



November 14, 2007

Pharmacy Benefit Manager Vendor

RE: Request for Proposal to Provide Pharmacy Benefit Manager Services

**EMPLOYEES  
RETIREMENT  
SYSTEM OF TEXAS**

**ANN S. FUELBERG**  
EXECUTIVE DIRECTOR

BILL CEVERHA  
CHAIR  
YOLANDA GRIEGO  
VICE-CHAIR  
CYNDRY C. DONNELL  
DON GREEN  
CRAIG HESTER  
OWEN WHITWORTH  
BOARD OF TRUSTEES

To Whom It May Concern:

The Board of Trustees of the Employees Retirement System of Texas ("ERS") is issuing a Request for Proposal ("RFP") for qualified Prescription Benefit Managers ("PBMs") to provide pharmacy benefit management services for the HealthSelect Prescription Drug Program ("PDP") beginning September 1, 2008 to participants of the Texas Employees Group Benefits Program ("GBP").

A PBM wishing to respond to the RFP must: 1.) maintain its principal place of business in the United States of America and shall have a current license from the Texas Department of Insurance ("TDI") to serve in Texas as a Third Party Administrator ("TPA"), if applicable; 2.) have been providing prescription benefit management services for an organization with a member participation of no less than 100,000 or an aggregate of 1,000,000 covered lives for a minimum of three (3) years; 3.) reflect a pharmacy network capable of servicing the GBP membership (approximately 500,000 lives) without member access disruption by March 31, 2008; and 4.) have a current net worth of \$50 million as evidenced by a 2006 audited financial statement.

To obtain a copy of the RFP, an interested organization must access a secured portion of the ERS website. To gain access, email your request to [ivendorquestions@ers.state.tx.us](mailto:ivendorquestions@ers.state.tx.us), and a user ID and password will be issued to the requestor that will permit access to the secured RFP indicated.

General questions concerning the RFP and/or preparatory inquiries related to the PBM's participation should be sent via email to the IVendor Mailbox: [http://www.ers.state.tx.us/vendorbid/general\\_info/default.aspx](http://www.ers.state.tx.us/vendorbid/general_info/default.aspx), which is in a non-secured section of ERS' website.

A mandatory bidders conference will be hosted in Austin, Texas at ERS on December 6, 2007, at 2:00 p.m., (CST). To register for this conference, send your request to [ivendorquestions@ers.state.tx.us](mailto:ivendorquestions@ers.state.tx.us) by December 3, 2007 by 4:00 p.m. (CST). A representative of the PBM must be present at the mandatory bidders conference or the PBM will be disqualified from the RFP process.

To be eligible for consideration, the PBM must submit a proposal in accordance with the requirements of the RFP. All proposal materials must be executed and received by ERS by 12:00 Noon, (CST) on December 19, 2007. The Contractual Agreement is a separate document from the RFP and is included in the RFP download from ERS' website.

ERS will base its evaluation and selection of a PBM on factors including, but not limited to the following, which are not necessarily listed in order of priority: compliance with the RFP, operating requirements, references, pharmacy network, and experience serving large group programs, past experience, administrative quality, program fees and other relevant criteria. Each proposal will be evaluated individually and relative to the proposal of other qualified PBMs. Complete specifications will be included with the RFP.

ERS reserves the right to reject any and/or all proposals and/or call for new proposals if ERS deems it to be in the best interest of the GBP, its participants or ERS. ERS also reserves the right to reject any proposal submitted that does not fully comply with the RFP's instructions and criteria. ERS is under no legal requirement to execute a Contractual Agreement on the basis of this notice or upon issuance of the RFP and will not pay any costs incurred by any entity in responding to this notice or the RFP or in connection with the preparation thereof. ERS specifically reserves the right to vary all provisions set forth at any time prior to execution of a contract where ERS deems it to be in the best interest of the GBP, its participants or ERS.

Thank you for your interest in the HealthSelect PDP.

Sincerely,  
ROBERT P. KUKLA, ChFC  
Director of Benefit Contracts

**THE  
EMPLOYEES RETIREMENT SYSTEM OF TEXAS  
REQUEST FOR PROPOSAL  
FOR PHARMACY BENEFIT MANAGEMENT SERVICES**

**NOVEMBER 14, 2007**

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## Pharmacy Benefit Manager RFP Deliverables CHECK LIST

**Order of Return:** The PBM is required to submit a total of six (6) copies of the PBM’s proposal in the following formats: One (1) printed “Original” and two (2) additional printed copies. The “Original” copy should contain the fully executed Contractual Agreement and Business Associate Agreement (“BAA”), both *signed in blue ink* and without amendment or revision with all the required and completed exhibits attached. The additional two (2) printed copies referenced above, should be exact replicas of the materials submitted in the “Original” binder, to include all required exhibits. The remaining three (3) complete copies shall be submitted on a CD-ROM in Excel or Word format. No PDF documents may be reflected on the CD-ROM.

**All binders must contain:**

<u>PAPER FORMAT</u>	<u>RFP REFERENCE</u>
RFP FEEDBACK FORM	Located on top of Table of Contents
<b>TAB I General Information</b>	I.
<input type="checkbox"/> Executed RFP Signature Page signed in <i>blue ink</i> (Appendix D)	I.B.7.
<input type="checkbox"/> Executed Contractual Agreement signed in <i>blue ink</i> (Appendix C)	I.B.11.
<input type="checkbox"/> Executed Business Associate Agreement signed in <i>blue ink</i> (Appendix C.1.)	I.B.12.a.
<input type="checkbox"/> Detailed Implementation Plan	I.B.16.
<input type="checkbox"/> Confidential and Proprietary schedule	I.B.19.
<input type="checkbox"/> Minimum Requirements	I.E.
<input type="checkbox"/> Preferred Requirements	I.F.
<b>TAB IV Communication Requirements</b>	IV.X.
<input type="checkbox"/> Provide samples of communication materials	IV.C.1.
<input type="checkbox"/> Provide a format of the website and screenshots	IV.C.1. & IV.C.6.b.
<b>TAB V Operational Requirements</b>	V.
<input type="checkbox"/> Provide Carrier’s group number	V.
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<b>TAB X Interrogatories</b>	X.
<input type="checkbox"/> Interrogatory Responses	X.A. - X.I.
<b>TAB XI Appendices</b>	XI.
<input type="checkbox"/> PBM Proposal Rate Table Responses	Appendix O
<u>CD FORMAT</u>	<u>REFERENCE</u>
<input type="checkbox"/> All materials described above shall be received in CD-ROM Format. The three (3) CD-ROMs shall be in either Word or Excel format.	I.B.4.

NOTE: Keep this Check List for your records. Do not return with your submission.



## ***Request for Feedback*** **Employees Retirement System of Texas**

The Employees Retirement System of Texas, Benefit Contracts Division, periodically publishes requests for proposals, applications or information and is interested in your organization's feedback regarding our request. To assist the Benefit Contracts Division in creating future requests, we would be interested in knowing what we could do differently or how we could make our request more user-friendly. Please take a moment to answer the following questions and return it at your earliest convenience.

1. Did your organization submit a bid?  
 Yes  
 No
2. If No, why did your organization elect not to bid? (Check all that apply)  
 Timing, not enough time to complete bid  
 Contract Provisions/Parts of the Contract  
 Complexity of RFP  
 Other:

3. Please elaborate on question #2 or provide other reasons for not submitting a bid.

4. Please provide any suggestions that might improve our process.

### **Additional Comments**

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### **About Your Organization**

Name \_\_\_\_\_ Contact \_\_\_\_\_  
Address \_\_\_\_\_ E-mail \_\_\_\_\_  
City, State, \_\_\_\_\_ Phone \_\_\_\_\_  
ZIP Code \_\_\_\_\_

We may, if necessary, contact you by email or telephone for further clarification of your responses.

***Thank you for your participation!***



# I. Instructions to Proposers

## A. Request for Proposal (“RFP”) Summary

A.1. **Introduction.** The Board of Trustees (“Board”) of the Employees Retirement System of Texas (“ERS”) is soliciting proposals from qualified Pharmacy Benefit Managers (“PBM”) to provide pharmacy benefit management services for the Prescription Drug Program (“PDP”) provided to participants under HealthSelect<sup>SM</sup> of Texas (“HealthSelect”), a self-funded, managed care, point-of-service (“POS”) health plan available under the Texas Employees Group Benefits Program (“GBP”), for the four-year period, September 1, 2008 through August 31, 2012, with an option for ERS to renew for additional periods subject to terms and conditions acceptable to ERS. Services shall begin following the Board’s selection of a qualified PBM and upon ERS’ execution of the Contractual Agreement (“Contract”). Proposals will be accepted for the products identified in the RFP packet located on ERS’ web site. The cost of the requirements described in this article shall be recovered by the PBM only by making provision for such expenses in its PBM Price Proposal.

**FAILURE TO PROVIDE RESPONSES IN THE FORMAT REQUESTED MAY RESULT IN THE PBM BEING ELIMINATED FROM FURTHER CONSIDERATION. ALL PROPOSALS SHALL BE VALID THROUGHOUT THE ENTIRE RFP PROCESS AND ANY RESULTING CONTRACT TERM.**

A.2. **Schedule of the PBM RFP Process.** The RFP process and Contract award shall be conducted in accordance with the following schedule, unless notified otherwise by ERS:

On or After: 11/14/2007		RFP is available on ERS’ Vendor web site. To access the RFP, qualified PBMs shall e-mail their request to: <a href="mailto:Ivendorquestions@ers.state.tx.us">Ivendorquestions@ers.state.tx.us</a> A USERID and Password will be provided only to those qualified bidders requesting access to the secured sections of the PBM RFP.
12/03/2007	4:00 p.m. (CST)	To register for the Mandatory Bidders Conference, send requests to: <a href="mailto:Ivendorquestions@ers.state.tx.us">Ivendorquestions@ers.state.tx.us</a>
12/06/2007	2:00 p.m. (CST)	PBM Mandatory Bidders Conference. Failure to attend will result in disqualification from the ERS PBM RFP bid process.
12/14/2007	4:00 p.m. (CST)	E-mail the PBM’s Intent to Submit a Proposal to: <a href="mailto:Ivendorquestions@ers.state.tx.us">Ivendorquestions@ers.state.tx.us</a>
12/19/2007	12:00 Noon (CST)	The PBM is required to submit a total of six (6) copies of the PBM’s proposal in the following formats: One (1) printed “Original” and two (2) additional printed copies. The “Original” copy should contain the fully executed Contractual Agreement and Business Associate Agreement (“BAA”), both <i>signed in blue ink</i> and without amendment or revision with all the required and completed exhibits attached. The additional two (2) printed copies referenced above, should be exact replicas of the materials submitted in the “Original” binder, to include all required exhibits. The remaining three (3) complete copies shall be submitted on a CD-ROM in Excel or Word format. No PDF documents may be reflected on the CD-ROM. All materials shall be sent to the attention of:  Ann S. Fuelberg, Executive Director Employees Retirement System of Texas 18 <sup>th</sup> & Brazos Streets; Post Office Box 13207 Austin, Texas 78711-3207  Note: ERS may request that respondents attend a final interview session at an ERS designated location.
February 2008		ERS’ Board selects the PBM
July/August 2008		Annual Summer Enrollment (“SE”) Period
09/01/2008		Fiscal Year (“FY”) 2009 Contract Begins

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All material found in this Request for Proposal, including all attachments incorporated therein, are Copyright 2007 by Employees Retirement System of Texas. Any use of materials from this Request for Proposal or an attachment thereto, including reproduction, modification, distribution or republication, without the prior written consent of Employees Retirement System of Texas, is strictly prohibited.

- A.3. The PBM is responsible for reviewing and responding to the RFP materials available on the ERS Vendor web site (<http://www.ers.state.tx.us/vendorbid/proposals/default.aspx>). ERS' Vendor web site provides interested parties with GBP background information, and online versions of each article located in the RFP document. The information contained in this offering provides the instructions for the PBM Vendor to submit a response to ERS' RFP.

## **B. General Information**

- B.1. **Agent of Record.** ERS shall not designate an Agent of Record or any other such company employee or commissioned representative to act on behalf of either ERS or the PBM. Any requests for ERS to provide such designation shall be rejected. PBMs are specifically instructed to submit proposals directly to ERS as specified in Paragraph A.2. above, and Paragraph B.4. below.
- B.2. **News Release.** Prior written approval by ERS shall be required for any news releases regarding a Contract awarded to a PBM.
- B.3. **Inquiries.** Questions about ERS and the RFP shall be submitted in writing, e-mail, regular mail or facsimile. In its sole discretion, ERS shall post the question and response it deems appropriate on ERS' Vendor web site in a timely manner. Such inquiries should be directed to:

Robert P. Kukla, ChFC  
Director of Benefit Contracts  
Employees Retirement System of Texas  
Post Office Box 13207  
Austin, Texas 78711-3207  
FAX (512) 867-3380  
Email: [ivendorquestions@ers.state.tx.us](mailto:ivendorquestions@ers.state.tx.us)

- B.4. **Proposal Submission.** All proposals submitted to ERS shall be sealed. ERS shall not consider a proposal unless the "Original" and five (5) copies are received by ERS at the appropriate address no later than 12:00 Noon, CST on December 19, 2007. The mailing label for the proposal shall be clearly marked as a PBM Request for Proposal Response. The one (1) printed "Original" (which shall be labeled as such) and two (2) additional printed copies shall be submitted with all requested supporting documentation, including, but not limited to both the fully executed Contractual Agreement, (see Article I.B.11.) and the executed Business Associate Agreement ("BAA"), (see Article I.B.12.a.) in printed formats. The remaining three (3) copies shall be submitted on a CD-ROM in Excel or Word format. No PDF documents may be reflected on the CD-ROM.

PBM shall mail or deliver its response to ERS at the following address:

Ann S. Fuelberg, Executive Director  
Employees Retirement System of Texas  
18<sup>th</sup> & Brazos Streets; Post Office Box 13207  
Austin, Texas 78711-3207

- B.5. **Retention of Proposals.** All proposals submitted become the sole property of ERS. During the evaluation process, ERS shall make reasonable efforts as allowed by law to maintain proposals in confidence, and shall release proposals only to personnel involved with the evaluation of the proposals and implementation of the Contract unless otherwise required by law.
- B.6. **Order of Response Documents.** The PBM shall submit its Proposal and signed RFP Signature page in the order prescribed in the *Deliverables Check List* located behind the *Table of Contents* contained in this RFP.

- B.7. **Signature Page.** The Chief Executive Officer or other authorized officer who is at a Vice President or higher level of the PBM shall execute, in *blue ink*, the Signature Page referenced as Appendix D, which is a part of this RFP. The individual executing the Contractual Agreement and Signature Page should be the same authorized person reflected in Article VIII.A.12, and must have full legal authority, on behalf of the PBM, to execute a Contract that constitutes a valid, binding and legally enforceable agreement.
- B.8. **Supplements to RFP.** In the event that it becomes necessary, in ERS' discretion\*, to revise any part of this RFP, or if ERS determines that any additional information is needed to clarify the provisions of this RFP, supplemental information shall be provided to each PBM that has indicated interest in this RFP. However, ERS shall not be bound by any deviations from or to this RFP unless ERS specifically agrees in writing to the specific deviation.
- B.9. **Reserved Rights.** Section 1551.212 of the Tex. Ins. Code, specifies that ERS may contract with one or more qualified and experienced administering firms to administer certain statutorily authorized coverage plans, including the PDP, in the best interest of the participants in the GBP, and further that ERS is not required to select the lowest bid, but shall take into consideration other relevant criteria, including an administering firm's ability to service large group programs and past experience. Evaluation criteria are described in Article II, *Proposal Evaluation Criteria*, of the RFP. ERS staff and Board may determine that other factors may be considered important based on their review of a PBM's responses to the RFP and the Interrogatories.
- B.9.a. ERS reserves the right to reject any and all proposals and call for new proposals if deemed by ERS to be in the best interest of the GBP and its participants. ERS is under no legal requirement to execute a Contract on the basis of this RFP.
- B.9.b. The Contract shall be awarded to the PBM that, in the opinion of the Board, is best qualified to perform the services for a fair and reasonable price, and based upon the PBM's demonstrated competence and qualifications as indicated in its response to this RFP.
- B.9.c. This RFP does not commit ERS to pay any costs incurred prior to execution of a Contract. Issuance of this RFP in no way obligates ERS to award a Contract or to pay any costs incurred in the preparation of a proposal or response. ERS specifically reserves the right to vary all provisions set forth at any time prior to execution of a Contract where ERS deems it to be in the best interest of ERS, the GBP, its participants, or the state of Texas.
- B.9.d. The selected PBM agrees to act in good faith and to cooperate with ERS in the execution of any document necessary to effect a change to the RFP or Contract, following execution of the Contract by ERS, if ERS reasonably deems it to be in the best interest of ERS, the GBP and its participants or the state of Texas.
- B.9.e. ERS and the selected PBM shall enter into a Contract acceptable to ERS which shall include, but not be limited to the Contract identified in Appendix C.
- B.9.f. The experience and professional qualifications of the PBM account team members are critical elements to the awarding of the Contract; therefore, substitutions of or other changes in assigned personnel shall require the prior approval of ERS' Executive Director. In any event, ERS may, at any time, reasonably request the removal or reassignment of the PBM's staff in connection with the PBM's performance under this Contract.
- B.9.g. The PBM acknowledges that it is impossible or impractical to estimate certain damages with any degree of certainty. Therefore, the PBM agrees that its failure to comply with these requirements may subject the PBM to the liquidated damages provisions of the Contract.
- B.9.h. ERS reserves the right to modify the performance requirements and benefit plans during this RFP process and Contract term as well as for subsequent fiscal years.

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\* All references in this RFP to matters within ERS' discretion mean ERS' sole discretion.

B.9.i. ERS reserves the exclusive right to determine major changes to the HealthSelect PDP; pharmacy networks, the formulary, PBM compensation arrangements, or other major areas likely to impact the PDP or that may impact HealthSelect participants, and if so, when the changes may apply.

B.10. **Prohibited Interest.** Except as a participant in the GBP, a member, Board member, or employee of ERS may not have a direct interest in the gains or profits of any Contract executed by ERS pursuant to this RFP, and may not receive any pay or emolument for any service performed for the PBM.

In the case where a member, Board member or employee of ERS receives any payment from the PBM for any services performed for the PBM or for any gains or profits of any Contract executed by ERS pursuant to this RFP, ERS may terminate its relationship with the PBM immediately, and ERS reserves the right to seek any legal, equitable or contractual relief to which it may be entitled. Under such circumstances, the PBM shall complete any outstanding transactions with ERS as soon as possible. In its discretion, ERS may choose not to consider any future proposals from the PBM concerning any plan or program in the GBP.

By submitting its Proposal, PBM warrants and represents that it does not have, nor shall it permit, any conflicts of interest that would impair its ability to perform the services required by the Contract in the best interests of the GBP, the HealthSelect participants, ERS and the state of Texas. The Contract shall have additional requirements in this regard.

B.11. **Execution of Contractual Agreement.** As noted in paragraph B.4. above, PBM shall be required to sign a Contractual Agreement with ERS relating to the services described in this RFP. The PBM is hereby notified that the execution of the Contractual Agreement (“Contract”), attached as Appendix C, pursuant to and in accordance with this RFP, is a condition precedent to eligibility for selection by the ERS Board of Trustees. ERS requires that the Contractual Agreement be fully executed in *blue ink* by a duly authorized officer of the PBM and returned without amendment or revision with the appropriate exhibits attached as part of the PBM’s response submission. ERS reserves the right to reject any Proposal if the Contract is revised or returned unsigned, and ERS further retains the right to modify Contractual Agreement terms and to add additional terms at its discretion. Additional related agreements may also be required. The entire Contract is comprised of the Contractual Agreement with all related exhibits, the RFP, PBM’s Proposal, Clarifications, if applicable, the BAA, and any other information, duties or obligations PBM may be required to provide or perform.

