

State of Arkansas

Request for Proposal

Pharmacy Benefit Management

Solicitation Number: S000000161

BAFO Number 1



Submission Date:

April 7, 2023

Magellan Rx Management, LLC.

2900 Ames Crossing Road

Eagan, MN 55121

Contact:

Jennifer Prigge

Vice President, Large Account Sales

priggejm@magellanhealth.com

920-226-1984

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Magellan Rx
MANAGEMENTSM

BAFO COST WORKBOOK

S000000161 Pharmacy Benefits Manager

Prospective Contractor Name: Magellan Rx Management

- Prospective Contractors shall complete all blue-highlighted cells on Tab 2 (BAFO). Cells not shaded in blue will calculate.
- Submitted rates must be guaranteed.
- The plan design to be used for pricing is outlined in the RFP.
- Provide all applicable rates on a per member per month (PMPM) basis where indicated.
- Table A: Provide an all-inclusive PMPM administrative fee.

- Table B.1: Provide dollar amount of claims paid with rebates based on both the plan's current formulary and the Prospective Contractor's formulary. Dollar amounts shall be based on historical claims data provided by EBD during RFP S000000161 posting.
- Table B.2: Provide dollar amount of claims paid without rebates based on both the plan's current formulary and the Prospective Contractor's proposed formulary. Dollar amounts shall be based on historical claims data provided by EBD during RFP S000000161 posting.
- Table C: Provide a calculation of total rebates paid on a list of 25 drugs pre-selected by EBD (see *Rebated Drug Sample* tab).

Revised BAFO Cost Workbook 4.4.23
S000000161 Pharmacy Benefits Manager

TABLE A - Administration (78.75 possible cost points)	Per Member Per Month (PMPM)	X 140,000 members	X 12 months	X 36 months
All-inclusive PMPM Administration Fee	\$ 1.85	\$ 259,000.00	\$ 3,108,000.00	\$ 9,324,000.00
Subtotal Table A				\$ 9,324,000.00

TABLE B.1 and TABLE B.2 - Claims Pricing (105 total cost points possible for existing formulary and 183.75 cost points possible for prospective formulary)	Claims repricing cost	
B.1 Claims Processed via existing formulary - with rebates included	\$122,045,438.00	Y3
B.2 Claims Processed via prospective formulary - with rebates included	\$122,045,438.00	Y3
B.1 Claims Processed via existing formulary - without rebates included	\$279,762,374.00	Y3
B.2 Claims Processed via prospective formulary - without rebates included	\$279,762,374.00	Y3
Subtotal Table B.1	\$ 157,716,936.00	
Subtotal Table B.2	\$ 157,716,936.00	

TABLE C - Rebate Pricing (157.5 cost points possible)	Total Rebate	
	X 1 quarter	X 12 quarters
25 drugs pre-selected by EBD (see <i>Rebated Drug Sample</i> tab)	\$ 21,227,440.00	\$ 254,729,280.00
Subtotal Table C		\$ 254,729,280.00

25 Commonly Rebated Drugs from Historical Claims

- 1 Jardiance
- 2 Ozempic
- 3 Trulicity
- 4 Victoza
- 5 Eliquis
- 6 Xarelto
- 7 Emgality
- 8 Aimovig
- 9 Nurtec
- 10 Dulera
- 11 Symbicort
- 12 Synjardy
- 13 Cequa
- 14 Linzess
- 15 ProAir
- 16 Breztri
- 17 Spiriva
- 18 Stiolto
- 19 Norditropin
- 20 Enbrel (specialty)
- 21 Humira (specialty)
- 22 Rinvoq (specialty)
- 23 Skyrizi (specialty)
- 24 Taltz (specialty)
- 25 Olumiant (specialty)



Arkansas State and Public School
Employee Health Insurance Plan

BAFO

April 5, 2023



Magellan Rx Management Prescription Drug Program for Proposal for: ARKANSAS STATE AND PUBLIC SCHOOL EMPLOYEES HEALTH INSURANCE PLAN

