REQUEST FOR INFORMATION INTRODUCTION

### 1.1 INTRODUCTION

The Department of Employee Trust Funds (ETF) is a Wisconsin State agency that administers retirement, health, life, income continuation, long-term disability, and long term care insurance programs for 570,000 state and local government employees and annuitants. ETF is interested in learning more about innovative ways pharmacy benefit managers (PBMs) are approaching the management of pharmacy benefits for plan sponsors and payers. In some cases we are also asking for more information on certain topics and practices to gain an understanding of the prevalence of these concepts or services in the PBM industry.

Responses to this RFI will be reviewed and may be used to develop a competitive solicitation for bids or proposals that may lead to the acquisition of Services or products that meet those business needs and requirements. Providing a Response to this RFI is not a prerequisite to submitting a bid or proposal should ETF offer such an opportunity in the future. Nor would the contents of any Response to this RFI be considered in the review or evaluation of future bids or proposals.

***This RFI is issued solely for information and planning purposes, and does not constitute a solicitation. Responses to the RFI will not be returned. Responses to this RFI are not an offer and cannot be accepted by the State to form a binding contract. The State of Wisconsin is not liable for any cost incurred by the vendor in response to this RFI.***

### 1.2 BACKGROUND AND CURRENT OPERATION

ETF's Office of Strategic Health Policy (OSHP) manages the State of Wisconsin (State) and the Wisconsin Public Employers (WPE) group health insurance programs on behalf of the State of Wisconsin Group Insurance Board (Board). Both programs include 17 fully insured health plans, one self-insured health plan, and self-insured prescription drug coverage and dental benefits that are both carved out from the benefits administered by the health plans, and managed by a Pharmacy Benefit Manager (PBM) and third party dental benefit administrator, respectively.

Coverage is provided to employees of State agencies, the Wisconsin legislature, the University of Wisconsin, the University of Wisconsin Hospital and Clinics, over 300 Wisconsin Public Employers, and retired employees. Medicare eligible retirees and their dependents enrolled in the State and WPE programs receive their prescription drug benefits from a Medicare Part D employer group waiver plan also administered by the PBM. In addition, Supplemental Wrap benefits are also provided to pay claims when the Medicare Part D plan does not pay (e.g. in the deductible phase and when participants reach the Medicare Part D coverage gap).

Pharmacy benefits are subject to the terms and conditions of a set of uniform benefits, as well as the fully insured health plan and high deductible health plan designs.

The programs cover approximately 250,000 members, of which more than 30,000 are Medicare enrolled members. Approximately 72% of eligible members utilize the pharmacy benefits and total annual drug spend is in excess of \$325 million from more than 3.3 million prescriptions filled.

In 2015, pharmacy benefits were based on a 5-tier, flat copayment structure with out-of-pocket limits (OOPL). The various tiers differentiated between preferred generic drugs (Level 1, OOPL applies); preferred brand name drugs (Level 2, OOPL applies); non-preferred brand and generic drugs (Level 3, no OOPL); preferred specialty drugs (Level 4-ESP, OOPL applies); and non-preferred specialty drugs (Level 4, no OOPL). Specialty drugs also had a lowered copayment incentive when the preferred specialty pharmacy was utilized.

Starting in 2016, the 5-tier structure will be maintained and the benefit design will provide a flat \$5 copayment for the Level 1 drugs. But coinsurance with varying maximums, will be applied to all other drug levels.

### 1.3 REQUEST FOR INFORMATION AGENCY CONTACT

Michael D. McNally, Jr.  
Purchasing Agent - Senior  
Wisconsin Department of Employee Trust Funds  
Direct Line: (608) 261-9032  
Email: [ETF SMBProcurement@etf.wi.gov](mailto:ETF SMBProcurement@etf.wi.gov)

### 1.4 DEFINITIONS AND ACRONYMS

Words and terms shall be given their ordinary and usual meanings. Words and terms not defined below shall have the meanings provided by Wis. Stat. § 40.02 and Wis. Admin. Code § ETF 10.01 unless otherwise clearly and unambiguously defined by the context of their usage in this RFI. Some of the words and terms listed below are not used in the RFI but are provided to ensure respondents recognize how ETF currently understands and defines them.

**“Annuitant”** see “Retiree or Annuitant” below

**“AWP”** means Average Wholesale Price.

**“Coinsurance”** means that portion of the charge for Covered Products, calculated as a percentage of the charge for such services that is to be paid by Covered Individuals pursuant to the Pharmacy Benefit Plan.

**“Continuant”** means a State (including eligible Graduate Assistants) or WPE member who has left employment with the State or a local employer, but is eligible to continue group health insurance coverage under the State or WPE group health insurance programs.

**“Copayment”** means a fixed dollar portion of the charge for Covered Products, which is to be paid by Covered Individuals pursuant to the Pharmacy Benefit Plan.