B.11.a. The Contract includes important requirements that may not be expressly referenced in this RFP. By submitting a Proposal, the PBM acknowledges and affirms it has reviewed, understood and accepted all terms stated in the Contract, and that the PBM has submitted its Proposal after taking into account the Contract’s terms. The PBM accepts that ERS will not pay any costs incurred by any entity in responding to the RFP, or in connection with the preparation thereof for the term of the Contract. Upon approval of the Proposal, notification to the PBM of its selection by the Board and any Clarifications to be required in the Proposal, and upon execution of the Contract by ERS, it is ERS’ intent that the written Contract shall be in force.

B.12. **HIPAA.** As a business associate of ERS, the PBM shall comply with the privacy and the electronic data interchange (“EDI”) requirements of the Health Insurance Portability and Accountability Act of 1996 (“HIPAA”), as required in the BAA, and the federal regulations implementing HIPAA.

B.12.a. **Execution of Business Associates Agreement.** The PBM is hereby notified that the execution of the BAA is a submission requirement of this RFP. The BAA as referenced in Appendix C.1., which is part of the proposal packet, includes other information, duties or obligations the PBM may be required to provide or perform. The BAA shall be signed by a duly authorized officer of the PBM, in *blue ink*, and returned without amendments or revisions

with the response submission. ERS reserves the right to reject any Proposal if the BAA is revised or returned unsigned. Upon approval of the Proposal and notification to the PBM of its selection by the Board including any and all clarifications to be required in the Proposal, and upon ERS' execution of the Contract, as referenced in B.11., B.11.a., B.13., B.13.a, and BAA, it is ERS' intent that the BAA shall be in force.

- B.13. **Contract Term and Chronology of Responsibility.** The Contract and all its aspects shall be for a term beginning after the Board has accepted the PBM's Response and has notified the PBM of its selection and immediately upon the execution of the Contract by ERS, and extending through the 31st day of August 2012, unless terminated, renewed or extended.
- B.13.a. The PBM benefits and coverages to be provided under the Contract shall occur between September 1, 2008 and August 31, 2012. ERS and the PBM also agree and acknowledge that there are duties and obligations specified by the Agreement to be performed prior to September 1, 2008 and following August 31, 2012, and the parties each agree to perform all such duties and obligations, and all damage provisions included herein and in the Agreement shall thereby be in effect. Such prerequisites, duties and obligations include, but are not limited to the following:
- Selection by the Board of Trustees at the February 2008 meeting;
  - Execution of the Contract by ERS' Executive Director after all clarifications have been agreed to and accepted or rejected by ERS;
  - The parties each agree to perform all such duties and obligations, and all damage provisions included in the Contract shall be in effect;
  - The Contract includes the RFP, the PBM's response thereto as accepted by ERS and the BAA;
  - ERS reserves the right to renew the Contract for additional periods subject to terms and conditions acceptable to ERS, unless ERS determines that rebidding is in the best interests of ERS, the GBP, and its participants;
  - The PBM shall act in utmost good faith in connection with such contract renewal process and shall provide all information requested by ERS in order to facilitate such negotiation of an extended agreement; and
  - Any and all activities required by the PBM to effectively implement the requirements of this Contract.
- B.14. **Fiscal Year.** The GBP Fiscal/Plan year ("FY or PY") begins each September 1st, and ends each August 31st. The GBP fiscal year shall be determinative for all Contract reporting requirements. The Contract expands upon this provision.
- B.15. **Termination of Contract.** In the event the PBM fails or refuses to perform any of its duties or obligations as provided by the Contract, which includes this RFP, the PBM's Response, to the extent accepted by ERS, and the signed Contract, ERS, without limiting any other rights or remedies it may have by law, equity or under contract, shall have the right to terminate the Contract immediately. The PBM understands and acknowledges that, notwithstanding any termination of the Contract, certain obligations of the PBM shall survive the termination of the Contract. The Contract expands upon this provision.
- B.16. **Contract Implementation.** The PBM shall submit with its response to the RFP, for review and approval by ERS, a detailed Implementation Plan, which shall include, without limitation, the following:
- A detailed description and manner in which all work is to be performed;
  - A list of sample reports relevant to the PBM reporting – specific GBP reports will be determined following contract award;
  - A detailed description of all activities the PBM expects ERS to perform related to the implementation plan;
  - Schedules of meetings between the PBM and ERS to facilitate the transition;
  - Schedules of meetings between other contracted GBP vendors and ERS to facilitate transition; and
  - Scheduled updates and/or amendments to the Implementation Plan, at least weekly, to reflect mutually agreed-upon changes as additional work is defined.

Following selection of the PBM by the Board at its February 2008 meeting, and upon ERS' notification to PBM that it has executed this Contract, the PBM shall immediately staff an implementation team and name an implementation manager. The names, positions and qualifications of the implementation team shall be communicated to ERS no later than fifteen (15) calendar days following Board selection. The period of time beginning with the selection of the PBM by the Board and upon ERS' execution of the Contract to August 1, 2008, shall be known as the "Implementation Period." The implementation manager shall serve as ERS' primary contact throughout the Implementation Period, shall have the authority to make binding decisions for the PBM, and be accessible to ERS seven (7) days a week and twenty-four (24) hours per day during the Implementation Period.

- B.16.a. During the Implementation Period, the PBM warrants and represents the following:
- It shall maintain appropriate, sufficient and qualified staff, technical capabilities and resources that are fully and solely devoted to the PDP Implementation;
  - ERS reserves the right to require the PBM to add additional staff or remove staff from the Implementation Team;
  - It shall not permit any current or prospective business, projects or other matters to interfere in any manner with the smooth and timely implementation of the PDP;
  - The PBM understands and agrees that time is of the essence in the performance of this Contract and in the implementation of the PDP;
  - The PBM acknowledges and agrees that the GBP, its participants and ERS shall suffer irreparable harm if the PDP is not fully and completely transitioned on or before August 1, 2008;
  - To the extent the Liquidated Damages and/or Performance Guarantee provisions of the Contract require prior notice, the PBM hereby waives such prior notice during the Implementation Period;
  - ERS may immediately assess against the PBM the agreed upon Liquidated Damages, and/or *Performance Guarantees* as referenced in Appendix N to this RFP, without prior notice, in the event the PBM fails, refuses or if it reasonably appears that it will fail or refuse to complete or perform any aspect of this Contract in connection with the timely and smooth implementation of the PDP;
  - All communication materials dealing with the implementation, including participant communication materials, call center staff training materials, IVR System, and web site design are subject to ERS' review and approval before implementation; and
  - The PBM shall successfully complete and/or implement all critical components identified in the selected PBM's implementation plan as required by ERS no later than August 1, 2008.
- B.17. **Payment Methodology.** The methodology to be used in paying the PBM is specifically outlined in Article III., *Financial Requirements*.
- B.18. **Finalist Interview.** Following ERS' initial review of the RFP Proposals, and if the PBM is selected as a finalist in the selection process, ERS may request that personnel from the PBM, at the PBM's expense, attend a meeting at an ERS-designated location to clarify responses and to answer questions regarding the PBM's Proposal. If ERS deems necessary, a site visit to the PBM may be conducted during the RFP review period at ERS' expense.
- B.19. **Disclosure of Information.** ERS is required to provide access to certain records in accordance with the provisions of Chapter 552, Tex. Gov't Code, and the Texas Public Information Act ("PIA"), formerly known as the Open Records Act. In order to protect and prevent inadvertent access to confidential information submitted in support of its Proposal, the PBM is required to supply a separate schedule of all pages that the PBM in good faith, and with legally sufficient due diligence, considers to contain any confidential and/or proprietary information. By submitting a Proposal, the PBM acknowledges and agrees that ERS shall have no liability to the PBM or to any other person or entity for disclosing information in accordance with the PIA. ERS shall not have any obligation or duty to advocate the confidentiality of the PBM's material to the Texas Attorney General or to any other person or entity. The PBM further understands and agrees that upon ERS' receipt of a PIA request for a

copy of the PBM contract, including the Proposal and any exhibits to the Contract and Proposal, the only documents that ERS shall treat as the PBM's confidential and proprietary information shall be the documents the PBM identifies as required above. It is the PBM's sole obligation to advocate in good faith the confidential or proprietary nature of any information it provides in its Proposal, and the PBM understands that the Texas Attorney General may nonetheless determine that all or part of the claimed confidential or proprietary information shall be publicly disclosed.

In addition, the PBM specifically agrees that ERS may release the PBM's entire Proposal, including alleged confidential or proprietary information, upon request from individual members, agencies or committees of the Texas Legislature where needed for legislative purposes, as provided for in the PIA or to any other person or entity as otherwise required by law.

- B.20. **GBP and ERISA.** As a state governmental plan, the GBP is not subject to ERISA.
- B.21. **Historically Underutilized Businesses.** ERS encourages utilization of historically underutilized businesses ("HUB") that are qualified to provide services required by the Contract. If HUBs are not appropriate, please so indicate in the PBM's response to this RFP. If HUBs are utilized by the PBM in the performance of the Contract, then the requirements applicable to subcontractors shall apply.
- B.22. **Subcontractors.** Any planned or proposed use of subcontractors by the PBM shall be clearly disclosed and documented in the Proposal response and agreed to by ERS. The PBM shall be completely responsible for all services performed and for fulfillment of its obligations under the Contract, even if such services are delegated to a subcontractor.
- B.23. **Board Rules.** The Board has sole rulemaking authority in connection with the GBP pursuant to Chapter 1551 TIC, except where the Board Rules may conflict with state laws. In accordance with Texas law, the Board Rules, located at Title 34, Part IV, Tex. Admin. Code, and any amendments adopted by the Board of Trustees to said Board Rules and duly enacted state statutes, are a part of any Contract executed in accordance with this RFP process for all purposes as if they were contained verbatim therein. The PBM agrees to comply with all such Board Rules and to applicable Texas law.
- B.24. **No Solicitation.** The PBM shall not use, or otherwise disseminate, sell, copy, or make available to any person or entity, lists of GBP participants or employees, or any other participant data for any purpose other than what is necessary in order to perform the services required under the Contract, including, but not limited to marketing purposes, solicitation of any other insurance coverage, annuity products, or any other service or product, unless specifically approved in writing by ERS' authorized representatives. This requirement shall survive the termination of the Contract. The Contract has additional requirements in this regard.

## C. **General Specifications**

- C.1. **Changes Required by Statute, Regulation, Court Orders, or Program Funding.** ERS acknowledges that certain factors may change conditions with regard to HealthSelect benefits and administration. Some factors that may affect HealthSelect include, but are not limited to:
- Changes in federal and state statutes, regulations, and new court decisions and administrative rulings;
  - Changes in funding by the Texas Legislature; and
  - Changes in PDP plan design.
- C.1.a. PBM agrees to make a good faith effort to comply with any additional responsibilities or changes to the PDP imposed as a result of the above factors, and other similar factors that may arise, requiring plan design changes and/or an increase or decrease of PBM fees, and to cooperate with ERS to effect any such changes and to execute any agreements that may be required as a result. However, should a mandated change materially affect the PBM's

obligations under the Contract, ERS reserves the right to negotiate with the PBM regarding any fee increase (or decrease), that may be appropriate under the circumstances, as provided in the Contract.

- C.2. The following considerations should be kept in mind when responding to ERS' RFP:
- HealthSelect is fully self-funded;
  - No commissions will be paid;
  - The GBP is exempt from premium and maintenance taxes;
  - The current PBM shall process all claims incurred prior to but paid after September 1, 2008; and
  - The PBM shall process all claims incurred while the Contract between ERS and the PBM is in effect, see Articles I.B.13, I.B.13.a., and III.C. This includes runoff claims incurred, but paid after the Contract has been terminated for any reason, with or without cause.
- C.3. **Definitions.** Refer to **GLOSSARY OF DEFINITIONS** attached to this RFP as Appendix E, which is incorporated by reference herein.
- C.4. **Materials.** A copy of all materials to be used by the PBM in administering the HealthSelect PDP benefits shall be provided as requested in Article IV, *Communication Requirements*. The PBM is required to submit proposed marketing and other informational materials in ERS' required format according to deadlines to be set by ERS. In addition to the marketing materials, this also includes, but is not limited to all scripts to be used by PBM customer service representatives, the PDP Plan document, that shall be attached as Exhibit "C" to the HealthSelect Master Benefit Plan Document ("MBPD"), and the PDP description of benefits, that shall be included as Section V of the HealthSelect Benefits Book. The cost for preparation of these materials for the term of the Contract, see Article I.B.11.a. shall be included in the PBM Price Proposal quoted by the PBM. ERS shall retain the right to review and approve all such documents prior to distribution.
- C.5. **Service-Oriented Architecture.** ERS is moving toward a service-oriented architecture ("SOA"), which will combine a number of technologies to provide comprehensive and cost-effective technical solutions that will integrate our front-end information ("web site") and processes ("ERS OnLine") with our back-end information systems. SOA deployment at ERS will be incremental and scaled as business processes, opportunities, and capabilities require. An example of such technology would include ERS' ability to extract XML-tagged content from a PBM's web site through the use of "data feeds". Throughout ERS' SOA evolutionary processes, the PBM shall provide compliant information in a timely manner and provide all necessary technological support as required by ERS staff and its designated representatives.
- C.6. **Enrollment and Coverage.** ERS is responsible for determining the eligibility of participants in HealthSelect and for reporting eligibility to the PBM. ERS provides a 100% weekly enrollment file via **file transfer protocol ("FTP")**. HealthSelect participants and new hires utilize ERS OnLine, accessed through ERS' web site ([www.ers.state.tx.us](http://www.ers.state.tx.us)), to enroll in or change their coverage during the annual Summer Enrollment ("SE") period and throughout the plan year. SE is generally held in July and August of each year. **Note: ERS OnLine is the system of record for eligibility and enrollment.**
- C.6.a. The PBM processes and pays all HealthSelect pharmacy claims based on the enrollment data provided by ERS. As plan administrator for HealthSelect, ERS may access appropriate PBM documents and participant records as required for purposes of administering the plan. The PBM shall be fully capable of accepting and implementing all PDP-related information via FTP on or before May 1, 2008.
- C.7. **Employee Identification ("ID") Number.** Current employee, retiree and dependent (collectively referred to as participants) enrollment reporting is based on an ERS Employee Identification Number. PBM's system shall have the capability to manage an eleven (11) digit number in its reporting system. Both PBM and the HealthSelect medical Third Party Administrator ("TPA") shall be required to utilize the ERS system generated ID number. ERS collects Social Security Numbers for dependents over the age of one (1) year.

- C.8. **Online Access.** The PBM shall provide to ERS and its designated representatives, online access to any information reasonably related to the PDP, the GBP, HealthSelect participants, and the services, coverages, benefits, supplies and products specified hereunder. Such online access, at a minimum, shall give ERS the ability to view, download and print such information. Thus, any information regarding the services, coverage, benefits, supplies or products that the PBM is required to perform, deliver or provide in connection with the PDP shall be fully accessible and available to ERS via online access.

#### **D. Alternative Benefit Design or Financial Arrangements**

- D.1. Alternative benefit design or financial arrangements, other than as requested herein, shall not be considered in selecting a PBM. However, ERS reserves the right to revise the benefits and/or financial arrangements should that become necessary due to legislative, budgetary, or other factors. The purpose of this RFP and the subsequent review process is to select the PBM that ERS considers to be most qualified to provide the most effective, efficient and high-quality services, supplies and products to the GBP, HealthSelect participants, ERS and the state of Texas. ERS views the relationship with the PBM as a cooperative one, and nothing contained in this RFP, nor any action taken in the review and approval process, shall prevent ERS from continuing negotiations with the selected PBM after the selection is made.
- D.2. The PBM agrees to act in utmost good faith in connection with all such negotiations and in performing all of its services, duties, and provisions of coverage related to HealthSelect.

#### **E. Minimum Requirements**

Those wishing to respond to the RFP shall demonstrate their competence to perform the services required by ERS, and shall evidence the ability to satisfy each of the following minimum requirements by specifically identifying supporting documentation contained in the PBM's response. *If PBM fails to reflect the ability to meet the following minimum requirements, its proposal will not be considered.*

- E.1. The PBM shall maintain its principal place of business in the United States of America and shall have a current license from the Texas Department of Insurance ("TDI") to serve in Texas as a TPA, if applicable.
- E.2. The PBM shall have been providing prescription benefit management services for an organization with a member participation of no less than 100,000 or an aggregate of 1,000,000 covered lives for a minimum of three (3) years.  
**Note:** The PBM's response to this requirement officially authorizes ERS to contact these organizations or any other entity to discuss the services and other considerations which the PBM has provided to such organizations and entities and authorizes the organizations or any other entities to provide such information to ERS, and PBM shall and hereby does release and hold harmless ERS, the state of Texas, and the organization/other entity of any and all liability whatsoever, in connection with providing and receiving all such information. **The PBM may not provide sponsoring, or parent organizations, subsidiaries, or subcontractors as references.**
- E.3. The PBM shall provide a pharmacy network capable of effectively servicing the GBP membership (approximately 500,000 lives) without member access disruption by March 31, 2008.
- E.4. The PBM shall have a current net worth of \$50 million as evidenced by a 2006 audited financial statement. Since the PBM would be required to advance up to two (2) weeks of claim payments totaling approximately \$15 million before being reimbursed by ERS, the PBM must have at least \$30 million of cash and cash equivalents available, on average, throughout its 2006 financial period.

**F. Preferred Requirements**

Those wishing to respond to the RFP shall demonstrate their competence to perform the services required by ERS, and shall evidence the ability to satisfy (or not), each of the following preferred requirements by specifically identifying supporting documentation contained in the PBM's response.

- F.1. The PBM should have experience working with and/or extensive knowledge of applicable Texas laws and regulations.
- F.2. The PBM shall have experience working with and/or extensive knowledge of public or governmental benefit plans that are not subject to ERISA.

## II. Proposal Evaluation Criteria

A. Proposals submitted in response to this RFP shall be evaluated on the basis of the criteria listed below. The criteria are not listed in order of importance. While the criteria shall provide the basis for an objective evaluation of each proposal, the experience and judgment of ERS' staff, Board and their advisors shall also be important in the selection process. The criteria include the PBM's:

- Compliance with and adherence to the specifications of all terms contained in the RFP and Contractual Agreement;
- Retail Pharmacy Network;
- Minimum requirements;
- Preferred requirements;
- Administrative Capability/Network Management;
- PBM Price Proposal Response;
- Financial Strength and Stability;
- References;
- Ability to service large group programs and past experience;
- Site Visits; and
- Other Factors, as determined during evaluation review process.

ERS reserves the right to reject any and/or all proposals and/or call for new proposals if ERS deems it to be in the best interests of HealthSelect and its participants. ERS also reserves the right to reject any proposal submitted that does not fully comply with the RFP's instructions and criteria. ERS is under no legal requirement to execute a Contract on the basis of this notice or upon issuance of the RFP or receipt of a Proposal.

### III. Financial Requirements

The PDP is financed on a fully self-funded basis. The Contract to be executed in accordance with this document shall involve no insurance or reinsurance. Although risk sharing between ERS and the PBM may be considered at some point, none is contemplated at this time. The Contract shall be for administrative services, pharmacy network management and credentialing, establishment and maintenance of the formulary used in connection with HealthSelect, rebate administration, drug utilization review (“DUR”), disease management and Medicare Part D Retiree Drug Subsidy administration as described elsewhere in this RFP. The cost of the requirements described in this article shall be recovered by the PBM only by making provision for such expenses in the PBM Price Proposal.