1. COMMERCIAL - PASS THROUGH OFFER

Effective Date	TBD (2023/2024)	
Minimum Membership	120,000	
Retail "Broad" Network	1-83 Days' Supply	84-90 Days' Supply
Brand Drugs	AWP-21.75%	AWP-23.75%
Generic Drugs	AWP-86.15%/AWP-86.40%/AWP-86.65% (Year1/2/3)	AWP-87.35%/AWP-87.60%/AWP-87.85% (Year1/2/3)
Dispensing Fee	\$0.40 per claim	\$0.00 per claim
Retail 30 AR Independent & Associations Network	1-83 Days' Supply	84-90 Days' Supply
Brand Drugs	AWP-20.00%	AWP-23.10%
Generic Drugs	AWP-91.85%/AWP-92.10%/AWP-92.35% (Year1/2/3)	AWP-95.25%/AWP-95.50%/AWP-95.75% (Year1/2/3)
Dispensing Fee	\$0.40 per claim	\$0.00 per claim
Magellan Rx Mail Pharmacy	Magellan Rx Mail Pharmacy	
Brand Drugs	AWP-24.00%	
Generic Drugs	AWP-93.00%/AWP-93.25%/AWP-93.50% (Year1/2/3)	
Dispensing Fee	\$0.00 per claim	
MRx Specialty Pharmacy	Open	
Net Effective Discount (NED)	AWP-23.00%	
Dispensing Fee	\$0.00 per claim	
PBM Core Administrative Fee	Fee	
Admin Fee PMPM	\$1.85	

2. FORMULARY MANAGEMENT – COMMERCIAL POPULATION

Formulary Management	Net Results - A Formulary		
	Year 1	Year 2	Year 3
Client will receive the greater of the aggregate value of the guarantees below or 100% of earned rebates			
Retail 30 Per Brand Claim	\$340.06	\$365.17	\$397.90
Retail 90 Per Brand Claim	\$807.06	\$882.01	\$981.30
Mail Per Brand Claim	\$1,193.59	\$1,275.66	\$1,371.55
Specialty Per Brand Claim	\$4,371.14	\$5,053.48	\$5,605.79

3. ALLOWANCES AND OTHER GUARANTEES

a. Annual Performance Guarantee

The annual performance guarantees have a fixed amount of \$10.00 per member per year. ARKANSAS STATE AND PUBLIC SCHOOL EMPLOYEES HEALTH INSURANCE PLAN may allocate the total risk pool, provided no more than 20 percent of the total risk pool is allocated to any individual performance guarantee and the sum of all allocations equal 100 percent of the total risk pool.

b. Implementation Allowance

Not earlier than ninety (90) days after the Effective Date, MRx will credit ARKANSAS STATE AND PUBLIC SCHOOL EMPLOYEES HEALTH INSURANCE PLAN up to \$3.00 per Member (based on the initial enrollment as of the Effective Date) against the next regular invoice to Sponsor. Such credit will be limited to reimbursement for Sponsor's reasonable and actual costs/expenses relating to the implementation of this Agreement (e.g., consulting fees, cost of preparing a request for proposal, communications to Members, etc.). Sponsor will provide appropriate documentation of its costs/expenses within sixty (60) days after the Effective Date. In addition to any other remedies MRx may have under Law, in the event Sponsor terminates this Agreement prior to the expiration of the Initial Term, Sponsor will return any amount credited under this section upon the effective date of such termination.

c. General Pharmacy Management Fund

MRx will credit ARKANSAS STATE AND PUBLIC SCHOOL EMPLOYEES HEALTH INSURANCE PLAN up to \$1.00 per member against the invoiced fee amounts for any value added services which are purchased by Sponsor during the applicable Contract Year. In addition to any other remedies MRx may have under Law, in the event Sponsor terminates this Agreement prior to the expiration of the Initial Term, Sponsor will return any amounts credited under this section upon the effective date of such termination.