**“Covered Individual”** means each person who is eligible for prescription drug benefits under the Pharmacy Benefit Plan, including Subscribers and their dependents.

**“Covered Products”** means those Products that are covered under the Pharmacy Benefit Plan. Covered Products may include, but are not limited to, brand or generic prescription medications, medications not requiring a prescription, and/or medical supplies and equipment.

**“CST”** means Central Standard Time.

**“Deductible”** means a predetermined amount of money that a Covered Individual must pay before benefits are eligible for payment.

**“Drug Spend”** means the discounted Ingredient Cost of all drugs adjudicated under the Pharmacy Benefit Plan for a given year, plus dispensing fees, net of manufacturers’ rebates, determined on an accrual basis. “Drug Spend” does not include Contractor’s administrative fees or other administrative expenses of the Pharmacy Benefit Plan, and shall not take into account deductibles, copayments, and co-insurance payments made by the insured members under the Pharmacy Benefit Plan.

**“Drug Trend”** means the rate of change in the Drug Spend from one year to another, expressed as a percentage, as agreed by the parties. No later than December 1 of each year, the Board shall retain an actuary to propose a Drug Trend for the following year. That proposed Drug Trend shall be binding on both parties unless either party objects in writing to the proposal within fifteen (15) days after its receipt of the proposal. Upon the objection of either party, or as provided under 6.01(d), the parties shall negotiate in good faith to agree on a Drug Trend for that year.

**“EGWP”** means Employer Group Waiver Plan; associated with Medicare Part D.

**“Ingredient Cost”** means the amount Contractor pays to the pharmacy on behalf of the Board, less any and all income streams, to reflect complete financial transparency as defined in the RFP.

**“MAC”** means Maximum Allowable Cost.

**“Products”** means brand or generic prescription medications, medications not requiring a prescription, and/or medical supplies and equipment.

**“Prior Authorization”** means a prospective review to verify that certain criteria approved by Client are satisfied for specific Products prior to processing the claim for such Products.

**“Projected Drug Spend”** means the Drug Spend for the prior year increased by the Drug Trend for the current year, adjusted for membership changes between years.

**“Rebate”** means the total dollar amount paid by a Product manufacturer to Contractor for Eligible Product utilization. This includes any revenue offered by a Product manufacturer for administrative services.

**“Retiree”** or **“Annuitant”** means a State or WPE member who is retired and receives an annuity or lump sum benefit from the Wisconsin Retirement System.

**“Services”** means all work performed, and labor, actions, recommendations, plans, research, and documentation provided by the Contractor necessary to fulfill that which the Contractor is obligated to provide under the Contract.

**“Transparent”** or **“Transparency”** means a 100% pass-through of prices to the State and WPE programs paid to retail, internet and mail-order pharmacies. It also includes 100% pass-through of all drug manufacturer revenue such as, but not limited to, discounts and rebates; administration fees; data fees; clinical program fees; education and research grants; invoice charge-back fees; future rebates on new, rebate eligible products such as Specialty Drugs for example; and product selection switching incentives. In addition, all pharmacy contracts must be readily available and completely auditable, and business practices, processes and clinical methodologies must be fully disclosed.

**“WAC”** means Wholesale Acquisition Cost.

Please see ETF’s glossary at: <http://etf.wi.gov/glossary.htm> for additional definitions.

## 1.5 REASONABLE ACCOMMODATIONS

ETF will provide reasonable accommodations, including the provision of informational material in an alternative format, for qualified individuals with disabilities, upon request.

## 1.6 VENDOR QUESTIONS

Vendors may submit questions regarding this RFI in writing to [ETF SMBProcurement@etf.wi.gov](mailto:ETF SMBProcurement@etf.wi.gov). The questions will be compiled and answered as received; prior responses may be updated. The answers will be posted on VendorNet and ETF's Extranet (<http://etfextranet.it.state.wi.us/etf/internet/RFP/rfp.html>).

## 1.7 VENDORNET REGISTRATION

Only Vendors registered with the State of Wisconsin's VendorNet will receive automatic future official notice for bid opportunities for Services. The State of Wisconsin's purchasing information and Vendor notification service is available to all businesses and organizations that want to sell to the state. Anyone may access VendorNet on the Internet at <http://vendornet.state.wi.us> to get information on state purchasing practices and policies, goods and services that the state buys, and tips on selling to the state.