#### A. PBM Financial Strength

- A.1. To be eligible for consideration, the PBM shall have a net worth of at least \$50 million, as demonstrated by a 2006 audited financial statement. To affirm financial capability, the PBM shall submit all documentation as requested in the *Organizational Information*, Article VIII.

#### B. Funding Methodology

- B.1. ERS shall pay the PBM an administrative fee, if any, and shall reimburse pharmacy claims paid by the PBM in accordance with the following: The PBM shall process and pay all claims submitted under the PDP as described herein and in the Contract. PBM shall pay claims through the issuance of drafts or through Electronic Funds Transfer (“EFT”) from the PBM’s account prior to seeking reimbursement from ERS. On the first workday of each week, the PBM shall present a voucher to ERS for all payments made during the previous week. It is expected that within one (1) business day following receipt of the invoice, ERS shall prepare, process and submit the voucher to the Texas State Comptroller for payment. It is anticipated authorization shall be returned from the Comptroller’s office to ERS within four (4) business days. Upon receipt of the Comptroller’s authorization by ERS, payment shall be direct deposited in PBM’s designated financial institution.
- B.2. The PBM shall be responsible for maintaining its own funds sufficient to provide for the costs incurred under the PDP. However, the PBM shall have no risk for the sufficiency of plan contributions. Due to the timing of the reimbursements, the PBM could be required to advance up to two weeks of claim payments before being reimbursed by ERS. It is expected that in the first year of the Contract, two (2) weeks of claim payments shall average approximately \$15 million.
- B.3. In connection with retail pharmacy claims, ERS shall reimburse PBM only for the exact amount paid to the pharmacies and only after PBM has actually paid said claims to pharmacies. The PBM shall be reimbursed for actual payments to pharmacies (i.e., it is not acceptable for the PBM to seek reimbursement from ERS in an amount that is different than the amount PBM paid to the pharmacy). The PBM shall only be reimbursed for paid claims, and shall not be reimbursed for claims that have been processed but not yet paid to pharmacies.
- B.4. As required in Appendix N, *Performance Guarantees*, the PBM for the HealthSelect PDP shall adjudicate 100% of electronically submitted retail pharmacy “clean” claims by remitting the total amount of the claim no later than the twenty-first (21st) calendar day following the date the PBM affirmatively adjudicates the retail pharmacy claim.

#### C. Runoff

- C.1. Following expiration or termination of the Contract for any reason, the PBM shall continue to be responsible for processing and paying claims incurred during the term of the Contract. The cost of such runoff administration shall be reflected in Article VII, *Pharmacy Benefit Manager Price Proposal* section of this RFP.

## **D. Annual Experience Accounting**

D.1. Within ninety (90) calendar days after the end of each Fiscal Year PBM shall:

- Provide an executive review of the utilization and performance of the ERS drug program;
- Provide ERS with an accounting of the PDP financial experience under the Contract to include monthly enrollment, paid claims, administrative fee, if any, rebates/pharmaceutical manufacturers revenue returned to ERS and *Performance Guarantees*; and
- Provide ERS with such other experience data and accounting information, as ERS shall reasonably require.

## **E. Audits**

E.1. Pursuant to §§ 1551.055 and 1551.062 TIC, ERS shall commission an annual audit of the PBM's claims and PDP administration by an independent auditor to determine the adequacy, timeliness, and accuracy of the PBM's procedures and performance for the prior plan year. ERS may, in its discretion conduct other audits of PBM, when and in the manner it deems necessary.

E.2. ERS shall determine the scope of the audit, and the PBM shall fully support the activities of and cooperate in good faith with the auditor. PBM support shall include maintaining readily available data that is accessible electronically as well as through hard copy. PBM shall not designate any "black out" periods of time for any audit conducted on behalf of ERS. Neither ERS nor the Auditor shall reimburse or indemnify the PBM for any cost incurred or adjusted that may arise in connection with or relating to these audits.

E.3. In addition, ERS or any of its duly authorized representatives or designees shall, during the term of the Contract, and until the expiration of seven (7) years after the final payment is made under the Contract, have access to and the right to examine any and all pertinent books, documents, papers and records involving transactions relating to the Contract. In the event there arises any claim, dispute or litigation concerning the Contract, the period of access and examination described above shall continue until the disposition of such claim, dispute, or litigation is final. The Contract has additional requirements regarding audits.

## IV. Communication Requirements

This Article describes the PBM's requirements in communicating with GBP participants and potential participants, agency Benefits Coordinators ("BC"), and ERS staff, as further described in this Article. The PBM shall administer the PDP in a manner consistent with applicable state and federal statutory law, regulations and Rules of ERS and the direction of the ERS Board, its Executive Director, and ERS' staff.

**PBM communication materials designed for HealthSelect participants cannot, and PBM represents and warrants that it shall not, advertise or promote coverage, services, products or materials, other than those relating to the PBM participation in HealthSelect. Prior approval of all communication material design and content shall follow a formal process that requires ERS' documented authorization. In all cases, PBM is not allowed to disseminate materials or information relating to the GBP without prior written ERS approval. The final materials used by PBM must not differ in form or utility from those approved by ERS.**

### A. General Information

- A.1. Costs associated with required communication functions described in this RFP, including start-up costs, may be recovered only by making provision for such costs in the PBM Price Proposal.
- A.2. **PBM Contacts.** No later than the fifteenth (15th) calendar day following Board selection, PBM shall provide to ERS' Communications Manager and the Benefit Contracts Division, a thorough listing of PBM account team contacts assigned to support the PBM Contract. The list shall identify an account "key point of contact" responsible for the coordination and maintenance of the business relationship and continuity pertaining to all business matters in support of the GBP Contractual Agreement.
- A.2.a. The PBM account team contact list should reflect key contact information (office, fax and cell phone numbers, email, and physical mailing addresses) for each PBM account team representative. The PBM shall ensure a smooth transition in the event of a change in PBMs or complete continuity, without exception, of all ERS communication processes and requirements as follows:
- The PBM shall inform the ERS Communications and Benefit Contracts divisions in advance of any planned periods of unavailability by the account team's key point of contact.
  - In any instance where an account team key point of contact is not available to ERS, PBM shall immediately secure, and provide details of alternate coverage sufficient to meet ERS expectations.
- A.3. **PBM Training Requirements.** PBM account team shall be responsible for providing training to ERS staff and to BC explaining plan operations as necessary and at ERS' request. Initially, PBM shall be required to provide a series of training sessions for ERS staff not to exceed fifteen (15) two-hour (2) sessions. Training related to PBM internal operations shall be provided to ERS Customer Benefits and Benefit Contracts staff upon ERS' request. Staff training shall occur randomly throughout the year based on changes to operations or plan design and as ERS determines to be necessary.
- A.3.a. The PBM shall participate in a two (2) hour web cast training on an announced date in late August of each year, to cover any topics as deemed relevant by ERS. The PBM is required to have, at a minimum, a client services participant and a supervisory level trainer available for attendance during the web cast.
- A.4. **Plain Language Requirement.** ERS is requiring PBM to comply with TDI's plain language requirements as outlined in the Texas Administrative Code, Title 28, Part I, Chapter 3, subchapter G § 3.602, and as it may be amended in the future for all communication materials

related to the PDP. Communication to participants in the PDP shall be clear and understandable, using terminology familiar to participants, customized, as required by ERS, to comport with the benefit plan design and approved by ERS prior to dissemination. All printed material shall be available electronically. All PBM GBP communication materials shall meet ADA requirements for accessibility.

- A.4.a. Communication materials include, but are not limited to:
- Appropriate sections of Master Benefit Plan Document Exhibit “C”, Benefits Book, brochures and newsletters;
  - PBM web site;
  - Presentations to Benefits Coordinators and participants;
  - Scripted responses used by customer service representatives;
  - Advertising materials in association with HealthSelect enrollment;
  - Summer Enrollment and Welcome Letters;
  - Explanation of Benefits (“EOB”), order and claim forms;
  - Pharmacy directory, including a specific disclaimer stating that the list of pharmacies is subject to change.
  - Drug formulary, including a specific disclaimer stating that the formulary is subject to change;
  - Participant welcome packets;
  - News releases/Contract signing announcements;
  - Token giveaways for enrollment fairs, events; and
  - News releases, contract award announcements and other GBP-related statements.
- A.5. **Communication Material Management Protocols.** Prior approval of any and all materials shall follow a formal process, and requires ERS’ written approval. The PBM shall provide the material to ERS at least thirty (30) calendar days before approval is required to allow sufficient time for this review and approval process. PBM shall not disseminate material without prior ERS approval or pressure ERS to advance the timeline as provided herein, other than at ERS’ discretion.
- A.5.a. PBM shall provide to an authorized representative of ERS, for ERS’ approval, a template or form letter or other means of standardized communication prior to sending, disseminating or otherwise providing such written or oral communications to any person or entity reasonably connected to or involved in HealthSelect or the GBP. PBM shall regularly review, revise and update, where necessary, all information contained on its web site that relates to or may be utilized by HealthSelect and any of its participants.
- A.6. **PBM Request for Information.** As the PBM for HealthSelect, respondent may receive numerous inquiries from interested third parties relating to HealthSelect and the PBM’s program administration. PBM shall notify the ERS Benefit Contracts Division immediately in writing of any such inquiries. Any response or material responding to such an inquiry shall be submitted to ERS for approval prior to its dissemination by PBM. The Contract contains additional requirements in this regard.
- A.7. **Quality Control.** The PBM shall ensure that all materials submitted to ERS will reflect quality production, accuracy, timeliness, and thorough review. All GBP-approved benefit and legal documents, required reports (to include all *ad hoc* reports), and dated materials shall at the minimum, but not limited to, reflect the following criteria: appropriate Plan Year, accurate data related exclusively to the GBP, unless otherwise specified by ERS, and contain GBP-specific language. All such materials shall be provided within the required time lines as directed by ERS staff and/or it’s consultants and may not be released to outside sources without prior ERS consent. The PBM’s failure to adhere to quality production standards may result in ERS levying performance assessments.

- A.8. **Dissemination of Communication Materials.** Communication materials may be considered “published” when a final electronic copy is delivered to ERS or is accessible on the PBM’s Web site. However, the PBM shall respond to all participant requests for mailed materials within five (5) business days following a participant’s request.

As appropriate, certain materials shall also be available in printed copies including, but not limited to:

- Prescription drug formulary;
- Pharmacy directory;
- EOB, order, and claim forms; and
- Benefit plan description.

- A.8.a. The PBM shall mail, at its expense, printed copies of any of the above materials at the request of an individual participant. The PBM shall mail, at its expense, to agencies and institutions and ERS a supply of materials equal to five (5) percent of the employer’s workforce. For example, an institution with five hundred (500) employees would receive a printed supply of twenty-five (25) copies. This equals about 12,500 printed copies in total for all participants.

## **B. Benefits Coordinator Conference and Summer Enrollment Fairs**

- B.1. **GBP Primary Contacts.** The primary contact for actively employed GBP participants is through a BC who is a staff member of an individual agency or higher education institution. There are approximately 226 agencies of the state and institutions of higher education. Currently the BC’s primary responsibilities include program information distribution, enrollment and change activity, payroll interface, and reconciliation.

- B.2. **Benefits Coordinator Conference.** Training for BCs shall be provided at an annual conference which may include a presentation by the PBM. The PBM shall staff a booth providing approved communication materials and individualized customer service as necessary. PBM shall provide a minimum of two (2) representatives to participate for a five (5) day period during this event, which is generally held in July of each year prior to the Summer Enrollment period. PBM acknowledges and accepts that additional obligations and enhancements to this requirement may become necessary should benefit plan changes warrant and as expressed by ERS. Preparations for the conference and the upcoming SE period will be discussed at an ERS meeting that PBM shall be required to attend.

- B.3. **Summer Enrollment Fairs.** During the annual SE period, ERS hosts approximately fifty (50) enrollment fairs/meetings throughout the state of Texas, the majority of which are located in Austin, Texas. These fairs are voluntary for employees and retirees. Should PBM be awarded this contract, two (2) representatives from the PBM’s organization who have knowledge of the products to be offered to HealthSelect participants shall be required to attend each fair and provide representation at a PBM booth to offer approved communication materials and individualized customer service as necessary. ERS’ Communications Manager shall designate those fairs for which PBM’s attendance shall be waived. PBM acknowledges and accepts that additional obligations and enhancements to this requirement may become necessary should benefit plan changes warrant and as expressed by ERS.

## **C. Communication Materials**

- C.1. **Printed and Web-Accessed Materials.** Sample copies of all proposed communication materials, including the pharmacy directory, drug formulary, EOB/order/ and claim forms, brochures, member communication and general information pieces, and consumer-targeted educational materials (in both print and electronic format), along with draft copies of the web site screenshots as outlined in Sections C.6.a-c. of this Article; shall be included in one packet of materials in response to this RFP. Any cost for these forms should be included as a part of the PBM’s proposed fees. ERS shall retain the right to change or modify such material to accommodate ERS’ specific needs.

- C.1.a. PBM shall provide web-based member decision support tools. These tools shall include at least the following: formulary search capabilities, online drug pricing to allow for price comparison by participant, copays, and coinsurance calculator, and member cost-share savings opportunities.
- C.2. **HealthSelect MBPD Exhibit “C” and Benefits Book.** The PBM shall provide to the HealthSelect administrator and the ERS Benefit Contracts Division:
- C.2.a. Language needed for Exhibit “C” (included as Appendix A.1. of the RFP) to the Master Benefit Plan Document (included as Appendix A of the RFP) and the *Prescription Drug Program*, Section V of the Benefits Book (Appendix B of the RFP) shall be provided to ERS within forty-five (45) calendar days following PBM’s selection by the ERS Board.
- C.2.b. Information to be included in HealthSelect benefits materials as needed within fifteen (15) business days of an information request. This information includes explanations of the prescription drug program for:
- HealthSelect Benefits Books;
  - *Ad hoc* publications; and
  - Newsletters.
- NOTE: In subsequent years, the PBM is required to provide Master Benefit Plan Documents and HealthSelect Benefits Book and/or its amendments within thirty (30) calendar days of ERS’ request.**
- C.3. **Participant Communication Materials.**
- C.3.a. **Existing PBM.** PBM shall produce a SE letter announcing any plan changes from the previous year to be mailed to the current HealthSelect membership one week prior to the onset of SE. New enrollment packets shall be required throughout all plan years for new hires.
- C.3.b. **Selected PBM.** PBM packets shall be produced for FY 2009 by the selected PBM and mailed to approximately 255,000 HealthSelect participants during SE. New enrollment packets shall be mailed by PBM throughout all plan years to new hires. A proposed sample of a PBM packet used to identify the selected PBM to HealthSelect participants shall be included in PBM’s response to this RFP. This packet should contain, but not be limited to the following materials:
- Welcome letter;
  - Brochure that provides the GBP benefit plan description;
  - GBP Prescription drug formulary;
  - Pharmacy directory;
  - Mail service/claim forms;
  - EOB form; and
  - PBM Health Assessment form.
- C.4. **Summer Enrollment Welcome Letter.** This communication piece should contain information about the PBM, how to access information and forms through the web, including customer service address, phone numbers, and hours of operation. The PBM’s SE Welcome Letter should be available during the BC conference and for use during SE. The letter should specifically contain information explaining to participants the use of a single HealthSelect ID card, which will include the participant’s prescription drug benefit information.
- C.5. The PBM shall create a customized GBP-specific Health Assessment form utilizing the Disease Management categories referenced in Article VI.H. for use by GBP participants and include the proposed draft version in the communication materials submitted with the PBM’s response.
- C.6. **PBM Web site.** The PBM web site shall be in final form and linked as required by ERS no later than the first business day of June 2008.

- C.6.a. The PBM web site should provide real-time data related to the pharmacy network and drug formulary. Participants should be able to get the same information using the web site as they would if they were to contact a PBM customer service representative.
- C.6.b. PBM shall submit an electronic draft copy of all screen shots on a CD-ROM of PBM's proposed GBP-specific web site as described below in Section C.6.c. (PDF documents will not be accepted).
- C.6.c. The web site shall provide self-service transactions for GBP participants to include the ability to:
- Easily access the formulary, research which drugs are in the formulary and what the member and plan costs are for those drugs, throughout the entire Plan Year during the Contract term;
  - Locate a retail pharmacy based on specific geographic requirements;
  - Order prescriptions on-line and to track the status of a mail-order prescription;
  - See and print an annual summary of out-of-pocket expenses for prescription drugs, both retail and mail, suitable for submission to the Internal Revenue Service for income tax purposes and to the flexible benefits administrator for Section 125 claims;
  - Lodge a service complaint, and escalate unresolved complaints and to request a telephone call back within 24 hours;
  - Communicate with customer service representatives using live chat;
  - Search the full web site using a key word and/or phrase; and
  - Each web page should have a "return to home" button, which returns the viewer to the ERS HealthSelect PDP Home page.
- C.7. **PBM Web site Technical Specifications.** Providing information to state and higher education employees, retirees and their dependents is ERS' primary focus in its web page design. PBM shall adhere to all web site access, format, content, and technical requirements outlined in both the Americans with Disabilities Act ("ADA"), and Section 508 of the Rehabilitation Act in order to accommodate the needs of all individuals accessing GBP information.
- C.7.a. **Accessibility.** PBM shall comply with Section 508 accessibility standards. Section 508 requires that when state agencies develop, procure, maintain, or use electronic and information technology, they shall ensure that its information technology allows state employees and members of the public with disabilities to have access to and use of information and data that is comparable to the access to and use of information and data by state employees and members of the public who are not individuals with disabilities, unless an undue burden would be imposed on the state agency. In other words, all visitors to the ERS web site should get a full and complete understanding of the information contained on the site, as well as the full and complete ability to interact with the site. Exceptions to this rule are only acceptable on a case-by-case basis and must be prior approved by ERS.
- C.7.b. In addition to ADA and Section 508 requirements, PBM shall adhere to the following web site guidelines:
- PBM's web page must be compatible with a wide spectrum of web browsers, including, but not limited to: Microsoft Internet Explorer IE 6 SP 1 ("Service Pack"), Netscape 7.0, WebTV, and Mozilla Firefox 2.0, Safari 1.2;
  - If providing a PDF document, assure ADA and Section 508 compliance;
  - Warn user if "cookies" are used; however, do not use permanent "cookies";
  - When linking to an external file (i.e., PDF, Word, etc...), reflect the file size and type;
  - List security and privacy policies on the PBM's GBP-specific Home page;
  - Reflect the ERS logo or appropriate branding on the PBM's GBP-specific Home page as specified by ERS for each plan year;
  - Create text for all links used that makes sense when read out of context. For example, avoid "click here";
  - Each page of the PBM's web site must have a link back to the GBP-specific HealthSelect PDP Home page; and

- A link to prescription drug mail service or a process whereby participants can order drugs over PBM's web site linked through ERS' web site.

C.7.c. To validate PBM's Section 508 compliance, PBM shall provide a report in responding to this RFP evidencing its organization's Section 508, Level 1, compliance.

## V. Operational Specifications

This Article describes operational specifications, including administrative requirements and functions, customer service, data processing interface requirements and the statistical reporting requirements as mandated by ERS. The PBM shall administer the HealthSelect PDP in a manner consistent with all applicable state and federal laws and regulations, as well as ERS' administrative rules and the direction of the ERS Board, its Executive Director, and ERS staff. The cost of the requirements described in this article shall be recovered by the PBM only by making provision for such expenses in the PBM Price Proposal.