4. INCLUDED SERVICES

Administrative

Members Customer Services

Eligibility notification:

- Electronic/on-line submission
- FSA Feeds

Plan Setup

Electronic Claims Processing

Coordination of Benefits (COB):

- Standard Process (reject for primary carrier, electronic only)

Software Training for Access to Our On-Line System(s)

Pharmacy Network

Pharmacy Help Desk

Pharmacy Audit Recoveries

Network Development Upon Request

Mail Services

Benefit Education

Prescription Delivery—standard carrier delivery

Reporting Services

Web-based Client Reporting—produced by ARKANSAS STATE AND PUBLIC SCHOOL EMPLOYEES HEALTH INSURANCE PLAN

Ad hoc desktop reports

Additional Reports:

Claims detail extract file electronic (NCPDP format)

- Billing Reports
- Annual Account Review and Strategic Action Plan

Web Site



Clinical Management and Cost Containment Strategies at No Additional Fee

Web-based Member, Physician, and Pharmacist Education

Concurrent Drug Utilization Review

Point-of-service edits for the most important drug- and member-specific pharmaceutical care issues.

Product Selection

Support appropriate selection of cost-effective medications through active interventions.

Drug Quantity Management

Ensures that the quantity supplied in each prescription remains consistent with clinical dosing guidelines and Plan Sponsor's benefit design—Standard List.

High Utilizer and Cost Management Report

Identifies members who are at high risk for hospitalization or increased medical/pharmacy cost. Drug/utilization targeting report including member detail.

Prior Authorization—Administrative Overrides

Manage plan benefits and drug costs by ensuring appropriate prescribing and use by members:

- Non-clinical PA
- Lost/stolen overrides
- Vacation supplies

Emerging Therapeutic Issues Management

Rapid communication to alert physicians, members, and clients about significant patient-safety related issues (drug withdrawals, black box warnings, and class I recalls).

Proactively alerts our clients to new drugs that are anticipated to have a significant impact on pharmacy cost.

Step Therapy

Intervention designed to support use of less expensive and clinically appropriate medications at the point-of-service.

Retrospective DUR

Periodic physician communication targeting multiple utilization issues:

- Drug-Drug Interactions
- Drug-Patient Interactions
- Drug-Disease Interactions
- Drug-Pregnancy Interactions
- Drug Overutilization
- Drug Underutilization
- Duplicate Therapy
- Dose Optimization (over 110 drugs included)
- Addictive Substances (including Oxycontin, Morphine, Fentanyl)

5. ANCILLARY FEES

The services below are optional for ARKANSAS STATE AND PUBLIC SCHOOL EMPLOYEES HEALTH INSURANCE PLAN and are not included in the base program.

	Value Added Fee Schedule
Toll Free Phone Lines	Included (MRx standard)
Member Packets	Mailed directly to members: \$1.25/member address + postage ID Cards: \$0.25/card Rx Only: \$0.50/card Rx + Medical Customized Materials: Priced upon request
RDUR	Included
Step Therapy Program	Basic Step Therapy included Enhanced Step Therapy quoted upon request
Quantity Limitations	Basic Quantity Limitations included Custom Quantity Limitations may incur additional fees
Ad Hoc Reports	\$195.00 Per Hour
Dose Optimization Program	\$40.00 per review
Prior Authorization Program (Clinical)	\$40.00 per review
Prior Authorization Program (Administrative)	Included
Direct Member Reimbursement/Paper Claims	\$1.50 per claim + postage in addition to core admin fee
Retro Termination Letters	Fees based on scope of program
Group Coding	Fees based on scope of program
Member Communications	Fees based on level of customization
Standard 1st level appeals processing	\$150.00 Per Appeal
Standard 2nd level appeals processing	\$150.00 Per Appeal
Urgent appeals processing	\$150.00 Per Appeal
IRO appeals processing	Pass-through




Manual Eligibility Overrides	\$2.20 per transaction
Sponsor-requested audits of pharmacy	Onsite audit: \$622.00/audit, Desk audit: \$462.00/audit
Fraud, Waste, and Abuse Program	Standard program included; customization to be quoted upon request
Custom Services and Products	Agreed-upon fee based on the scope of the program
Consumer Health Driven Services	Standard program included. Additional customization or other CDH programs may incur additional fees.
Claims System Access	Pricing is included for up to two users. Additional user access may incur additional fees.
e-Prescribing—Cost for Prescription Benefit Transaction	\$0.16 per positive eligibility transaction
Real Time Benefit Inquiry (RTBI)	\$3 per unique prescriber per month.
Standard Member Mailings	\$1.50 + postage
Custom Formulary Management	Implementation and Management Fees based on number of formularies and level of customization



