

Public Agenda Item #14a

Review, Discussion and Consideration of the Texas Employees Group Benefits Program:

Selection of the Pharmacy Benefit Managers for the HealthSelectSM of Texas
Prescription Drug Plan and the HealthSelect of Texas Medicare Pharmacy Plan
Beginning January 1, 2017

May 17, 2016

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Pharmacy Benefit Managers

Background



- Under the Texas Employees Group Benefits Program (GBP), ERS provides Texas state employees and retirees with prescription drug benefits through services provided by pharmacy benefit managers (PBM).
 - The current contract for HealthSelectSM of Texas Medicare Pharmacy Plan Prescription Drug Program (Medicare Rx PDP) terminates on December 31, 2016.
 - The current contract for PBM services for the HealthSelectSM of Texas Prescription Drug Program (HealthSelect PDP) terminates on August 31, 2017. However, because deductibles are based on the calendar year, it is desirable to terminate this contract early and start the new contract on January 1, 2017.

Pharmacy Benefit Managers

Request for Proposal



- ERS issued a RFP on December 11, 2015 seeking qualified Pharmacy Benefit Managers (PBM's) to provide pharmacy benefit management services.
- Responses were due back on January 27, 2016.
- Proposals were received from eight PBM's; four were received for both the Medicare Rx PDP and HealthSelect PDP.
- As shown on the following chart, each of the HealthSelect PDP PBM's who submitted proposals also submitted proposals for the Medicare Rx PDP plan.

Pharmacy Benefit Managers

Request for Proposal



| Vendor Name HealthSelect PDP | Vendor Name Medicare Rx PDP |
|---|---|
| Caremark Rx, L.L.C., providing services by and through its subsidiary CaremarkPCS Health, L.L.C. (collectively, CVS Health) | SilverScript Insurance Company (SilverScript) |
| Express Scripts, Inc. (ESI) | Express Scripts, Inc. (ESI) |
| MedImpact Healthcare Systems, Inc. (MedImpact) | Transamerica Life Insurance (Transamerica) |
| United HealthCare Services, Inc. (UHC) | United HealthCare Services, Inc. (UHC) |

Pharmacy Benefit Managers

RFP Evaluation



- Proposals were evaluated on the following criteria:

Compliance with RFP

Proposal Evaluation Criteria For Minimum Requirements

Financial Considerations / Price Proposal

Operational Capabilities and Services

PBM Service Verification for Finalists (including face-to-face interviews, reference checks and site visits)

Contractibility

- All proposals met minimum requirements.

Pharmacy Benefit Managers

RFP Evaluation



- Financial Considerations/Price Proposal consisted of a review of the PBM's administrative fee; retail, mail service, and specialty prescription reimbursements; rebates and other subsidies; and the impact of the PBM's formulary.
- Operational Capabilities and Services consisted of a review of the PBM's HealthSelect PDP and Medicare Rx PDP plan design, eligibility, network and program requirements; communication requirements; operational specifications; information system requirements; financial specifications and requirements; and legal review.
- Administrative Benefit. Proposals offering both HealthSelect and Medicare Rx PDP services received up to 5% of the allotted 40% under the Operational Capabilities and Services criteria.

Pharmacy Benefit Managers

RFP Evaluation - Review



- Review by cross-divisional evaluation team.
 - Clarification process.
- After additional clarifications, MedImpact/Transamerica bids were ranked fourth and were not considered finalists.

Pharmacy Benefit Managers

RFP Evaluation – CVS Health/Silverscript, ESI & UHC



- Reference Checks, April – May 2016
- Interviews, April 25, 26 & 27, 2016
 - Finalist interview sessions included presentations, key issue discussions and an opportunity for each respondent to highlight the strengths and unique aspects of their respective company.
- “Best and Final” offers (BAFOs), April 2016
- Site Visits and Final Review, April – May 2016
 - ERS staff conducted site visits.

Pharmacy Benefit Managers

Best Value



- Based on the submitted proposals, clarifications, face-to-face meetings and the analysis, the Director of Procurement and Contract Oversight was able to sign off on best value.

Pharmacy Benefit Managers

Total Net Costs



- Based on calculations by Rudd & Wisdom using a common set of assumptions for utilization and Rx price increases over the six years of the contract.

| Total Net Costs Based on the Bidders Responses | | |
|--|-----------------|-----------------|
| | Commercial | EGWP & Wrap |
| Caremark | \$5,956,000,000 | \$4,353,000,000 |
| ESI | \$5,835,000,000 | \$4,395,000,000 |
| UHC/Optum | \$5,261,000,000 | \$3,761,000,000 |

Pharmacy Benefit Managers

Staff Recommendation



- All bidders demonstrated skills in administration of the drug program which represented 40% of the evaluation.
- UHC/Optum's discounts, rebate guarantees, inflation protection and administration fees produced an estimated program cost substantially less than the other bidders, which represented 50% of the evaluation.
- Staff recommends the contract award for the Pharmacy Benefit Manager for the HealthSelect of Texas Prescription Drug Plan and the HealthSelect of Texas Medicare Pharmacy Plan.

Questions?