Following the ERS Board's selection of a PBM, the PBM shall submit its "group number" and a list of lead contacts to both ERS Communications and Benefit Contracts divisions no later than fifteen (15) calendar days following Board selection. The PBM agrees that it shall cooperate with ERS and be flexible in working with ERS to ensure a smooth program implementation.

The PBM is required to administer the PDP consistent with and in support of the directions of the Board, Executive Director, and the staff of ERS. Through their respective sections, ERS Benefit Contracts, Benefit Operations, and Customer Benefits divisions provide administrative support in the areas described below. A copy of the ERS organizational chart for these divisions is attached hereto as Appendix G.

### A. ERS Background Information

#### A.1. Benefit Operations Division

A.1.a. Using forms designed and developed by ERS, the Benefit Operations Division's Eligibility and Enrollment Section maintains all membership information for participants in the PDP. The Eligibility and Enrollment Section administers the enrollment and eligibility functions in accordance with Chapter 1551, Tex. Ins. Code, and ERS Trustees Rules. Enrollment is reported weekly to the PBM via FTP. Oral verification of a HealthSelect participant's coverage by an authorized representative of ERS or verification through utilization of electronic access of ERS OnLine shall be accepted by the PBM prior to receipt of ERS' weekly enrollment information.

A.1.b. Benefit Operations also functions as the Benefits Coordinator for ERS retirees who participate in HealthSelect.

A.1.c. The Direct Pay Unit of this section enrolls, bills, and coordinates functions for those individuals who pay premiums directly to ERS (primarily COBRA participants), as well as surviving dependents and Optional Retirement Program retirees who participate in HealthSelect.

#### A.2. Benefit Contracts Division

A.2.a. The Contract Development Section conducts research, prepares Requests for Proposals, reviews the proposals, makes recommendations to the Board of Trustees, implements coverage plans, and manages the grievance process.

A.2.b. The Contract Compliance Section verifies all payments to the TPA and the PBM, acts as the coordinator and researches plan coverages related to complaints and appeals, conducts audits of vendors, coordinates the activities of all health and welfare vendors participating in the GBP and monitors vendor operations for statutory, regulatory, Board Rules, and Contract compliance.

A.2.c. The Underwriting Section monitors GBP plan data; performs statistical analyses, and manages reporting needs related to the GBP.

### A.3. **Customer Benefits Division**

- A.3.a. The Customer Relations Section assists participants, Benefits Coordinators, and PBM representatives with enrollment and eligibility issues and in verifying coverage.
- A.3.b. The Communications and Training Section produces and distributes information regarding ERS programs for employees, retirees, and benefits coordinators, via web and print publications. Staff also conducts presentations, fairs, web casts, training sessions, and other events for employees, retirees, and benefits coordinators.

## **B. PBM Operational Requirements**

### B.1. **Account Management**

- B.1.a. The PBM shall provide an Account Executive Team and make staffing adjustments, as required by, and acceptable to, ERS. An ERS Account Executive Team shall be established in Austin, Texas no later than fifteen (15) calendar days, following Board selection, and be available Monday through Friday from 8:00 a.m. to 6:00 p.m., Central Time, excluding national holidays.
- B.1.b. The PBM will provide a minimum of four (4) per fiscal year face-to-face Account Executive reviews to ERS on the utilization and performance of the PDP. The reviews will include cost saving recommendations.
- B.1.c. ERS strongly believes that the account service relationship is the critical link in developing and maintaining a strong working relationship dedicated towards the achievement of plan objectives. As such, the PBM shall be committed to providing ERS with service attention that is at the highest levels in the industry, and fully consistent with ERS' expectations. ERS shall define the criteria for measurement and evaluation of service performance.
- B.1.d. The PBM shall notify the Director of Benefit Contracts, in writing no less than thirty (30) calendar days prior to anticipated major changes to its networks, the formulary, pharmacy reimbursement, or other areas likely to impact the PDP. PBM must receive prior written approval from ERS' authorized representative prior to making any changes as addressed in this section.
- B.1.e. The PBM shall notify ERS' Benefit Contracts Division in writing, thirty (30) calendar days prior to implementing material changes in policies, business, and key personnel connected with the ERS account.
- B.1.f. The PBM's pharmaceutical experts shall advise and consult with ERS at least monthly regarding coverage of newly approved drug therapies and generics when going off patent, which could have a substantial cost impact on the HealthSelect Plan.
- B.1.g. The PBM shall provide general administrative, legal and statistical support to assist ERS in the operation of the PDP.
- B.1.h. The PBM shall provide ERS with priority positioning for delivery of *ad hoc* system service requests and/or issue resolutions. As reflected in Article VIII, *Organizational Information* Section A.15., the PBM shall designate a Technical Consultant ("TC") to lead the management of all technical issues, including, but not limited to system service requests. The TC shall ensure that all ERS system requests and issues are thoroughly analyzed and given priority positioning to ensure prompt resolution. The PBM shall provide competent, focused attention to ERS' system requests/issues. The PBM shall use its best efforts to implement all ERS system requests and to correct all ERS system issues within thirty (30) calendar days or sooner from receipt of ERS' written notification to the PBM of the request/issue. ERS shall fully supply any and all information reasonably necessary for the PBM to complete the requested services as outlined herein. If a thirty (30) calendar day resolution is not reasonably possible, then the PBM shall provide ERS with a written plan for implementation, to include a timeline

for resolution within five (5) business days from receipt of the PBM's written notification as noted above.

B.1.i An example of a system issue includes, but is not limited to:

Eligibility and/or Benefit modifications shall be reviewed, responded to, and approved by the PBM within fifteen (15) business days of such request. If changes to the modifications are required, the PBM shall notify ERS and set up weekly updates until ERS agrees that the modifications meet ERS' operating requirements. After eligibility and/or benefit modifications have been mutually agreed to, the PBM shall complete the eligibility and/or benefit project, including required testing within forty-five (45) calendar days from ERS' approval.

B.2. **Data Processing Interface**

B.2.a. Enrollment/Eligibility: ERS is responsible for determining the eligibility of participants in the PDP and HealthSelect and for reporting coverage. ERS provides a 100% Weekly Enrollment Interface File via FTP. The PBM's corresponding enrollment records shall be updated within twenty-four (24) hours of receipt of the FTP file to reflect any adjustments based on the data provided by ERS inclusive of terminations reported in arrears as required in Appendix N, *Performance Guarantees*.

HealthSelect participants are responsible for their own SE choices. The participants' selections shall be processed and reported to the PBM in ERS OnLine format in the 100% Weekly Enrollment Interface file. The PBM shall implement automated enrollment (i.e., via telephone and Internet) and accept enrollment via verbal instruction from an ERS authorized representative to allow the participant immediate access to benefits. The PBM shall adjust appropriate information in its enrollment system immediately upon receiving updated participant eligibility information from an ERS representative. The PBM is required to accept enrollment via FTP on a daily basis and, therefore, shall be capable of accepting enrollment via FTP. Enhancements for future plan years during the initial term of the Contract are likely to require the PBM to accept enrollment on a real-time basis.

ERS also provides the PBM with the opportunity to view ERS' enrollment system through Web access. ERS shall determine the appropriate security and encryption to be used in the delivery of data to the PBM. The PBM is required to utilize the enrollment information to assist in the verification of coverage. The PBM shall be prepared to access ERS OnLine via Web access ten (10) business days prior to the start of SE. The PBM shall provide Customer Service staff proficient with the ERS OnLine system during all ERS designated customer service hours. The PBM shall expend the necessary funds to provide electronic access to ERS' enrollment system by all departments involved in customer service, claims adjudication, and eligibility and enrollment administration.

ERS shall report future effective dates for changes during SE. The PBM shall be required to accept data via FTP, and shall be prepared to accept reporting of future effective dates by June 1st of each plan year.

For the purpose of responding to this RFP, the PBM shall recover any costs involved in the adaptation of its system requirements to those set forth by ERS only through the PBM Price Proposal.

The file layouts that ERS uses to report to the PBM on a weekly and monthly basis are included as Appendix H.

### B.3. **Customer Service**

B.3.a. The PBM shall provide all services specified in this RFP, including, but not limited to the following:

- The establishment and staffing for one (1) customer service unit dedicated exclusively to ERS' PDP. The unit shall be staffed to handle the PDP-related benefit questions, resolution of complaints, program clarification, and to assist in pharmacy selections. The PBM's customer service hours shall be, at a minimum, seven (7) days per week from 7:00 a.m. to 7:00 p.m., Central Time.
- The PBM shall designate at least two (2) PBM customer service employees whose first and primary responsibilities shall be to respond to and resolve, within a reasonable timeframe determined by ERS, HealthSelect-related customer service needs. ERS and the PBM shall jointly monitor and adjust staffing levels to ERS' sole satisfaction as work and service requirements demand. The PBM warrants and represents that it shall provide thorough training of additional team members in support of the HealthSelect PDP. Any training deficiencies noted by ERS shall be immediately rectified by PBM to ERS' satisfaction.
- The PBM shall dedicate additional staff members as needed to update HealthSelect-related records and accounts and to provide additional help for the PBM customer service team during and following ERS SE.
- The establishment of toll free lines (telephone and facsimile) and appropriate customer service staff shall be adequate at a minimum to maintain *Performance Guarantees* for average speed to answer, abandonment rate and blockage rate as referenced in the Appendix N of the RFP. Customer Service call centers shall be located within the United States, preferably in the state of Texas. No out-of-country call centers shall be allowed.
- The PBM shall make available to ERS staff the ability to listen to and monitor calls to and from the PBM call center(s).
- The PBM shall conduct an ongoing quality assurance review to be monitored via periodic participant surveys and other reporting mechanisms.
- The PBM shall provide an ongoing review of complaints received from participants and providers and respond as necessary and appropriate, monitor the denials of benefits made under the utilization management program to maintain the appropriateness of the program, and provide information about the utilization management program to ERS as requested.
- The PBM shall use commercially reasonable efforts to personally contact and notify a HealthSelect participant immediately when such participant's mail service prescription is not filled for any reason. The PBM further agrees to contact a HealthSelect participant immediately if it is determined that a medication the participant ordered has been discontinued or is out-of-stock at the PBM's mail service facility, and to provide the anticipated time to dispense the medication is more than seven (7) calendar days. In such case, the PBM shall contact the participant's health care provider to obtain the provider's approval for dispensing an alternative medication. The PBM warrants and represents that it has in place a tested and proven process to enable the PBM to immediately contact the HealthSelect participant and inform the participant of the provider's determination.
- The PBM shall provide receipts for medications obtained by HealthSelect participants by mail service. Such receipts shall include the name of the drug dispensed, the prescribing physicians name, the date dispensed, the amount paid by the health plan for the drug and the amount of the copayment reflecting the application of the annual deductible (if applicable).

- In the event ERS elects a Brand-to-Brand mail service interchange program and a substitution is not rejected by a health care provider when filling a mail service prescription for a participant, a substitution may be made, at the discretion of the PBM, in accordance with licensed pharmacy practice.

B.4. **Claims Processing:** To assist the PBM in verifying enrollment, ERS provides online access to its enrollment system, via ERS OnLine. Online access provides the PBM with access to enrollment and aids the PBM in researching and resolving discrepancies in coverage.

B.4.a. The PBM shall administer and process all claims functions required for the PDP. The PBM shall process and administer all eligible PDP claims incurred in connection with prescriptions dispensed on and after September 1, 2008, and throughout the term of the Contract. The PBM selected in accordance with this RFP shall have no responsibility under this Contract for the administration of claims incurred prior to the effective date of this Contract. General requirements for claims processing include the following:

- The PBM shall review claims for eligibility under the PDP.
- The PBM shall process HealthSelect participants' submitted non-network claims. Each claim payment shall include an EOB.
- PDP claims filed by HealthSelect participants shall be processed within five (5) calendar days of submission to the PBM unless additional information and/or investigation are required.

B.4.b. In the event the PBM issues excess payments or payments for ineligible claims or participants, it shall:

- Take all steps necessary to recover the overpayment, including recoupment from participants, pharmacies or subsequent claims payments.
- Assume 100% liability for overpayments, which result from errors attributable to the PBM in whole or in part.
- Within ninety (90) calendar days following identification of a PBM's error, in whole or in part, PBM shall return to ERS all overpayments regardless of recovery status.
- Refrain from initiating litigation to recover such overpayment unless authorized by ERS.
- Reimburse ERS for any Covered Drug dispensed to a former HealthSelect participant reported by ERS as no longer a plan participant, if such notification is received by PBM at least two (2) full business days prior to the dispensing date of such prescription.

B.4.c. The PBM shall process and pay PDP claims using its own funds first before seeking reimbursement from ERS. The required reimbursement methodology is described in Article III, *Financial Requirements* under Section B, *Funding Methodology* and in the Contract.

B.4.d. The PBM shall provide legal services and litigation support. Legal services and litigation support include, but are not limited to the PBM assisting and supporting ERS in administrative hearings and providing its own legal representation in administrative hearings and lawsuits when appropriate. PBM shall coordinate its legal services and legal support with the ERS Legal Services division.

B.4.e. **Subrogation.** Subrogation may apply when another party (person or organization) is or may be considered responsible for payment resulting from a participant's injury or sickness for which benefits under PDP shall be or have been provided. The PBM shall provide subrogation services, which shall include, but not be limited to investigating claims to determine potential third-party liability, contacting participants to obtain information related to third-party liability, initiating demands and filing liens to protect the HealthSelect PDP's interests, initiating or intervening in litigation when necessary, and employing or retaining legal counsel for such purposes.

The PBM shall be responsible for costs associated with subrogation activities and litigation. The PBM's provision for such costs should be included in the PBM Price Proposal.

B.4.f. The PBM shall use a comprehensive plan, including automated systems, to prevent and detect fraud and misuse of the program, overpayments, wrongful or incorrect payments, falsification of eligibility, verification of enrollment and unnecessary and/or wrongful drug prescribing practices and abuses. The PBM shall comply with all applicable state and federal laws and regulations and shall also comply with all ERS policies, and is encouraged to develop additional safeguards as allowed by law. The PBM understands that ERS may develop further policies in connection with the detection and prevention of fraud or abuse. The PBM shall also conduct thorough, diligent, and timely investigations with regard to fraudulent and suspicious claims, and report all such suspicious claims to ERS' Benefit Contracts division. The Contract contains additional anti-fraud and abuse requirements. Examples of practices for preventing and detecting pharmacy fraud and abuse include, but are not limited to:

- Enhancing prospective drug utilization review to prevent waste;
- Using technology at the point of sale to prevent abuse and errors;
- Using data and education to change provider prescribing behavior;
- Limiting the supply of medications a patient can receive from the pharmacy; and
- Auditing claims data to profile both providers and clients.

B.4.g. The PBM shall maintain a complete and accurate claims reporting system, and provide for the retention, maintenance, and storage of all payment records with provision for appropriate reporting to ERS. The PBM shall maintain all such records throughout the term of the Contract, and for at least seven (7) years following the end of the Contract, and shall make such records accessible and available to ERS for inspection and audit upon ERS' request. In the event the PBM is scheduled to destroy payment records, the PBM shall contact ERS for approval prior to the destruction of the payment records. If ERS approves destruction, verification of the destroyed records shall be required at ERS' direction.

#### B.5. **PDP Reporting**

B.5.a. The PBM shall submit to ERS' consulting actuary on a monthly basis, via FTP, all claims (retail, mail, and participant-submitted) processed during the previous calendar month. This data shall be used by ERS' consulting actuary to analyze claims experience and reconcile the weekly invoices. Notwithstanding the foregoing, ERS shall at all times have online access to such information at no additional charge. The detailed claims file shall include at least the following information for each claim record:

- Service Date;
- National Drug Code;
- Drug Name;
- Drug Type Indicator (single source, multi-source, generic);
- Quantity;
- Days Supply;
- Maintenance Drug Indicator;
- Formulary Drug Indicator;
- Adjustment Code (original claim, adjustment, etc.);
- Dispense as Written Code;
- Subscriber Social Security Number;
- Patient Social Security Number;
- Patient Relationship Code;
- Pharmacy Number (NCPDP);
- Pharmacy Name;
- Date Pharmacy Paid;
- Average Wholesale Price (AWP);
- Ingredient Cost;
- Dispensing Fee;
- Member Pay the Difference Amount;
- Deductible Amount;
- Participant Copayment;
- Plan Payment;
- Pharmacy's Usual and Customary Charge;

- Pricing Formula used to Determine Ingredient Cost (AWP formula, MAC, usual and customary charge, etc.);
- Participant RDS Eligibility Indicator; and
- Drug RDS Eligibility Indicator.

B.5.b. The PBM shall notify ERS' Benefit Contracts Division of all GBP-identified issues in connection with reports and/or audit findings, and provide supporting documentation for all such reports.

B.5.c. The PBM shall provide online access to statistical information associated with the PDP. The information will include current fiscal year information and the full twelve (12) months of the previous fiscal year. Examples of statistical analyses as may be periodically requested by ERS include, but are not limited to:

- Top 100 Drugs by expenditure;
- High Utilization Reports;
- Executive Management Summary; and
- Separation of experience by Mail and Retail.

B.5.d. Additionally, the PBM shall provide a prescription drug data base with search capabilities, and provide any related training necessary as requested by ERS staff. All necessary software, hardware, and system access shall be furnished by the PBM at no additional cost to ERS.

B.5.e. The PBM shall provide certain reports that are required to administer a self-funded plan including, but not limited to IRS Form 1099.

B.5.f. **Reporting**

B.5.f.1. ERS retains a consulting actuary on insurance matters. The consulting actuary assists and advises the ERS staff on benefit plan design, proposal review, and PBM Price Proposal analysis. ERS staff or the consulting actuary may, from time to time, request the PBM to provide additional information specific to HealthSelect. The PBM shall cooperate with and act in good faith in working with ERS and/or the consulting actuary and shall be prepared to respond to these requests promptly. In that regard, or for other PDP purposes, from time to time ERS may, on an *ad hoc* basis, request that the PBM prepare customized reports on a timely basis at no additional cost to ERS.

B.5.f.2. **Administrative Reporting Requirements**

ERS shall utilize information reported by the PBM to proactively monitor trends and to identify/address variances on targeted PBM performance requirements. ERS shall specify the reporting timelines, quality standards and formats. Some formats shall include a column indicating a performance standard for the item being reported, that ERS shall use as a benchmark to monitor compliance and to analyze the reported statistics. A sample of the minimum required reporting is referenced in Appendix F. Reporting requirements shall include, but not be limited to the following:

- Performance Guarantees;
- Customer Service Standards;
- Utilization and Experience History;
- Statistical information (i.e., Lag Report); and
- Ad Hoc Reports at ERS' Request.

Reports shall vary in frequency and scope based on ERS' designation after selection of the PBM and execution of the Contract as reflected herein. However, all reports provided by the PBM shall reflect quality production with attention to detail, accurate data, and meet additional requirements as specified by ERS. Costs associated with reporting shall be included in the PBM's Price Proposal.

**C. PBM Coordination with Other GBP Vendors.** The PBM shall coordinate with all other GBP vendors as required by ERS, including, but not limited to:

C.1. The PBM shall work with the HealthSelect health plan TPA to include the appropriate pharmacy copayments and pharmacy benefit manager logos on the HealthSelect ID cards prior to the TPA mailing ID cards to participants.

C.1.a. The PBM shall coordinate with the HealthSelect health plan TPA to exchange patient health care information and to educate network physicians and pharmacies only as necessary to administer prescription drug dispensing and usage needs.