Terms:

- The comprehensive (retail, mail-order, specialty and formulary management) prescription drug program pricing will be effective on TBD (2023/2024) with 90 days' notice. Pricing is contingent upon MRx being the exclusive provider of pharmacy benefit management (PBM) services.
- Quoted services and pricing are valid for ninety (90) days from the date of this proposal and require a three (3) year contract.
- For any contract period less than 12 months, pricing guarantees do not apply.
- Magellan's offer is based on a minimum enrollment of 120,000 lives.
- Magellan's offer is based on a minimum three-year contract term.
- "Brand" means those Prescription Drugs designated as "M", "N" or "O" in Medi-Span's Multisource Code indicator. In some instances, a Brand may be dispensed and treated as a Generic for the sole purpose of Member Cost Share.
- "Generic" means those Prescription Drug(s) designated as "Y" in Medi-Span's Multisource Code indicator.
- The retail pharmacy will adjudicate claims at the lowest of MAC +DF, discounted AWP +DF or U&C. The mail pharmacy will adjudicate claims at the lowest of MAC or discounted AWP. Please Note: Due to limited distribution agreements conducted by manufacturers, a small number of specialty products are not available at the exclusive pricing schedule.
- Rebates earned will be paid 150 days after the close of each calendar quarter.
- **EFFECTIVE RATE (INGREDIENT COST) AND DISPENSING FEE GUARANTEES:** Zero Balance Claims are included in the calculation. Claims for compound drugs, Specialty Drugs (except in connection with a Specialty Drug guarantee, as applicable), over-the-counter drugs, Claims for products used in the detection, prevention, or treatment of COVID-19; claims for drugs subject to an Emergency Use Authorization (EUA); Claims with ancillary charges (but not taxes), Member-submitted Claims received after reconciliation is completed, Subrogation Claims, Vaccines, out-of-network Claims, Claims in which the plan sponsor is not the primary payor, and Claims from in-house pharmacies (unless such pharmacy is in the MRx network) are excluded from the calculations. Value Max Claims are excluded from the calculation of Dispensing Fee guarantees. Under the Retail Pharmacy guarantees, Claims from LTC Pharmacies, Home Infusion Pharmacies, and Indian/Tribal/Urban Pharmacies are excluded from the calculations, and there are no guarantees applicable to individual pharmacies.
- Retail Network Pricing > 83 Days' Supply rates apply only at contracted pharmacies within the 90-day retail network.
- For the purpose of all pricing guarantees, the designation of "Broad network" versus "Arkansas Independent and Associations network" is based upon the information provided in the file titled, "Attachment F – EBD AR Network 051622". Specifically all claims from pharmacies tagged as "Independent" or "PSAO" in this file were assumed to be through the Arkansas Independent and Associations network. All other claims in the dataset received were assumed to be through the Broad network.
- For the Brand Effective Rate Guarantees, all Brands are included in the calculation. For the Generic Effective Rate Guarantees, both Single Source Generics and Multisource Generics are included in the calculation. "Single Source Generic" means a drug that is manufactured by and available from only one generic pharmaceutical manufacturer. "Multisource Generic" means a drug is manufactured by and available from more than one generic pharmaceutical manufacturer.
- After the end of each Contract Year, MRx will measure and reconcile each of the guarantees. Each of the guarantees is separate and MRx will not offset any surplus on any Effective Rate or Dispensing Fee Guarantee against a shortfall in any other such guarantee. MRx will provide a guarantee reconciliation report within ninety (90) days, and pay any shortfall against the guarantees within one-hundred twenty (120) days, after the end of the Contract Year.