## 2 SUBMITTING A RESPONSE

Submit the following:

- One (1) electronic file in an unlocked and no password protected Microsoft Word, Microsoft Excel, or Adobe Acrobat 9.0 format. The file must be labeled “[Vendor Name] RESPONSE”.
- One (1) electronic file in an unlocked and no password protected Microsoft Word, Microsoft Excel, or Adobe Acrobat 9.0 format. **EXCLUDING all confidential and proprietary information/documents.** This file must be labeled “[Vendor Name] REDACTED RESPONSE.” **This is the file that will be submitted to requestors for open records requests.**

Responses must be sent via electronic mail (e-mail) to [ETF SMBProcurement@etf.wi.gov](mailto:ETF SMBProcurement@etf.wi.gov). The e-mail subject line shall be in the following format:

**RFB ETF0028 – Response: [Vendor's name]**

Response due by **February 4, 2016 at 2:00 p.m. CST.**

The Vendor's Response shall include the following:

- Answers to the questions listed in Section 3.
- A copy of the Vendor's standard agreement or contract including company terms and conditions.

Upon receipt and review of the submitted Responses, ETF may seek clarification from certain or all respondents.

## 3 VENDOR RESPONSE QUESTIONS

Vendors submitting a Response to this RFI should answer the following questions. Additional information regarding your Services is welcome. Responses should be organized by, and

correspond to the following questions. We would appreciate vendor responses being limited to 40 pages, single spaced, which includes exhibits, examples and other attachments.

### **3.1 COMPANY INFORMATION**

- 3.1.1** Briefly introduce your organization including your company's ownership structure, number of employees, number of offices and locations.
- 3.1.2** Identify contact name(s) and information for questions ETF might have concerning this information and the products and Services you offer.
- 3.1.3** List any relevant web sites for your company and its offerings.
- 3.1.4** Identify clients that use your Services who are of similar size and structure as ETF.
- 3.1.5** Describe the largest client your company currently provides PBM services for, including whether the client has 250,000 or more eligible participants and the geographical area served.

### **3.2 PHARMACY BENEFIT MANAGEMENT**

#### **3.2.1 Formulary Concepts and Design**

Describe opportunities your organization is exploring or can provide, leveraging clinical expertise in developing more aggressive and innovative formulary designs. Include in your response your organization's viewpoint and vision, opportunities, and/or abilities regarding the following:

- Strategies to assess the evidence-based value of high-cost prescription drugs and any quality-of-life value the drugs may have, when considering drugs for formulary inclusion/exclusion.
- Consideration during formulary development of long-term medical costs that may be the direct impact of adverse events associated with certain drugs.
- Benefit designs that incorporate the use of more than one formulary in order to provide options to members based on cost share, covered vs. non-covered drugs, or specialty vs. non-specialty formularies, etc.
- Prescriber and member engagement strategies that align prescribing patterns and member behaviors with formulary design.
- Tools utilized by your organization to measure the effectiveness of programs, designs and concepts your organization implements.

#### **3.2.2 Pharmacy Network Concepts and Design**

Describe your organization's retail and mail-order pharmacy network design concepts that enhance pricing and savings. Include your organization's position on the following:

- Outlook and strategies on limited and tiered pharmacy networks and how utilization is driven towards these networks.

- Tools utilized by your organization to measure the effectiveness of programs, designs and concepts your organization implements.

### 3.2.3 Specialty Drug Management

Describe your organization's capabilities managing specialty drugs, including plan design, and forward-thinking concepts you have implemented, or will implement in the near future. Also include information about the following:

- Relationships with prescription drug manufacturers and the impact on your organization's ability to negotiate and influence pricing, discounts and rebates.
- Distinguishing specialty drugs in formulary development, in addition to differentiating member cost sharing based on specific drugs, drug categories and/or disease states.
- The development of Specialty pharmacy networks and/or innovative distribution channels (i.e. hospitals, coordinated care groups, centers of excellence, etc.)
- Management of compound medications and limited distribution drugs.
- Tools utilized by your organization to measure the effectiveness of programs, designs and concepts your organization implements.

### 3.2.4 Fully Transparent Revenue and Cost Models

While we have provided our definition of transparency in section 1.4 above, please describe how your organization defines transparency within the scope of the financial, operational and contracting aspects of PBM services, and provide recommended gross and net cost models that could be implemented for our programs. Also provide your organization's ability to apply the following concepts:

- Prospective Maximum Acquisition Cost (MAC) Price List for Generics
- Targeted Reference Based Pricing for Brand Drugs

### 3.2.5 Performance Guarantees

Describe specifically what guarantees your organization has offered to other large clients pertaining to meeting performance standards. Also include information regarding any guarantees your organization offers based on the following:

- Clinical outcomes
- Generic Dispensing Rate targets focused on specific disease states
- Cost trend guarantees by drug classification

### 3.2.6 Integration of Pharmacy and Medical Data and Member Adherence

Describe how your organization can integrate pharmacy data with medical data and what tools your organization provides to clients to utilize that data. Also include information on programs or tools your organization has available for the following:

- Member and prescriber adherence
- Medication therapy management and disease management

### 3.2.7 Innovative PBM Strategies

Provide information on other ground-breaking programs and services that your organization is currently developing or exploring for implementation within the next five years.