C.1.b. **TexFlex:** TexFlex is an Internal Revenue Code Section 125 cafeteria plan that allows participants to establish healthcare reimbursement accounts and to pay certain unreimbursed charges with pre-tax funds. The selected PBM shall have the capability to have an electronic interface function in place (transmit and receive eligibility/claims data) as appropriate, with the TexFlex administrator to allow adjudication of pharmacy claims automatically on a real-time basis. As required in Appendix N, *Performance Guarantees*, this capability shall be established no later than August 1, 2008.

**D. Other Administrative Requirements**

**D.1. Site Visits**

At ERS' discretion, ERS may conduct site visits. Site visits are at ERS' expense unless necessitated by vendor error or perceived contract breach. The PBM may be asked to assist ERS staff with travel and lodging arrangements that shall be in compliance with state of Texas travel guidelines.

## VI. Benefits, Network, and Program Requirements

ERS designs and manages the PDP. ERS is conducting this RFP process to obtain the desired high-quality services at the best possible economic value, not to redesign operational aspects of the PDP. Therefore, ERS requires that the selected PBM replicate the benefits and program requirements presented in this article.

The PBM shall administer the PDP benefits presented in Appendices A and B. No deviations from these required benefits shall be allowed. The PDP also provides coverage for prescriptions filled by pharmacies that do not participate in the pharmacy network. Participants who use non-network pharmacies submit a claim for benefits at non-network levels. The PBM shall be capable of administering this facet of the program. The cost of the requirements described in this article shall be recovered by the PBM only by making provision for such expenses in the PBM Price Proposal.

### A. Retail Pharmacy Network

A.1. **Current Retail Network.** HealthSelect is a statewide POS plan with employees widely dispersed throughout the state in both urban and rural locations. In addition, some participants reside outside of Texas and the United States. The current pharmacy network has been designed with this characteristic in mind and with the express intent of providing a wide choice between independent and chain pharmacies. The current pharmacy network directory is reflected in Appendix I.

A.2. **Proposed Retail Network. To be eligible for selection, a PBM must commit to maintaining the current HealthSelect retail pharmacy network.** Preferably, the PBM shall already have contracts with most of the network pharmacies at the time of submission of its Proposal; however, the selected PBM must commit, to the greatest extent possible, to contract with the current network pharmacies by no later than March 31, 2008, so that the resulting HealthSelect PDP network is comparable to the current network.

A.2.a. **Alternative Retail Pharmacy Network.** ERS is interested in the PBM's most cost effective network that shall provide adequate access for HealthSelect participants across the state and United States, and may, therefore, consider alternative retail pharmacy networks utilizing contracts with lower reimbursement rates than presently in effect. ERS recognizes that lower reimbursement rates could result in a contraction of the network. For purposes of evaluating network adequacy, ERS will consider adequate access to equal one network pharmacy within five (5) miles of a participant's residence. In the alternative network, the PBM shall provide a retail pharmacy network that satisfies this access standard for 80% of the HealthSelect members. PBMs interested in providing alternative retail networks shall complete a separate Table #2 in Appendix O for up to two (2) networks each representing a more cost effective alternative to the current HealthSelect PDP retail network.

B. **Retail Pharmacy Reimbursement.** The PBM shall reimburse retail network pharmacies based on an amount determined as the lesser of (i) the pharmacy's usual and customary price ("U&C") or (ii) the sum of (a) ingredient cost, plus (b) dispensing fee. The payment to the pharmacy shall be equal to the amount determined above less (a) retail copayment, less (b) retail maintenance fee, if applicable, and/or less (c) the deductible, if applicable.

B.1. The retail maintenance fee is an amount paid by the member, in addition to the copayment, for maintenance medications purchased at retail pharmacies. The retail maintenance fee is \$5 for a Tier 1 drug, \$10 for a Tier 2 drug and \$15 for a Tier 3 drug. Additional information regarding the PDP benefit plan is included in Appendix B of the RFP.

B.1.a. The PDP deductible applies to both retail and mail service pharmacies. The deductible is applied prior to the application of the copayment.

B.2. **Retail Copayment:** The PBM shall ensure that the retail pharmacy charges the participant the lesser of (a) the pharmacy's U&C price (b) the ingredient cost plus the dispensing fee or (c) the copayment plus the retail maintenance fee, if applicable. For any prescription for which the participant payment is limited to (a) or (b) above, there shall be no additional charge to the HealthSelect PDP.

C. **Mail Service.** The selected PBM shall at a minimum, be capable of providing mail services to meet the needs of over 500,000 HealthSelect PDP participants.

C.1. The PDP has a mail service option that allows the participant to obtain a ninety (90) day supply of most covered drugs for one mail service copayment, which is equal to three times the retail copayment. Participants may also purchase up to a thirty (30) day supply of covered drugs at mail service for one (1) retail copayment or a 31-60 day supply for two (2) retail copayments. To be eligible for consideration, a PBM shall provide access to at least one (1) mail service facility at no additional cost to the State, HealthSelect and the GBP or its participants (cost shall be included in the PBM's Price Proposal). The mail service facility shall be located within the continental United States.

C.1.a. Currently, ERS reimburses the PBM for covered drugs dispensed by mail service based on an amount equal to (a) ingredient cost plus (b) dispensing fee less (c) mail service copayment and/or the deductible, if applicable.

The PBM shall submit its proposed mail service reimbursement levels in the *Pharmacy Benefit Manager Price Proposal*, Article VII.

C.2. **Mail Service Copayment:** If the amount of the applicable copayment for a mail service prescription exceeds the applicable ingredient cost plus dispensing fee, if any, the PBM shall return to the participant an amount equal to the copayment less the sum of the applicable ingredient cost plus dispensing fee, if any. The mail service pricing formula shall include the following services:

- Properly licensed pharmacists in good standing to oversee filling of prescriptions;
- Handling and postage expense of mail service prescriptions, including special handling requirements for temperature-sensitive medications;
- Braille labels on prescriptions for visually impaired participants;
- Drug Information Leaflet with each new prescription;
- Access to the PBM's "Drug Information Service";
- Receipts for medications obtained by participants by mail service with the name of the drug dispensed, the date it was dispensed, the amount paid by the plan for the drug over and above the copayment, and the amount of the copayment;
- Easy-open lids upon request; and
- Cold pack shipping when necessary.

D. **Average Wholesale Price ("AWP").** The term used for any one of the recognized published averages of the prices charged by wholesalers in the United States for the drug products they sell to a Pharmacy.

D.1. The current source for AWP is the National Drug Data File ("NDDF") from First DataBank ("FDB "). The PBM shall use this source to determine ingredient cost for retail, mail and specialty pharmacy reimbursement.

D.2. ERS reserves the right to utilize any pricing index it believes to be in the best interests of the HealthSelect PDP throughout the term of the Contractual Agreement.

D.3. The PBM is required to enter into good faith negotiations with ERS prior to the time that FDB AWP is replaced with the "sustainable benchmark for drug reimbursement" as called for in the proposed FDB/Medi-Span Settlement. Such negotiations shall, to the greatest extent possible, achieve a timely and cost neutral transition from FDB AWP to the new index.

## **E. Formulary**

- E.1. The PDP has a three-tier incentive formulary. The categories of drugs covered under the current formulary are presented in Appendix K. **To be eligible for selection, the PBM shall have a viable formulary covering each of the categories listed in Appendix K. The PBM's Proposal shall include the specific formulary that the PBM intends to offer for HealthSelect participants.** During the term of the Contract, the PBM shall not make changes to nor implement a new formulary for the PDP without the express approval of ERS.

## **F. Therapeutic Substitution**

- F.1. ERS does not allow the PBM to initiate therapeutic substitution under either the retail or mail program. However, ERS at its discretion may implement such a program.

## **G. Drug Utilization Review**

- G.1. The PBM shall provide comprehensive drug utilization review that meets or exceeds the standards set forth in the Omnibus Budget Reconciliation Act of 1990 (P. L. 101-508) ("OBRA"). The PBM shall provide concurrent (point-of-sale) DUR as well as retrospective DUR. The cost for such program shall be included in the Price Proposal.

## **H. Disease Management**

- H.1. The PBM shall provide Disease Management Programs on behalf of HealthSelect participants in order to provide additional cost containment in the PDP. The cost for such programs shall be included in the PBM Price Proposal. The Disease Management Programs currently in place in the PDP are listed below.
- Respiratory Program;
  - Diabetes Program;
  - Cardiovascular Program;
  - Digestive Health Program;
  - Hepatitis C; and
  - Multiple Sclerosis Program.
- H.2. ERS requires the PBM to make available, implement, and administer the PBM's Disease Management Programs, as agreed from time-to-time between the PBM and ERS, to HealthSelect participants. The PBM may, from time-to-time, recommend modifications to the Disease Management Programs for the PDP as PBM determines to be in the best interest of Disease Management Program enrollees. The PBM shall notify ERS and obtain ERS' consent as to any modification of the Disease Management Programs prior to implementing or making same available to HealthSelect participants.
- H.3. The PBM may use the above-referenced information to profile patients solely in order to do the following: to offer, implement and administer the Disease Management Programs; to assess patterns of care and outcomes measurements; and, to provide opportunity analysis for interventions adherence analysis. Only non-identifying participant information may be used to administer, evaluate, and improve the PBM's Disease Management Programs and other managed care programs.

## **I. Prior Authorization**

- I.1. The PBM shall provide prior authorization programs in order to provide additional cost containment in the PDP. The prior authorization programs currently in place are listed in Appendix L for reference. The cost for such programs shall be included in the PBM Price Proposal. All savings attributable to such programs shall accrue solely to the HealthSelect PDP.

## **J. Coordination of Benefits**

- J.1. The PBM shall provide coordination of benefits with any group plan under which a HealthSelect participant has coverage, regardless of whether or not the PBM also services the other group plan as its PBM. The PBM shall establish integrated exchange of information for other health coverages with ERS' existing TPA. ERS has determined that Coordination of Benefits follows the normal rules of Coordination of Benefits adopted by TDI. The cost for such programs shall be included in the PBM Price Proposal. All savings attributable to such programs shall accrue solely to the HealthSelect PDP.
- J.2. **Medicare Part B Coordination of Benefits.** The PBM shall include Medicare Part B coordination at point-of-sale in the PBM Price Proposal.
- J.2.a. The PBM shall process claims from various state and federal government agencies on behalf of HealthSelect participants who also participate in other state and federal government institutional programs. ERS shall authorize the PBM to process these claims subject to the plan's edits and only in accordance with the approved plan design applicable to claims submitted by a plan participant. PBM shall pay all claims that meet plan design parameters in accordance with the plan's terms, and reject those that do not meet those parameters, including those that are submitted in the wrong format or are missing one or more data elements that are required by the plan design.
- J.2.b. Because of the potential for variations in timely filing requirements among the various state and federal government agencies, claims should not be rejected solely because they do not meet the plan's timely filing edits. In processing such claims under these parameters, PBM should reimburse the applicable state or federal government agency at the lesser of (1) the amount the agency actually paid, or (2) the negotiated network price, minus any applicable deductible, copayment or coinsurance that the HealthSelect participant is responsible for under the plan design. The cost for this process shall be included in the PBM Price Proposal.

## **K. Grievances and Appeals**

- K.1. Section 1551.352 of the Tex. Ins. Code provides that the Executive Director of ERS has exclusive authority to determine all questions relating to enrollment in or payment of claims arising from programs or coverages provided under the GBP. In accordance with Tex. Ins. Code §§1551.355 and 1551.360, and 34 Tex. Admin. Code §67.5(d), a decision by ERS under this section may be appealed, provided the decision grants a right of appeal, to the Board of Trustees' designee. An appeal to the Board's designee is a contested case under Chapter 2001, Tex. Gov't Code. On appeal to state district court of a decision made by the Board of Trustee's designee under this section, the standard of review is by "substantial evidence." Pursuant to Tex. Ins. Code §1551.356, appeals of plan design features are not available, and the remedies provided under Chapter 1551 Tex. Ins. Code are the exclusive remedies available to GBP participants. See Tex. Ins. Code §1551.014.
- K.1.a. The Rules of ERS, Title 34, Part IV, § 81.9 Tex. Admin. Code, describe the Grievance Procedure that is available to a person participating in the PDP. The Rules may be accessed at: <http://www.ers.state.tx.us/htdocs/about/legislation/statutes.aspx>.
- K.1.b. The PBM shall provide support for this function. Among these requirements are the PBM's maintenance of adequate staff to produce grievance rights letters to participants who request ERS' review of a claim determination, to provide applicable pharmaceutical and related opinions records and expertise to ERS, to conduct professional staff reviews, to determine any medical (pharmaceutical) necessity issues, and to provide legal representation to the PBM in administrative hearings under Chapter 1551, Tex. Ins. Code and Chapter 2001, Tex. Gov't Code.

**K.2. Process for Grievance and Appeals.**

- K.2.a. If a claim for benefits under the Plan is denied, the participant may appeal to the PBM. The PBM shall provide the participant with a written explanation including the specific reasons for the denial.
- K.2.b. If the participant still does not agree with a claim denial, he may call or write to the PBM and request that the claim be reviewed. Additional information may be submitted with the request for review.
- K.2.c. If the claim is again denied, the PBM shall furnish written instructions to the participant on how to file a grievance with ERS. The grievance shall be in writing, signed, and postmarked or received by ERS within ninety (90) calendar days following the date of the PBM's letter to the participant. The PBM must have a proven process in place to ensure that letters are properly mailed to participants on the date reflected on the letter. After a grievance is filed with ERS, ERS shall notify the participant of the decision in writing. Eligible participants with proper standing, who do not accept ERS' decision may appeal the decision to the ERS Board of Trustees' designee, provided the decision grants a right of appeal. This appeal shall be in writing, signed, and postmarked or received by ERS within thirty (30) calendar days following the date the decision is served on the participant by ERS (see Tex. Admin. Code §67.7.)
- K.2.d. In accordance with Tex. Ins. Code §1551.356, appeal rights are not allowed on plan design issues which include, but are not limited to copayments, prior authorization determinations and Quantity Limitation determinations.

**L. Pharmacy Network Management**

- L.1. **Pharmacy Network Management Requirements.** The PBM shall provide all services specified in this RFP including, but not limited to the following:
  - L.1.a. The PBM shall provide initial and ongoing recruitment, credentialing, and contracting with a sufficient number of pharmacies, as specified herein to provide reasonably convenient, accessible, and quality pharmaceutical coverage throughout the state of Texas and United States in accordance with applicable state and federal laws, regulations and industry practice.
  - L.1.b. The PBM shall provide ongoing management of the pharmacy network.
  - L.1.c. The PBM shall require that its network pharmacies cooperate with reasonable requests by HealthSelect participants to prepare and provide, without charge to the participants, any records pertaining to prescriptions or copayment amounts.
  - L.1.d. The PBM shall provide ongoing review of retail pharmacy reimbursement rates and recommend adjustments as appropriate, subject to consultation with and approval by ERS.

**M. Medicare Part D**

- M.1. The PBM shall prepare and submit to ERS monthly payment requests and the final cost report for submission to the Center for Medicare and Medicaid Services ("CMS") in connection with the Medicare Part D Retiree Drug Subsidy ("RDS").
- M.2. The PBM shall make available to ERS any and all data required to confirm the PBM's calculation of the RDS.
- M.3. The PBM must meet the CMS requirements for data and eligibility filing.
- M.4. The requirements of Article VI.M. apply to all required data, interim requests and final reports for all fiscal years for which the contract is in effect, including reports (and supporting data and documentation) due after the termination of the contract.

- M.5. Any fees associated with this process must be recovered solely through the PBM Price Proposal quoted with this RFP.
- M.6. The PBM must have the ability to administer a Medicare Part D wrap-around and a Medicare Part D prescription drug plan for ERS.

**N. Clinical Management**

- N.1. The PBM shall apply clinical utilization management programs with a focus on managing conditions rather than finding an application for pre-developed “Programs.”
- N.2. The PBM shall provide all cost savings programs to HealthSelect at no additional cost to ERS, the GBP, its participants or the State of Texas. Any fees associated with these programs must be recovered solely through the PBM Price Proposal quoted with this RFP.
- N.3. The PBM shall provide ongoing utilization management, including, but not limited to drug utilization review and disease management programs described herein.
- N.4. The PBM shall act in the best interests of the PDP as required by the Contractual Agreement in determining when it should substitute a generic medication for a brand medication in filling a HealthSelect participant’s mail service prescriptions. To this end, if necessary, the PBM shall contact the participant’s health care provider who authorized the filling of the original prescription and obtain the provider’s authorization to substitute generic medication as contemplated by the PBM and as permitted by applicable laws and regulations.
- N.5. The PBM shall warrant and represent that it provides appropriate coverage management services in accordance with applicable state and federal laws, regulations and protocol regarding pharmacy benefit managers. Such services include reviewing claims to determine whether they are medically and pharmaceutically necessary. These services are used to make coverage decisions that are required when the information needed to determine coverage for a particular drug is not available from the ordinary claims transaction. Each coverage management service adopted by ERS has been determined based on the recommendations and expertise of the PBM. In making coverage decisions for claims incurred by PDP participants, the PBM gathers the necessary information from health care providers prescribing the applicable drugs and from PDP participants, compares that information with the PDP plan design, and informs the health care providers and participants of the coverage decision.
- N.6. The PBM shall make copies of its formulary available to each HealthSelect participant, at no additional cost, upon request of the participant or ERS. The PBM shall train its employees to assist HealthSelect participants who call, e-mail or write to the PBM with formulary questions, including, but not limited to answering questions about the process for creating the formulary, and transferring or otherwise making available to HealthSelect participants a PBM pharmacist to discuss preferred and generic alternatives in the event any formulary change affects the participant. If a change in the formulary affects a particular participant’s medication, such that a medication that was on the formulary becomes a non-formulary item, the PBM agrees to contact that participant individually, in writing, of the effect of the change. Within ten (10) business days of any formulary change, the PBM shall update its formulary listing on its web site.

## VII. Pharmacy Benefit Manager Price Proposal

ERS requires the PBM to submit equivalent proposals under two (2) financial arrangements: (A) the Traditional Arrangement and (B) the Transparent Arrangement. The PBM shall include provision for ALL services and/or programs as referenced in the RFP in the PBM Price Proposal.

Under the Traditional Arrangement (**Proposal A**), the PBM:

1. Has full discretion to structure its pricing proposal using any combination of (a) retail, mail service and specialty pharmacy ingredient cost reimbursement and dispensing fees, (b) administrative fees, and/or (c) guaranteed rebates that the PBM deems appropriate, and
2. May use a portion of any pharmaceutical manufacturer revenue generated from the prescription drug utilization of HealthSelect participants to fully or partially offset administrative and/or dispensing fees that would otherwise be charged against the program, to reduce ingredient cost charges and/or enhance pricing guarantees.

Under the Transparent Arrangement (**Proposal B**), the PBM:

Must structure its pricing proposal using any combination of (a) retail, mail service and specialty pharmacy reimbursement, (b) dispensing fees, and (c) administrative fees, if any, that it deems appropriate recognizing that it:

- a) Must pass through to ERS any and all pharmaceutical manufacturer and any other type of revenue generated from the prescription drug utilization of HealthSelect participants; and
- b) Base charges for drugs dispensed through mail service and specialty pharmacy on wholesale acquisition cost ("WAC").