- “Rebates” means any retrospective discount received by MRx that is paid by a pharmaceutical manufacturer or aggregator for utilization of designated Prescription Drugs by Members under the applicable rebate agreement with MRx, including but not limited to base/formulary, incentive and market share rebates. Rebates include manufacturer administration fees (MAF)
- **UPDATED REBATE EXCLUSIONS:** Guaranteed Rebates do not include Claims for compound drugs, Claims for products for which a prescription is not required under Law, medical Claims, Claims for Limited Distribution Drugs, Claims for biosimilars, 340B Claims, OTC Claims, Claims for vaccines, Claims from entities eligible for federal supply schedule prices (e.g., Department of Veteran Affairs, Department of Defense, Indian Health Service), Claims for Authorized Brand Alternatives and Authorized Generics, Claims for Brand Drugs eligible to be priced at MAC, Claims for products used in the detection, prevention, or treatment of COVID-19; claims for drugs subject to an Emergency Use Authorization (EUA); and Ineligible Claims.
- In addition, MRx reserves the right to adjust the minimum rebate guarantees if the mix of highly rebateable drugs comparing 340B claims versus non-340B claims is disproportionate and impedes our ability to earn rebates on Sponsor’s behalf. Rebates assume a maximum grandfathering period of six months. The proposed specialty rebate guarantees are based on a brand over biosimilar strategy where the projected Net Cost will be equal to or less than new biosimilars. MRx reserves the right to make an equitable adjustment to the minimum rebate guarantees if there is a change in biosimilar strategy which may result in a lower Net Cost.
- Formulary guarantees assume a minimum of 90% compliance with the formulary.
- For rebate guarantee reconciliation, MRx will normalize for rebate ineligible claims due to 340B or other similar program designations by pharmaceutical manufacturers by accounting for the potential rebate value of those claims had they not been designated as ineligible.
- MRx reserves the right to equitably adjust the financial guarantees in the event that the current HHS rule, “Removal of Safe Harbor Protection for Rebates Involving Prescription Pharmaceuticals and Creation of New Safe Harbor Protection for Certain Point-of-Sale Reductions in Price on Prescription Pharmaceuticals and Certain Pharmacy Benefit Manager Service Fees”, remains in-place and manufacturer rebate rates are impacted by this rule.
- MRx reserves the right to equitably adjust the rebate guarantees if formularies do not comply with the Inflammatory Conditions Care Value (ICCV) UM in the autoimmune category.
- MRx reserves the right to adjust the reconciliation of guarantees for the following: changes in any law or regulation, changes in interpretation of a law or regulation, changes within PBM marketplace which lead to a significant deviation from the current economic environment, unexpected market events, unexpected generic launches, authorized generic launches, biosimilar launches, products launched at risk, products under patent litigation, new lower cost NDC priced net of rebates from the innovator, products with AWP decrease, implementation of new clinical programs, removal of existing clinical programs, changes in pharmacy benefit plan design, drug list changes, formulary changes, or manufacturer rebate contracts obtained by the client.
- MRx reserves the right to equitably adjust financial guarantees in the event the number of covered members or pharmacy claims volume (unweighted) varies by greater than 5% (e.g. formulary, line of business, etc.) as compared to the data and claims experience provided by the client.
- Specialty Net Effective Discount (NED) – This discount guarantee applies to specialty drugs dispensed by MRx Specialty pharmacy. Additionally, if client implements any program that shifts utilization away from MRX Specialty Pharmacy, MRX reserves the rights to revise the NED.