### Requirements Applicable to Traditional and Transparent Proposed Fee Arrangements:

1. As noted above, ERS requires that the PBMs pricing proposal be designed so that the total cost of the Traditional Arrangement (Proposal A) is expected to be equal to the total cost of the Transparent Arrangement (Proposal B).
2. The pricing proposal must be guaranteed for the four-year period beginning September 1, 2008.
3. The pricing proposal should be adequate to cover all expenses incurred by the PBM for implementation of the Contract and for the performance of all services and other matters described herein and in the Contractual Agreement prior to and during the initial four-year term of the Contract, and during any runoff period following termination of the Contract.
4. Section 1551.012 of the Texas Insurance Code exempts the GBP from any state tax, regulatory fee, or surcharge, including premium or maintenance taxes or fees. As reflected in the Contractual Agreement, the administrative fee, if any, should not include any provision for such taxes or fees.
5. Both arrangements must be fully subject to audit by ERS and/or its designated representatives as more fully described in the Contractual Agreement.
6. All AWP or WAC discount guarantees shall be a direct savings off of AWP or WAC and are not the result of incremental savings due to repackaging of drugs or blending non-MAC generics to achieve a higher brand discount.
7. Claims adjudicated on the basis of Usual and Customary pricing will not be considered in determining compliance with the brand and generic guaranteed discount rates.
8. The PBM shall not include expenses for clinical programs of any kind (i.e., retro/DUR) in any of the quoted discount rates.

9. The PBM shall pay dollar-for-dollar any shortfalls on guarantees.
10. Rebates must not be contingent upon days supply or acceptance of any programs whatsoever.
11. Any cost of case management for critical disease conditions shall be included in the PBM's Price Proposal.
12. The PBM shall coordinate benefits with other prescription drug coverages and include the cost of such service in the PBM Price Proposal.
13. The PBM shall use First DataBank as the basis for determining whether a drug is brand or generic.

### PBM Price Proposal

Pricing Element		Current Network		Alternate
		Traditional (A)	Transparent (B)	Retail Network
I. Retail reimbursement			same as Traditional	
A. Brand				
	1. Ingredient Cost	Complete Table 1		Complete Table 2
	2. Aggregate Ingredient Cost Guarantee <sup>9</sup>	AWP <sup>1</sup> less ___%		AWP <sup>1</sup> less ___%
	3. Dispensing Fee	Complete Table 1		Complete Table 2
	4. Aggregate Dispensing Fee Guarantee <sup>10</sup>	\$___ per script		\$___ per script
B. Generic				
	1. Ingredient Cost	Lesser of (a) U&C, (b) MAC <sup>8</sup> or (c) Table 1 Formula <sup>2</sup>		Lesser of (a) U&C, (b) MAC <sup>8</sup> or (c) Table 2 formula <sup>3</sup>
	2. Aggregate Ingredient Cost Guarantee <sup>9</sup>	AWP <sup>1</sup> less ___%		AWP <sup>1</sup> less ___%
	3. Dispensing Fee	Complete Table 1		Complete Table 2
	4. Aggregate Dispensing Fee Guarantee <sup>10</sup>	\$___ per script		\$___ per script
II. Mail Service Reimbursement				
A. Brand				
	1. Ingredient Cost	AWP <sup>1</sup> less ___%	WAC <sup>4</sup> less ___%	
	2. Dispensing Fee	\$___ per script	\$___ per script	
B. Generic				
	1. Ingredient Cost	MAC <sup>8</sup>	WAC <sup>4</sup> less ___%	
	2. Aggregate Ingredient Cost Guarantee <sup>9</sup>	AWP <sup>1</sup> less ___%	NA	
	3. Dispensing Fee	\$___ per script	\$___ per script	
III. Specialty Pharmacy Reimbursement				
A. Brand				
	1. Ingredient Cost	Complete Table 3	Complete Table 3	
	2. Dispensing Fee	Complete Table 3	Complete Table 3	

B. Generic				
	1. Ingredient Cost	Lesser of (a) U&C,	Lesser of (a) U&C,	
		(b) MAC <sup>8</sup> or	(b) MAC <sup>8</sup> or	
		(c) Table 3 Formula <sup>5</sup>	(c) Table 3 Formula <sup>6</sup>	
	2. Aggregate Ingredient Cost Guarantee <sup>9</sup>	AWP <sup>1</sup> less ___%	WAC <sup>4</sup> less ___%	
	3. Dispensing Fee	\$___ per script	\$___ per script	
IV. Manufacturer Revenue				
	A. ERS Share	NA	100 %	
	B. Guaranteed Rebate			
	1. Retail	\$___ per paid script	\$___ per paid script	
	2. Mail	\$___ per paid script	\$___ per paid script	
	3. Specialty	\$___ per paid script	\$___ per paid script	
V. Administrative Fee		\$___ PMPM <sup>7</sup>	\$___ PMPM <sup>7</sup>	

**VI. Aggregate annual amount the PBM is willing to put at risk for Performance Guarantees (Appendix N)**

Traditional Proposal

Transparent Proposal

Performance Guarantees amount \$\_\_\_\_\_

Performance Guarantees amount \$\_\_\_\_\_

**Footnotes:**

<sup>1</sup>AWP = First DataBank Average Wholesale Price

<sup>2</sup>AWP less the discount for that particular pharmacy shown in Table 1

<sup>3</sup>AWP less the discount for that particular pharmacy shown in Table 2

<sup>4</sup>WAC = First DataBank Wholesale Acquisition Cost

<sup>5</sup>AWP less the discount for that particular drug shown in Table 3

<sup>6</sup>WAC less the discount for that particular drug shown in Table 3

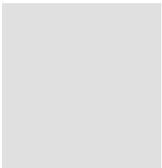
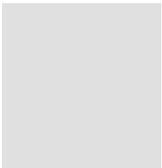
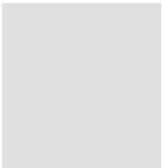
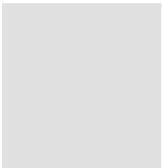
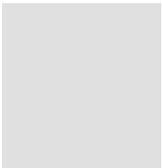
<sup>7</sup>PMPM denotes per member (employee or retiree) per month

<sup>8</sup>MAC = Maximum Allowable Cost as established by the PBM. The PBM shall use the same MAC pricing in determining retail and mail reimbursement.

<sup>9</sup>The average discount for all applicable claims shall be no less than the percentage indicated.

<sup>10</sup>The average dispensing fee for all applicable claims shall be no greater than the amount indicated.

## VIII. PBM Organizational Information

- A. Provide the following information regarding the Organization responding to this RFP:**
- A.1. The PBM's full legal name, physical/web addresses, and telephone/facsimile numbers.
- Full Legal Name:   
Address:   
Web Address:   
Telephone Number:   
Facsimile Number: 
- A.2. Identify the PBM's type of incorporation:
- For profit                       Not-for-profit / Non-profit  
 Publicly owned                 Privately owned
- A.3. Provide the PBM's Federal Identification Number: 
- A.4. In which State was the PBM's incorporation or formation? 
- A.5. If the PBM is licensed through the Texas Department of Insurance as a Third Party Administrator, include a copy of the PBM's current certificate of authority.
- A.6. Is the PBM required to maintain any license(s)? If so, describe and confirm the validity of any valid license(s).
- A.7. Has the PBM ever had its license to conduct business in Texas revoked?  
 Yes                                 No
- If yes, explain.
- A.8. Provide the date that the PBM products and services were first provided. 
- A.9. How long has the PBM provided: retail pharmacy network administration services, mail services, and integrated retail and mail services?
- Retail Pharmacy Network Administration Services:  
Mail Services:  
Specialty Drug Services:  
Integrated Retail and Mail Services:
- A.10. Provide the PBM's total commercial enrollment as of:  
Commercial Enrollment Total as of December 31, 2006:  
Commercial Enrollment Total as of December 31, 2007:
- A.10.a. Provide a statement of the PBM's capacity to enroll new participants and the likelihood of any future limitations on enrollment.
- A.11. Confirm the PBM's ability to accept enrollment data via FTP.

A.12. Provide the name, title, mailing/e-mail addresses, telephone/facsimile numbers of ***the person authorized to execute this proposal*** and any subsequent contract which may be awarded. **This person shall be a company vice president or higher level in authority.**

Name: [Redacted]  
Title: [Redacted]  
Mailing Address: [Redacted]  
E-mail Address: [Redacted]  
Telephone Number: [Redacted]  
Facsimile Number: [Redacted]

A.13. Provide the name, title, mailing/e-mail addresses, and telephone/facsimile numbers of the ***HIPAA Compliance Officer***.

Full Legal Name: [Redacted]  
Title: [Redacted]  
Mailing Address: [Redacted]  
E-mail Address: [Redacted]  
Telephone Number: [Redacted]  
Facsimile Number: [Redacted]

A.13.a. Confirm that the PBM can provide the ability to transmit HIPAA-related data from and to its site via secured direct transmission line or other federally approved means of data transmission.

A.13.b. Please provide a brief description of any HIPAA violations alleged against the PBM.

A.13.c. Is the PBM currently in compliance with all HIPAA requirements?

A.14. Provide the firm/attorney names, title, mailing/e-mail addresses, and telephone/facsimile numbers of the person who shall serve as the ***PBM's Legal Counsel*** and/or all such information as it relates to any outside law firm retained by the PBM for purposes of the PBM's RFP response or Contract performance.

Firm Name: [Redacted]  
Attorney Name: [Redacted]  
Title: [Redacted]  
Mailing Address: [Redacted]  
E-mail Address: [Redacted]  
Telephone Number: [Redacted]  
Facsimile Number: [Redacted]

A.15. Provide the name, title, mailing/e-mail addresses, and telephone/facsimile numbers of the ***Technical Consultant ("TC") contact*** for FTP file management and system service concerns.

Name: [Redacted]  
Title: [Redacted]  
Mailing Address: [Redacted]  
E-mail Address: [Redacted]  
Telephone Number: [Redacted]  
Facsimile Number: [Redacted]

A.16. Provide the name, title, mailing/e-mail addresses, and telephone/facsimile numbers of the person who shall serve as the **PBM Account Management Team Lead**.

Name: [Redacted]  
Title: [Redacted]  
Mailing Address: [Redacted]  
E-mail Address: [Redacted]  
Telephone Number: [Redacted]  
Facsimile Number: [Redacted]

A.17. Provide the name, title, mailing/e-mail addresses, and telephone/facsimile numbers of the **Officer** responsible for preparation of the PBM Price Proposal submitted in Article VII.

Name: [Redacted]  
Title: [Redacted]  
Mailing Address: [Redacted]  
E-mail Address: [Redacted]  
Telephone Number: [Redacted]  
Facsimile Number: [Redacted]

A.18. Provide the name, title, mailing and e-mail addresses, and telephone/facsimile numbers of the person responsible for the PBM's **Web Site Management**.

Name: [Redacted]  
Title: [Redacted]  
Mailing Address: [Redacted]  
E-mail Address: [Redacted]  
Telephone Number: [Redacted]  
Facsimile Number: [Redacted]

A.19. Provide the name, title, mailing/e-mail addresses, and telephone/facsimile numbers of the person responsible for supervision of the PBM's **Customer Service Division** that will be assigned to manage the GBP account.

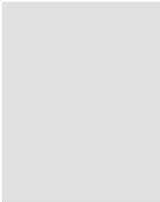
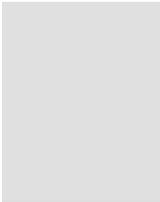
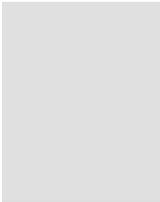
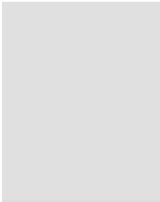
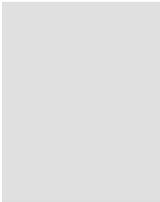
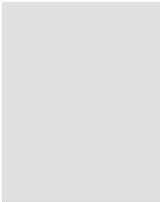
Name: [Redacted]  
Title: [Redacted]  
Mailing Address: [Redacted]  
E-mail Address: [Redacted]  
Telephone Number: [Redacted]  
Facsimile Number: [Redacted]

A.19.a. Provide the name, title, mailing/e-mail addresses, and telephone/facsimile numbers of the person responsible for supervision of the PBM's **Call Center Operations** that will be assigned to manage the GBP account, including Manager of Call Center Operations.

Name: [Redacted]  
Title: [Redacted]  
Mailing Address: [Redacted]  
E-mail Address: [Redacted]  
Telephone Number: [Redacted]  
Facsimile Number: [Redacted]

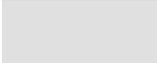
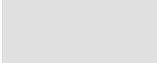
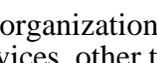
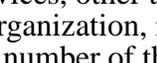
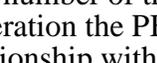
A.20. Provide the names, titles, and corporate affiliation to the PBM's firm of **ALL officers and ALL directors or principals, as applicable**. List each in the following format:

Name: [Redacted]  
Title: [Redacted]  
Corporate Affiliation: [Redacted]

- A.21. Does the PBM propose to utilize subcontractors or other types of vendors in the performance, delivery and provision of services and products requested hereunder? If so, provide the information requested in A.21.a. for each subcontractor and specify what services may be performed by each subcontractor.  Yes  No
- A.21.a. If applicable, provide the information below for each subcontractor or other vendor and specify what services may be performed by each subcontractor/vendor. List each in the following format:
- Name:   
Mailing Address:   
E-mail Address:   
Telephone Number:   
Facsimile Number:   
Services Performed: 
- A.21.b. Confirm PBM's understanding, acknowledgement and agreement that PBM shall be fully liable and responsible for the good faith performance, in a good and workmanlike manner, of any subcontractor or vendor that PBM utilizes to perform any of the services, coverages, etc. required under the RFP and Contractual Agreement.
- A.21.c. Provide a company-wide organizational chart reflecting employee names and titles for the PBM and any subcontractors (if applicable) to be utilized in support of this Contract. Chart should also identify those positions open but not yet filled.
- PBM Organizational Chart:  
Subcontractor Organizational Chart:
- A.21.d. Describe the staff (including numbers of full-time equivalent employees) that the PBM and any subcontractor shall utilize to perform, deliver and provide the services, coverages, benefits, equipment, supplies and products requested herein.
- PBM staff Description:  
Subcontractor staff Description:
- A.21.e. How many of these employees are located in Texas? Describe the functions these employees perform.
- Number of PBM staff in Texas:  
Description of PBM staff Functions:  
If applicable, Number of Subcontractor staff in Texas:  
If applicable, Description of Subcontractor staff Functions:
- A.21.f. Provide brief resume(s) identifying the account service team for the PBM who shall be responsible for the administration and management of the GBP Contract which shall include a listing of the PBM-related duties and length of time with the PBM.
- PBM Personnel Resumes:
- A.21.g. Provide brief resume(s) identifying key personnel for the PBM's subcontractor who shall be responsible for any administrative and/or managerial functions of the GBP Contract which shall include a listing of the PBM-related duties and length of time contracted with the PBM.
- Subcontractor Personnel Resumes:
- A.21.h. The PBM shall affirm that all relevant personnel's licensure(s), including subcontractors if applicable, shall be validated and current throughout the entire term of the GBP Contract.

- A.22. Name five (5) major employers or organizations for which the PBM currently provides the PBM services to participants based in Texas. What is the company name, the PBM's primary contact, title, and telephone and facsimile numbers of representatives who are familiar with the services provided for the programs previously identified? The number of employees, participants, and dependents for whom pharmacy benefits are administered and the annual pharmacy claims paid? Indicate the nature of the PBM's relationship with the organization, i.e., PDP administrator, manager of pharmacy network, etc.

**Note:** The PBM's response to this request officially authorizes ERS to contact these organizations or any other entity to discuss the services and other considerations which the PBM has provided for its employees and dependents, and authorizes the organizations or any other entities to provide such information to ERS, and shall release and hold harmless ERS and the organization/other entity of any and all liability whatsoever, in connection with providing and receiving all such information. **The PBM may not provide sponsoring, or parent organizations, subsidiaries, or subcontractors as references.**

Company Name:   
Account Primary Contact:   
Title:   
Telephone Number:   
Facsimile Number:   
# Employees:   
Type of Relationship: 

- A.23. Provide the names of any organizations (with more than 50,000 employees) that have terminated the PBM's services, other than because of mergers and acquisitions, within the last five (5) years. For each organization, include:
- A.23.a. Name, title and telephone number of the representative of the entity who is familiar with the services and other consideration the PBM provides.
- A.23.b. Nature of the PBM's relationship with the entity, i.e., PDP administrator, manager of pharmacy network.
- A.23.c. The number of employees, participants and dependents for whom pharmacy benefits are administered, and the annual dollar amount of pharmacy claims paid.

## **B. Financial Reporting Requirements**

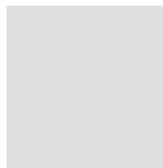
- B.1. Provide a copy of the PBM's most recent audited financial statement.
- B.1.a. Each year, the PBM shall submit a copy of its annual audited financial statement, by the last business day of June, beginning June 30, 2008.  
Affirm that the PBM will provide financial statements as required:
- B.2. Please disclose any relationships, contractual, employment or otherwise, with affiliates, manufacturers or any person or entity that could present a conflict of interest with the PBM's role as administrator for the HealthSelect PDP.
- B.3. Does the PBM have a sponsoring or parent company?  Yes  No
- B.3.a. If yes, state the name and address of any sponsoring or parent organization, or others who provide financial support to the PBM.
- B.3.b. Provide an indication of the type of such support, i.e., guarantees, letters of credit, etc., if applicable.
- B.3.c. Provide the maximum limits of additional financial support from other entities or persons, if applicable.
- B.3.d. Provide a copy of the sponsoring or parent organization's most current audited financial statement, if applicable.
- B.4. Does a pharmaceutical manufacturer own the PBM or does the PBM have any understandings, legal relationships or financial agreements (other than rebate contracts) with pharmaceutical manufacturers?  Yes  No
- B.4.a. If yes, please describe.

- B.4.b. What steps has the PBM taken to ensure that such relationships do not constitute a conflict of interest?
- B.5. Describe all areas of remuneration provided to the PBM from pharmaceutical manufacturers including, but not limited to rebates, administrative fees, data compilation fees and promotional grants directly related to ERS utilization.
- B.6. Provide a list reflecting all persons or entities that have a 20% or greater ownership interest in the PBM.
- B.6.a. Provide a list reflecting all persons or entities that have a 20% or greater ownership interest in the PBM's sponsoring or parent company, if applicable.
- B.7. Provide a copy of the PBM's current SAS 70, Level 2, report.
- B.7.a. Provide a copy of the PBM's sponsoring or parent company current SAS 70, Level 2, report.
- B.8. Confirm that PBM is in compliance with the Sarbanes-Oxley Act of 2002, if applicable.
- B.8.a. Confirm that PBM and its Agents, to the best of PBM's knowledge are presently in compliance with all existing state and federal laws and regulations, a violation of which would or could materially adversely affect its ability to fulfill its obligations and understandings as set forth herein and in the contract.
- B.8.b. Confirm that neither PBM nor any of its affiliates subsidiaries, employees, principals, directors, or officers, nor, to its knowledge, PBM's agents, assigns, representatives, independent contractors, and/or subcontractors, who are involved, either directly or indirectly, in PBM's performance of the Contract, are or may, in the time such parties become involved, be the subjects of any inquiry, investigation, or prosecution by any state or federal regulatory or law enforcement authority, including but not limited to such actions by the U.S. Department of Justice or the offices of any states' attorney general, the U.S. Department of Labor, Department of Health & Human Services, Center for Medicare and Medicaid Services, or any self regulatory organization with oversight authorizing over PBM or such parties concerning any violation of state and federal statutes, rules, regulations, or other laws.
- B.9. Provide copies of ratings and reports on the PBM issued by all independent rating organizations or similar entities; e.g., A.M. Best's, Moody's, Standard & Poor's, etc. The PBM shall not refer ERS to rating resource web sites in lieu of providing the requested information.
- B.10. Is the PBM currently a fiduciary for any other plan(s)?  Yes  No
- B.10.a. If yes, describe how the PBM acts as a fiduciary.

### C. Legal Disclosure Requirements

- C.1. Describe any litigation, regulatory proceedings, investigations, and/or inquiries completed, pending or threatened against the PBM and/or any of its related affiliates, officers, directors or parent companies subcontractors and any individuals identified by PBM who will be performing any services and providing coverages required under the RFP and Contractual Agreement during the **past ten (10) years** from date of proposal submission. Identify the case number, date filed, full style of each suit, proceeding or investigation including county and state, regulatory body and/or federal district, and provide a brief summary of the matters in dispute, current status and resolution if any. The PBM shall not refer ERS to any third party web sites in order for ERS to obtain this information.

Case Number:  
 Date Filed :  
 County, State:  
 Regulatory Body:  
 Brief Summary:



Current Status: [REDACTED]  
Resolution:

C.2. Provide a schedule and describe in detail previous contract implementation breakdowns, performance assessments, and/or contract breaches for the last ten (10) years (if any) by the PBM, and discuss all measures the PBM took to rectify the situation or remedy the breach. Please separate by governmental and non-governmental clients indicating the reason for the assessment in the amount paid. **List in most recent chronological order.**

Governmental:  
Non-governmental:  
Action taken to Resolve Issue:  
Assessment Amount Paid:

C.3. Describe any investigations, proceedings or disciplinary actions by any state pharmacy regulatory agency, states' attorney general or any other law enforcement or applicable oversight body against the PBM and/or any of its related affiliates, officers, directors and any person or subcontractor performing any part of the services or providing any of the coverages, supplies in connection with the Contract during the past five (5) years. Identify the full style of each disciplinary action, proceeding or investigation including county and state, regulatory body and/or federal district, and provide a brief summary of the matters in dispute, current status and resolution, if any. The PBM shall not refer ERS to any third party web sites in order for ERS to obtain this information.

Case Number: [REDACTED]  
Date Filed : [REDACTED]  
County, State: [REDACTED]  
Regulatory Body: [REDACTED]  
Brief Summary: [REDACTED]  
Current Status: [REDACTED]  
Resolution:

C.4. Is the PBM presently actively considering or subject to any mergers with and/or acquisitions of or by other organizations?  Yes  No

C.4.a. If yes, provide specifics and include projected timelines. [REDACTED]

C.4.b. Affirm the PBM's agreement to notify ERS' Executive Director immediately upon reaching any form of binding agreement in connection with any merger, acquisition or reorganization of the PBM's management as permitted by applicable law. [REDACTED]

C.5. Does the PBM sell or report any data from its clients, either specifically or in aggregate, to any organizations?  Yes  No

C.5.a. If so, disclose these arrangements and information shared, in detail. [REDACTED]

C.6. Identify any potential conflicts of interest that exist which would prohibit your firm from providing unbiased pharmacy benefit management services. [REDACTED]

## IX. Deviations

Although deviations to the RFP and Contractual Agreement are strongly discouraged, the PBM shall enumerate and provide a detailed description of any deviations to provisions contained in the Contractual Agreement and/or RFP as provided below. ERS shall interpret any lack of deviation as the PBM's full agreement to the provisions of the Contract and RFP requirements unless specifically noted. **ERS shall interpret the PBM responses to match the specifications herein except for deviations specifically noted and described in response to this item. Deviations will not become a part of the final Contract unless expressly agreed to by ERS in writing and accepted by the ERS Board of Trustees. In all cases, the RFP and Contractual Agreement terms shall control. In the event of any conflict between the two, the terms of the Contractual Agreement shall prevail.**

1. Affirm that the PBM shall comply with all of the ***Instructions to Proposers Requirements*** described in **Article I** of this RFP.  Affirm  Affirm with the proposed Deviation

If applicable, enumerate and provide a detailed description of each deviation between the PBM application and these specifications. PBM Requested Deviation Detail:

2. Affirm that the PBM shall comply with all of the ***Financial Requirements*** described in **Article III**, of this RFP.  Affirm  Affirm with the proposed Deviation

If applicable, enumerate and provide a detailed description of each deviation between the PBM application and these specifications. PBM Requested Deviation Detail:

3. Affirm that the PBM shall comply with all of the ***Communication Requirements*** described in **Article IV**, of this RFP.  Affirm  Affirm with the proposed Deviation

If applicable, enumerate and provide a detailed description of each deviation between the PBM application and these specifications. PBM Requested Deviation Detail:

4. Affirm that the PBM shall comply with all of the ***Operational Specifications Requirements*** described in **Article V**, of this RFP.  Affirm  Affirm with the proposed Deviation

If applicable, enumerate and provide a detailed description of each deviation between the PBM application and these specifications. PBM Requested Deviation Detail:

5. Affirm that the PBM shall comply with all of the ***Benefits, Network, and Program Requirements*** described in **Article VI**, of this RFP.  Affirm  Affirm with the proposed Deviation

If applicable, enumerate and provide a detailed description of each deviation between the PBM application and these specifications. PBM Requested Deviation Detail:

6. Affirm that the PBM shall comply with all of the ***Pharmacy Benefit Manager Price Proposal Requirements*** described in **Article VII**, and be bound to the rates the PBM provides in response to the Rate Proposal section of this RFP.  Affirm  Affirm with the proposed Deviation

If applicable, enumerate and provide a detailed description of each deviation between the PBM application and these specifications. PBM Requested Deviation Detail:

7. Affirm that the PBM shall comply with all of the ***PBM Organizational Information Requirements*** described in **Article VIII**, of this RFP.  Affirm  Affirm with the proposed Deviation

If applicable, enumerate and provide a detailed description of each deviation between the PBM application and these specifications. PBM Requested Deviation Detail:

8. Affirm that the PBM shall comply with all of the *Interrogatories* described in **Article X.**, of this RFP.  Affirm  Affirm with the proposed Deviation

If applicable, enumerate and provide a detailed description of each deviation between the PBM application and these specifications. PBM Requested Deviation Detail:

9. Affirm that the PBM shall comply with all of the provisions in the *Contractual Agreement* provided in Appendix C of this RFP.  
 Affirm  Affirm with the proposed Deviation.

If applicable, enumerate and provide a detailed description of each Contractual Agreement deviation. PBM Requested Deviation Detail:

## X. Interrogatories

**Instructions:** In order for the PBM’s proposal to be considered and accepted, the PBM shall provide true and correct answers to all of the questions presented in this Article. In all cases, each question shall be answered thoroughly, in detail, and preceded by the question to which the response pertains. Reference should not be made to a prior response, or to another document, unless the question involved specifically provides such an option. To ensure that the PBM has a complete understanding of all ERS requirements with respect to the PDP, **carefully read the earlier articles of this RFP** before responding to any of the following questions. For purposes of the Contract and this RFP, “PBM” necessarily includes the PBM, its officers, directors, employees, representatives, agents, subsidiaries, affiliates and any subcontractors and independent contractors.

Answers to the questions included in this article should be detailed enough to satisfactorily explain the PBM’s position on each particular topic. It is the PBM’s responsibility to respond to these questions in such a way that ERS has a full and complete understanding of the PBM’s intent. **It is important that the PBM clearly define all key words and phrases used in answering these questions.** The PBM’s proposal shall use the terms defined in the Contract and this RFP only as they are so defined. Certain questions contained herein may require multiple responses to distinguish between retail and mail service features.

In addition, the PBM shall provide individualized responses to any other questions for which the PBM believes such responses are necessary in order to fully disclose differences in processes or procedures which may exist among different products and services, if any, included in the PBM’s proposal.

### A. General Information

- A.1. Discuss the key advantages of contracting with the PBM and describe particular differentiators that set your organization apart from other industry competitors. [REDACTED]
- A.2. Describe what position and actions the PBM took during the past year on the following market industry events:
  - A.2.a. The move to Over the Counter (“OTC”) status of various prescription products;
  - A.2.b. The continued growth of Specialty drugs;
  - A.2.c. The government and media scrutiny of the PBM business model;
  - A.2.d. Importation of prescription drugs; and
  - A.2.e. Medicare Part D drug card and the coverage provided.
- A.3. Describe fully any recommendations the PBM has to improve the cost efficiency of the HealthSelect PDP. An example might be the PBM’s recommendation concerning the alternate pharmacy network discussed in Article VI, *Benefits, Network, and Program Requirements* of this RFP. Include in the PBM’s response at least the following:
  - A.3.a. Proposed pharmacy reimbursement arrangement(s); and
  - A.3.b. Description of the network, including numbers of pharmacies and areas of the state where access to a network pharmacy could be a customer service concern.
- A.4. ERS is interested in the PBM’s experience in working with clients as it may relate to improving the cost efficiency of the HealthSelect PDP. Describe the PBM’s experience in providing cost containment enhancements to former and current clients.
- A.5. Discuss audit methods to ensure that, under the Transparent Arrangement, all manufacturer revenue has been passed through from the PBM to ERS.

### B. Account Management

- B.1. Provide the following information related to Administration and Customer Service Issues. In providing responses to the following inquiries, if the PBM’s administrative or management processes differ for retail or mail service, answer all questions separately for both types of service.

- B.2. Describe the organization and structure of the proposed PBM account team that shall provide ongoing program support for the HealthSelect PDP. [REDACTED]
- B.2.a. Briefly outline the PBM's account team management philosophy.
- B.2.b. Where would the person responsible for the proposed PBM account team be located?  
[REDACTED]
- B.2.c. Provide the location of the proposed PBM account team's main office and identify the names and contact information of its related support staff. [REDACTED]
- B.2.d. Provide an outline reflecting how the account team members are compensated by the PBM.  
[REDACTED]
- B.2.e. How many other clients are, and/or will be in the future, assigned to the proposed PBM account team?
- B.2.f. Regarding the clients managed by the proposed PBM account team, how many participants does that represent?
- B.2.g. What is the PBM's account manager/executive turn-over rate for the past two (2) years?
- B.2.h. Is a clinical pharmacist part of the assigned account team?  Yes  No
- B.3. Provide a list of individuals who shall comprise the PBM's proposed implementation team and submit brief resumes for each team member. Include individuals for the following categories:
  - B.3.a. Enrollment reporting: [REDACTED]
  - B.3.b. Benefit processing: [REDACTED]
  - B.3.c. Communication materials: [REDACTED]
  - B.3.d. Web site management: [REDACTED]
  - B.3.e. Grievance process: [REDACTED]
  - B.3.f. Transition benefits: [REDACTED]
  - B.3.g. Network enhancement: [REDACTED]
  - B.3.h. Payments and reconciliation: [REDACTED]
- B.4. Identify PBM's Legal support in representing the PBM at administrative hearings and in connection with litigation, and subrogation.

**C. Administrative and Customer Service**

- C.1. Are all administrative services performed internally?  Yes  No
  - C.1.a. If not, where is the administrative facility located?
  - C.1.b. If the PBM contracts with a management company for some or all of its administrative services, please specify:
    - Company Name:
    - Services Provided:
    - Method of Reimbursement:
- C.2. Provide the names and positions of the PBM's administrative service staff (including numbers of full-time equivalent employees), which shall administer the HealthSelect PDP.
  - Names of Support Staff:
  - Positions of Support Staff:
  - Number of FTEs:
  - C.2.a. Indicate which of these employees are located in Texas.
  - C.2.b. What is the turnover rate among this administrative service staff for the past two (2) years?
- C.3. Describe the PBM's Customer Service unit by reflecting the following:
  - C.3.a. The manner in which the customer service unit is accessed (i.e., web chat, phone, email);
  - C.3.b. The Customer Service unit's hours of operation;
  - C.3.c. The Customer Service unit's handling of complaints; and
  - C.3.d. The Customer Service unit's procedures for issue escalation.
- C.4. How will the PBM's customer service unit be staffed?

- C.4.a. What is the turnover rate for the PBM's non-management call center staff?
- C.5. How are after-hours customer service calls handled? [REDACTED]
- C.5.a. Does the PBM have the ability to monitor customer service calls through a facility in Austin?  
[REDACTED]
- C.6. How does the PBM ensure that its customer service representatives are providing timely and accurate information?
- C.6.a. How does the PBM monitor first call resolution and member inquiries that do not get resolved?
- C.7. Does the PBM record all a) phone calls and b) notify all parties that their conversations are being electronically recorded and stored?  Yes  No
- C.7.a. If all calls are not recorded, how many are recorded and what criteria is used for selecting the calls for recording? [REDACTED]
- C.8. Does the PBM's customer service inquiry system allow representatives to record comments so other customer service representatives can review previous notes to assist members?  
[REDACTED]
- C.9. Describe the PBM's call center telecommunications system. [REDACTED]
- C.9.a. Identify and describe the various reporting capabilities of the call center system. [REDACTED]
- C.9.b. Describe the PBM's calculation methodology applicable to the proposed call center metrics requirements referenced in Appendix M. [REDACTED]
- C.10. Describe the PBM's procedure for managing written inquiries. [REDACTED]
- C.11. What is the PBM's current response time standard with respect to questions requiring written communication?
- C.12. Does the PBM's Customer Service system support TTY, also known as a Telecommunications Device for the Deaf ("TDD"), technologies? [REDACTED]
- C.13. Does the PBM's Customer Service system support Spanish-speaking participants?  Yes  
 No
- C.14. Does the PBM currently perform participant satisfaction surveys?  Yes  No
- C.14.a. If yes, provide a copy of the PBM's latest survey and its results.
- C.14.b. Does an outside organization perform the survey?  Yes  No
- C.15. Does the PBM expect to make major changes to its customer service organization or facilities within the next four (4) years (e.g., moving to a different location, reorganizing or merging units)? If so, please describe.
- C.16. Does the PBM provide access to automated, interactive data systems that would provide participants with information regarding pharmacy services?  Yes  No
- C.17. How many telephone lines and support staff would be dedicated to customer service and claims processing for the PDP?
- C.17.a. Will the PBM provide a separate toll free and facsimile number for ERS members?  
 Yes  No
- C.18. Does the PBM maintain an Internet Web site?  Yes  No  
If yes, provide the Internet address.
- C.19. Briefly describe the training that each PBM employee or representative receives to provide the PBM customer services. Include length of time it takes to go from training to a qualified Customer Service Representative ("CSR"). [REDACTED]

- C.20. Describe any planned or scheduled system changes within the next forty-eight (48) months, including projected implementation dates.
- C.21. Describe the system the PBM utilizes to assist a participant in choosing a pharmacy. Such description should include a discussion of the methodology used to coordinate the pharmacy with proximity to the participant's residence, schedule, language, etc.
- C.22. How many licensed pharmacists are employed in the PBM's customer service department who will be performing any services in connection with the HealthSelect Contract?
- C.23. ERS uses a single ID card for the HealthSelect medical and PDP plans, which is prepared and distributed by the HealthSelect health plan administrator. Describe the PBM's requirements for such a card.
- C.24. Does the PBM have the capability to integrate medical information with prescription drug data?  Yes  No

If so, explain the programs and/or capabilities PBM currently offers. Is this feature included in the administrative fee quoted in Article VII? If not, what are the associated costs?

#### **D. Communications**

- D.1. Provide a copy of all written materials to be used in administering PDP coverage for HealthSelect participants. As a minimum, the PBM's response should include the following: Summer Enrollment/Marketing Packets, and ID Card Information.
- D.2. Provide any sample communication materials the PBM may have concerning:
  - D.2.a. Merits of generic substitution;
  - D.2.b. Specific brands that will be eligible for generic use;
  - D.2.c. Medical conditions for which generic medications are available; and
  - D.2.d. Formulary literature.
- D.3. How will the PBM communicate formulary changes to ERS and to participants?
  - D.3.a. Provide a recent formulary change example, including any educational pieces for the participant, physician and pharmacy.
- D.4. Describe the PBM's plan to ensure minimal member disruption in converting to PBM's formulary.
- D.5. Describe how the PBM notifies participants at the time of refill alerting them that their refill will be processed with a product from a different manufacturer and that the appearance of the drug may be different.
- D.6. Describe the process (e.g., regular mail, e-mail, newsletters, etc.) for notifying HealthSelect participants of:
  - D.6.a. Expiration date of their prescription;
  - D.6.b. Their next refill date and the number of refill(s);
  - D.6.c. Prescriptions not on formulary;
  - D.6.d. Generic substitution availability;
  - D.6.e. Savings intervention opportunity messages; and
  - D.6.f. COB messages.
- D.7. Can the PBM do prospective modeling for patients and demonstrate their personal savings associated with changing medications from brand to generic with regard to their current prescriptions?
  - D.7.a. Can this function use existing claim history, ERS-specific plan design and pricing as a starting point?

- D.8. What percentage of the PBM's employer-sponsored plan employees register on the PBM's web site (e.g., basis = they sign up and get a password)?
- D.8.a. What target should ERS set for its population given nearly 50% Web access, among participants, and strong promotion?
- D.9. Describe the PBM's personalization messaging capabilities.
- D.9.a. How do these capabilities impact cost or quality for the PBM's clients?

**E. Claims, Complaints/Grievances, Anti-Fraud, and Disaster Recovery Processes**

**Claims**

- E.1. Provide a detailed description of the PBM's retail pharmacy claims processing procedures.
- E.1.a. Are there situations where the PBM would accept a paper claim Universal Claim Form ("UCF") from a pharmacy for processing?
- E.1.b. Are all the same online edits and plan design criteria applied to paper claims?
- E.2. Describe PBM's procedure for processing patient submitted paper claims.
- E.3. What prescribing physician identifier does the PBM's system require pharmacies to input?
- E.4. How does the PBM process/pay compound drug claims submitted by network or non-network pharmacies?
- E.4.a. What copay does the PBM apply to such claims?
- E.5. What safeguards exist to prevent one group's claims experience from being charged to another?
- E.6. What financial arrangement is the PBM willing to extend to the HealthSelect participants, at no additional cost to the plan or participants, when the need for multiple or expensive medications may create an economic hardship on the participants?
- E.7. Describe the PBM's patient accounts receivable policies and cash handling and include the PBM's procedures for lost, returned, and uncashed checks.
- E.7.a. Discuss the measures PBM employs to protect participant identity information (i.e., drivers license, social security number, credit card information, etc.)
- E.8. Discuss the PBM's collection process, both for participant and/or pharmacy, as it relates to terminated participants that utilize pharmacy benefits past their termination date.
- E.8.a. Will this service be available to the HealthSelect PDP?
- E.9. Describe how ERS shall be able to view claims online, in real-time.
- E.10. What is the PBM's average system down time for its online retail pharmacy system?
- E.11. Describe the PBM's traditional COB process for non-Medicare Part B drugs.
- E.11.a. Describe the PBM's COB process for Medicare Part B drugs.
- E.11.b. PBM's description should include COB processes for both retail and mail services.

**Customer Complaint and Grievance Processes**

- E.12. Describe the procedure for handling customer service complaints.
- E.12.a. What customer complaint tracking system does the PBM utilize? [REDACTED]
- E.12.b. How long has this system been operational? [REDACTED]

- E.13. Describe the PBM's problem resolution policies.
- E.14. Describe the PBM's internal processes to deal with participant grievances.

### **Anti-Fraud and Abuse Processes**

- E.15. Explain the procedures and systems the PBM uses to prevent, deter, detect and investigate fraud and related issues, and how such processes shall be utilized in connection with the GBP, PDP and HealthSelect.
  - E.15.a. Discuss how the PBM would communicate with the participant, pharmacy, and/or physician(s), once a fraud or abuse problem is suspected or identified.
  - E.15.b. How will the information be reported to ERS?
- E.16. Discuss what measures the PBM employs to prevent and detect employee fraud (i.e., background checks, confidentiality agreements, security monitoring equipment, etc.)
  - E.16.a. Discuss how the PBM would communicate with the participant, pharmacy, and/or physician(s), once a fraud or abuse problem is suspected or identified.
  - E.16.b. How will the information be reported to ERS?
  - E.16.c. PBM shall submit its fraud plan with PBM's response to this RFP.

### **Disaster Recovery/Business Continuity Plan**

- E.17. Related to PBM's administrative and customer service support functions, what are the PBM's contingency plans and procedures for providing back-up service in the event of strike, natural disaster, act of God, backlog, or other events that might interrupt, delay or shut-down service?
- E.18. Provide a copy of the PBM's disaster recovery plan and/or business resumption plan including the results of the PBM's most recent test of the plan. [REDACTED]

## **F. Pharmacy Benefit Management**

### **Benefit Design**

- F.1. Describe the range of benefit designs that PBM can administer. Address at least the following:
  - F.1.a. Percentage coinsurance;
  - F.1.b. Multiple tier copayments;
  - F.1.c. Annual benefit maximum;
  - F.1.d. Annual maximum out-of-pocket limit; and
  - F.1.e. Formulary specific deductible.
- F.2. Discuss available options PBM can provide for filling and dispensing mail service prescriptions at retail pharmacies. Include all associated costs, and whether such costs are reflected in the PBM Price Proposal quoted in Article VII.
- F.3. Discuss any programs offered by the PBM that will promote lower cost drug alternatives such as the promotion of generics and OTC.
  - F.3.a. Describe any Web tools available to support such efforts, and discuss the associated costs in providing these services. Indicate if such costs are reflected in the PBM Price Proposal quoted in Article VII.
- F.4. What is the PBM's pill splitting policy?
  - F.4.a. Can the PBM provide blister packs for use by assisted care living facilities in ninety (90) day quantities?

## **Formulary**

- F.5. Discuss the various factors to consider when creating a customized formulary and detail the associated cost.
- F.6. Describe the different types of PBM formularies, including the composition of the committee used in its development. [REDACTED]
- F.6.a. Describe how the PBM assures that all Pharmacy and Therapeutic Committee members are qualified, objective and not influenced by a third party. [REDACTED]
- F.7. Provide an electronic version of the PBM's formulary and preferred drug list that includes name, strength, dosage form and 11-digit NDC number for every product on the list.
- F.8. What elements are reviewed when determining drugs to be included in the formulary?
  - F.8.a. How often does the formulary change?
  - F.8.b. What is the process for announcing these changes to the client and to patients?
- F.9. Using the detailed claim files located in Appendix J and based on the instructions included therein, indicate which of the PDP claims provided were on the PBM's formulary on the date the prescription was filled. [REDACTED]
- F.10. Using the detailed claim files located in Appendix J and based on the instructions included therein, indicate which of the PDP claims provided would have been deemed maintenance medications on the date the prescription was filled.

## **G. Retail, Mail Service, and Specialty Pharmacies**

### **Retail Pharmacy Management**

- G.1. What are the professional, general liability, malpractice, fidelity, etc. insurance requirements for each type of pharmacy in the PBM's network, including the PBM's mail service facility and retail pharmacies?
  - G.1.a. Include the minimum required malpractice coverage per individual pharmacy, or group.
  - G.1.b. If the process differs by type of pharmacy (i.e., independent vs. chains), please indicate and describe separately.
- G.2. Does the PBM have a pharmacy network outside of Texas and the continental U.S. available to HealthSelect participants when traveling or living outside of Texas?  Yes  No
  - G.2.a. If yes, describe the network, providing information regarding numbers and location of pharmacies, claim filling, processing and payment procedures.
- G.3. ERS may consider allowing participants to obtain a 90-day supply of a maintenance medication at a retail pharmacy under the same terms and conditions that would be applicable if the same medication was obtained through the mail service pharmacy. Specifically, (a) a participant obtaining a 90-day supply at retail would pay the same deductible and copay that would have been paid in the event that the medication had been obtained through the mail service pharmacy, and (b) the retail pharmacy would be reimbursed at the same rate as is applicable to the mail service pharmacy.
  - G.3.a. Describe how implementation of this arrangement would impact the proposal that you have presented in Article VI.
- G.4. What payment methods are used to reimburse retail pharmacies (i.e., draft, check, electronic transfer, etc.)?
  - G.4.a. Does the payment method vary by volume? If so, indicate the payment method by volume.

- G.5. Describe the credentialing and re-credentialing process and minimum criteria for selecting a network pharmacy.
- G.6. Provide a representative specimen copy of the PBM's contract with its contracting pharmacies.
- G.7. Include a current electronic directory of the PBM's pharmacy network including the National Association Boards Pharmacy Number for each pharmacy, full address and zip code.
- G.7.a. Are pharmacies included in the PBM's directory under contract as of October 31, 2007?  
 Yes       No
- G.8. If no, describe the timeframe and process that the PBM shall follow in seeking to contract with the remaining pharmacies.
- G.9. How will the PBM communicate with, and educate, participating pharmacies concerning the HealthSelect PDP?
- G.10.a. What is the anticipated frequency of such communication?
- G.11. Do physicians and/or pharmacist(s) have access to the PBM Web site?  
 Yes       No
- G.11.a. If so, what capabilities do they have?
- G.11.b. How does the PBM educate physicians/pharmacists on the PBM's Web site?
- G.11.c. What procedures are in place to ensure that correct, complete and quality information shall be provided to network pharmacies in connection with the HealthSelect PDP?
- G.12. How does the PBM resolve issues such as pharmacy non-compliance with contractual requirements?
- G.13. What performance based systems does the PBM utilize in connection with retail pharmacies?
- G.13.a. How does the PBM measure its effectiveness in achieving retail pharmacy network compliance?
- G.13.b. How is the network's performance measured?
- G.14. How would the PBM involve the retail pharmacies in achieving ERS' objectives in the improvement of patient care and the reduction of overall health care costs?
- G.14.a. What steps are taken to increase generic substitution?
- G.15. Related to the PBM's proposed Pharmacy Network(s), what are the PBM's contingency plans and procedures for providing back-up service in the event of strike, act of God, natural disaster, backlog or other events that might interrupt, delay, shut down or disrupt service?

### **Retail Pharmacy Pricing**

- G.16. The RFP specifies the pricing indexes to be used by the PBM in connection with the PDP (First DataBank AWP, for example). Describe the advantages and disadvantages of using alternative pricing indexes.
- G.17. Describe the PBM's MAC program and address the following points:
  - G.17.a. Selection of drugs;
  - G.17.b. Number of drugs covered;
  - G.17.c. CMS MAC comparison;
  - G.17.d. Frequency of updates;
  - G.17.e. Available options;
  - G.17.f. Pharmacist's incentives; and
  - G.17.g. MAC reimbursement determination.

- G.18. Using the detailed claim files located in Appendix J and based on the instructions included therein, indicate the following:
  - G.18.a. Each prescription that would have been reimbursed based on MAC; and
  - G.18.b. The MAC pricing applicable to each such prescription on the date it was filled.
- G.19. What would be the rate impact (discount and MAC pricing) for the retail service proposal should ERS eliminate a mail service option for dispensing drugs (i.e., retail network dispensing only)?
  - G.19.a. Provide the specific discount and MAC pricing in your response.

**Retail Pharmacy Audits**

- G.20. Is the right to audit included in the PBM’s standard retail pharmacy contracts?
  - Yes     No
 If no, the PBM selected shall revise its contracts with pharmacies to permit the PBM to conduct audits in connection with services provided to HealthSelect participants.
- G.21. Describe the PBM’s retail pharmacy auditing capabilities, including, but not limited to:
  - G.21.a. Authenticating prescriptions with claims;
  - G.21.b. Uncovering generic dispensing when billing for branded products and proper dispensing of medication in accordance with the prescriber’s order;
  - G.21.c. If the PBM makes recoveries during the audit process, how would such recoveries be credited to ERS and how often;
  - G.21.d. The percentage of retail stores that are audited under each phase of the program, along with average recoverables and associated fees;
  - G.21.e. The percentage of total claims that are audited under each phase of the audit program;
  - G.21.f. The process by which a retail pharmacy may be excluded from the network due to fraud, abuse or other improprieties;
  - G.21.g. The frequency of each phase of the audit program;
  - G.21.h. A recent copy of a retail pharmacy audit report.
- G.22. Pharmacy Audits (complete the following for 2006):
  - Percent of Network Pharmacies Audited:
    - Desktop \_\_\_\_\_%
    - On-Site \_\_\_\_\_%
    - At Random \_\_\_\_\_%
    - By Independent Agent \_\_\_\_\_%
    - Percent of pharmacies needing corrective action \_\_\_\_\_%
    - Percent of contracts terminated due to result of audit \_\_\_\_\_%
    - Most prevalent reason for termination: \_\_\_\_\_
  - G.22.a. The PBM shall confirm that pharmacy audits do not use extrapolation to determine results.
  - G.22.b. The PBM shall confirm that ERS shall receive 100% of the pass through from the audit findings.

**Mail Service Pharmacy Management**

- G.23. Does the PBM own and operate its own mail service pharmacy(ies)?
  - G.23.a. What is the location of the PBM’s mail service pharmacy(ies)?
  - G.23.b. Which locations would be responsible for servicing HealthSelect PDP participants?
- G.24. What are the days and hours of operation for these facilities?
- G.25. What are the hours of operation of the PBM’s pharmacy help desk?
- G.26. What was the average daily number of prescriptions filled by mail service from January 1, 2006 through December 31, 2006?

- G.26.a. Does this represent an increase in volume from the previous year?  Yes  No
- G.26.b. If yes, by how much?
- G.27. What is the mail service facility's projected excess capacity to fill prescriptions as of:
- G.27.a. January 1, 2008?
- G.27.b. January 1, 2009?
- G.27.c. January 1, 2010?
- G.27.d. January 1, 2011?
- G.28. How does the selected PBM propose to transition existing mail service refills from the current PBM?
- G.28.a. Would the PBM be willing to contact physician offices to transfer existing prescriptions into the PBM's mail service pharmacy?
- G.29. Briefly outline the daily operations that take place at the PBM's mail service facility. Include highlights of procedures that target quality control for all aspects of the process.
- G.30. Briefly outline the PBM's mail service program as it relates to cost containment.
- G.31. How does the PBM package medications and ship to PDP participants?
- G.31.a. What primary shipping service does the PBM use?
- G.31.b. How does the PBM ship medications that are temperature sensitive?
- G.32. Describe online integration, if any, with retail pharmacies to ensure non-duplication and to identify potential adverse drug interactions.
- G.33. How often does the PBM's mail service switch generic manufacturers?
- G.33.a. How are participants notified of the switch?
- G.34. Provide a detailed description of the mail service dispensing process from the time a new prescription arrives until it is mailed.
- G.34.a. Specify the steps that are completed by other staff.
- G.34.b. Specify the steps that are completed by a licensed pharmacist.
- G.34.c. In the last six (6) months, what percent of protocol prescriptions, once received, were dispensed in twenty-four (24), forty-eight (48) or seventy-two (72) hours or greater?
- G.35. Describe the package size used in mail order pricing.
- G.35.a. Discuss how the PBM shall generate PDP savings for mail service prescriptions related to package size.
- G.36. Discuss the role of registered pharmacists in the mail service dispensing process.
- G.37. Discuss the PBM's mail service quality assurance program.
- G.38. Describe the procedure the PBM utilizes when a prescription is lost in the mail.
- G.38.a. When does the PBM charge the participant for the replacement?
- G.38.b. When does the PBM charge the plan for the lost prescription?
- G.39. Describe the procedures for cancellation of a prescription by a participant. Include a discussion on when and how the participant is credited and how the plan is credited for such a cancellation.
- G.40. How does the PBM control waste in its mail service dispensing process?
- G.41. What is the PBM's policy in substituting A-rated generics through the mail service process?
- G.41.a. What is PBM's policy in substituting less than A-rated generics through the mail service process?

- G.42. Explain any state/federal regulations that impact dispensing practices at the PBM's mail service facilities concerning faxing prescriptions, controlled substances, substitution of less than A-rated generics, etc.
- G.42.a. Identify the mail service facilities affected.

### **Mail Service Pharmacy Pricing**

- G.43. Does the PBM's mail service repackage drugs?  Yes  No
- G.43.a. If yes, how will such repackaging impact payments under the PDP?
- G.43.b. Will ERS be charged a higher AWP than in the absence of repackaging?
- G.43.c. How will ERS verify the AWP if the product is repackaged?
- G.43.d. Who sets the AWP of a repackaged product?
- G.43.e. Does the PBM, parent organization or any affiliate or subsidiary of PBM own a repackager/labeler company?
- G.44. How often are AWP price updates applied to the PBM's adjudication system?
- G.45. What would be the rate impact (discount and MAC pricing) for the mail service proposal should ERS institute a mandatory mail service requirement for all maintenance medications?
- G.45.a. Provide the specific discount and MAC pricing in your response.

### **Mail Service Pharmacy Audits**

- G.46. Are on-site audits performed at the PBM's mail service pharmacies?
- G.46.a. Describe the frequency, types of audits and who performs.
- G.46.b. Is the mail service pharmacy that shall support ERS' mail service program subject to the same audit programs as the PBM's retail network?
- G.46.c. The PBM shall provide a copy of its most recent mail service facility audit. If not available, please explain.

## **H. Retail and Mail Service Pharmacy Clinical Management and Managed Care Programs**

- H.1. Do the PBM's mail service and retail pharmacy networks utilize the same participant prescription data for DUR purposes?
- H.2. Discuss how the PBM identifies off-label drug dispensing.
- H.3. What is the PBM's policy regarding physician notification of potentially serious drug reactions?
- H.4. Does the PBM offer integrated patient, pharmacy and physician communications?  
 Yes  No  
If so, describe.
- H.5. Is a licensed pharmacist available by toll-free telephone line twenty-four (24) hours a day, seven (7) days a week, in the PBM's mail service facility? If not, describe the availability.
- H.6. Describe the drug information and consultation provided to patients who purchase medication through the PBM's mail service pharmacy.
- H.7. What verification process does the PBM use to ensure that the pharmacist is entering the proper number of days supply?
- H.7.a. If there is a conflict, does the pharmacist receive a warning or a message indicating that the claim shall not be paid?
- H.8. Describe the PBM's concurrent DUR program.
- H.8.a. Describe and give an example of each edit.

- H.9. Describe the PBM's retrospective DUR program.
- H.10. Describe the PBM's prospective DUR program, if any.
- H.11. How does the PBM ensure pharmacy compliance with DUR messages?
- H.12. Provide examples of the PBM's DUR reports.
- H.13. How does the PBM ensure retail pharmacy compliance with a formulary program?
- H.14. Describe the PBM's utilization review program and department.
- H.14.a. Provide information concerning the personnel dedicated to utilization management and outcomes measurement.
- H.15. Describe the PBM's prior authorization and/or case management programs.
- H.16. What flexibility does the client have in deciding which edits are hard and which edits are soft?
- H.17. Describe patient communication programs used to educate participants on appropriate prescription drug utilization, compliance with drug regimens, generics, cost-effective drug therapy, and formularies.
- H.18. Describe actions the PBM takes to influence physician prescribing practices.
- H.19. Describe how the PBM monitors high utilization members.
- H.19.a. Does this include controlled substance usage and potential fraud and abuse circumstances?
- H.20. Describe each of the PBM's disease management programs, including:
  - H.20.a. How the PBM identifies individuals for their inclusion in the program;
  - H.20.b. How the PBM establishes protocols for practice guidelines;
  - H.20.c. How the PBM educates physicians, pharmacists and participants about disease management protocols; and
  - H.20.d. Discuss the PBM's outcomes management program.
- H.21. Describe the PBM's clinical intervention programs.
- H.21.a. Describe the medical staff that oversees the development of the PBM's clinical programs.

### **Mail and Retail Pharmacies - Other**

- H.22. How does the PBM ensure that both mail and retail pharmacies have adequate stock on hand?
- H.22.a. Does the PBM guarantee that ERS shall be charged only the generic price and the plan participant shall be charged with only the generic copayment if the generic is out of stock and a brand name drug is dispensed?

### **Specialty Pharmacy Management**

- H.23. Does the PBM offer a specialty pharmacy program that integrates with the medical program?  
 Yes       No
- H.23.a. If yes, please describe the operations of the program.
- H.23.b. Does the PBM contract with, or own, one or more specialty pharmacies?
- H.23.c. If yes, please identify.
- H.23.d. How long has the PBM had the specialty pharmacy program in place?
- H.23.e. What is the total annual purchasing volume of PBM's specialty pharmacy?

- H.23.f. How many clients does the PBM currently provide specialty services to?  
H.23.g. Please provide three (3) client references for the specialty pharmacy program.  
H.23.h. Is there separate pricing for injectables and biotech products? If yes, please provide a separate fee schedule. (See *Pharmacy Benefit Manager Price Proposal*, Article VII.)

## **I. Information Systems and Data Reporting**

### **Systems**

- I.1. Provide the names and a description of the hardware and software systems that the PBM is currently using.
- I.2. For each system, provide the following information:  
I.2.a. When was this system implemented?  
I.2.b. When was the system last updated?  
I.2.c. Is there a future update being considered?  Yes  No  
I.2.d. If so, when is the update anticipated?
- I.3. What quality assurance processes are provided in the PBM's system to ensure accurate programming of benefits?
- I.4. Describe the PBM's process for implementing plan design changes.  
I.4.a. How much advance notice is required for a change to be placed in the system?

### **Data Reporting**

- I.5. Provide a listing of all claims experience reports currently available, including production schedules, with PBM's proposal response.
- I.6. Describe reports provided on a regular basis at no cost.  
I.6.a. Describe how the reports can be utilized to identify problems and monitor performance.  
I.6.b. At what frequency are the reports provided by the PBM?
- I.7. Describe typically requested *ad hoc* reports, including turn-around time.  
I.7.a. How will the PBM provide ERS with the capability to conduct online queries, interface with PBM's database in order to generate *ad hoc* reports and extract specific information?  
I.7.b. Describe the reporting system that will be installed at ERS to enable independent, online data queries by ERS staff.
- I.8. Describe any unique reporting capabilities that differentiate PBM from its competitors?
- I.9. Does the PBM perform an internal analysis of client-specific data to develop recommendations for program improvement?  
I.9.a. Describe the background and training for the personnel involved in this process.
- I.10. Confirm that the PBM can provide normative data against which ERS can benchmark its plan?  
I.10.a. What is the source of the data and what specific benchmark information will the PBM provide?

## **XI. Appendices**

- A. Master Benefit Plan Document
- A.1. Exhibit C
- B. PDP Section (Section V) of Benefits Book
- C. Contractual Agreement
- C.1. Business Associate Agreement
- D. Signature Page
- E. Glossary of Definitions
- F. Minimum Required Reporting
- G. Organizational Chart
- H. Weekly/Monthly File Layouts
- I. Pharmacy Network Directory
- J. Experience Data:
  - A. Monthly Health Plan Enrollment History
  - B. Monthly HealthSelect Enrollment by Coverage Category
  - C. Health Plan Enrollment by Plan and County – August 2007
  - D. Health Plan Enrollment Demographics – August 2007
  - E. HealthSelect PDP Experience by Month
  - F. Top 100 Drugs
  - G. Top Pharmacies
  - H. HealthSelect Retail Pharmacy Network Listing
  - I. Data Disk Instructions
- K. Formulary
- L. Prior Authorization Programs
- M. Call Center Metrics
- N. Performance Guarantees
- O. Pharmacy Benefit Manager Proposal Rate Tables