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- Any material modification of the program may result in pricing modifications by Magellan.
 - Pricing assumes the implementation of the standard Magellan Rx Management's Broad retail pharmacy network, as noted above, in the pricing schedule.
 - ARKANSAS STATE AND PUBLIC SCHOOL EMPLOYEES HEALTH INSURANCE PLAN agrees to adopt Magellan Rx Management's Formulary, including all applicable UM rules, in order to be eligible for rebates, whether rebates are paid or applied. Drugs and supplies included on the selected formulary may be modified by Magellan Rx Management from time to time as a result of factors, including, but not limited to, medical appropriateness, manufacturer Rebate arrangements, and patent expirations. To the extent any customization of the formulary is requested, rebate guarantees are subject to change and formulary management fees may apply.
 - On an annual basis, MRx will pay to ARKANSAS STATE AND PUBLIC SCHOOL EMPLOYEES HEALTH INSURANCE PLAN one hundred percent (100%) of Rebates received by MRx. MRx will pay (credit) ARKANSAS STATE AND PUBLIC SCHOOL EMPLOYEES HEALTH INSURANCE PLAN with such Rebates received by MRx within one hundred fifty (150) days following the end of each Contract Quarter. If the aggregate amount of the Guaranteed Rebates for such year exceeds the amount of Rebates paid to Sponsor attributable to such year, MRx will pay to Sponsor the difference within one hundred eighty (180) days following the end of the Contract Year. Rebates are reconciled in aggregate.
 - Rebate reconciliations, if applicable, are measured in aggregate.
 - Rebates and rebate guarantees will be paid only in accordance with a signed PBM services agreement.
 - If Client's alternative funding program changes in such a manner that the drug mix is materially different than the prospect claims data used in the underwriting, MRx reserves the right to revise the minimum rebate guarantees.
 - In addition, if pharma stops paying rebates for clients enrolled in Alternative Funding MRx reserves the right to adjust the financial offer.
 - Specialty pricing guarantees are based upon MRx's Specialty list.
 - The Specialty discount guarantee applies to both broad network and Arkansas Independent and Associations network, and the two networks will be reconciled together.
 - If Sponsor elects to implement an alternative funding program, the rebate guarantees, if applicable, may be modified or eliminated in their entirety.
 - MRx will not guarantee the Specialty rebates outlined above if ARKANSAS STATE AND PUBLIC SCHOOL EMPLOYEES HEALTH INSURANCE PLAN adopts the ValueMax program or any other programs that impacts ability to earn specialty rebates.
 - Market Check – During the second year of the contract term, ARKANSAS STATE AND PUBLIC SCHOOL EMPLOYEES HEALTH INSURANCE PLAN or its representative may review contract year 3 pricing terms with those available in the market for groups of similar size with similar programs to evaluate competitiveness. In accordance with MRx's Market Check Policy, parties may negotiate improved pricing terms if it is deemed that more competitive pricing exists in the market for similar groups.
 - MRx will conduct audits of its participating Retail Pharmacies and will provide eighty percent (80%) of all audit recoveries to Sponsor.
 - MRx's financial offer is based on data provided in the RFP. If there is material change to the actual mix and/or utilization, MRx reserves the right to revise the financial offer. Additionally, our proposal is based on all claims in the dataset provided. Should any portion of the business be carved out, MRx reserves the right to adjust pricing.
 - All guarantees in this proposal are based on 12 month contract years. Should ARKANSAS STATE AND PUBLIC SCHOOL EMPLOYEES HEALTH INSURANCE PLAN terminate mid-year, MRx will have no obligation under any financial guarantees if the guarantees were in place for less than a twelve (12) month period.
 - All guarantees in this proposal are based upon the Commercial line of business. To the extent any members move to a MAPD or EGWP plan, guarantees are subject to change.



- MRx may modify the pricing in this proposal in the event of a change in membership, benefit design, utilization, market conditions, or legislation, or other changes, that constitute a material departure from MRx's underwriting assumptions or otherwise impact the cost of providing services.
- This proposal is subject to MRx's applicable terms and conditions, which will be included in the PBM services agreement.
- The pricing terms in this Agreement are based in part upon the Minimum Enrollment, Benefit Design (including but not limited to the Formulary), and other information provided by Sponsor to MRx during the proposal process. If Sponsor falls below the Minimum Enrollment, makes any changes to the Benefit Design, makes other changes to its Plan(s), if five percent (5%) of Claims are incurred collectively in Massachusetts, Hawaii, Alaska, Georgia, and Puerto Rico, or other changes occur, that constitute a material departure from MRx's underwriting assumptions, including any relating to the mix of 340B Claims or those based on information provided by Sponsor, the Parties agree to modify the terms of this agreement as of the effective date of such event/change to return MRx to its relative economic position prior to such event/change.
- In the event a change in Law (including any interpretation of same) occurring after this Agreement has been signed materially impacts MRx's costs of providing any of the PBM Services hereunder, or if an action by a pharmaceutical manufacturer, any unscheduled patent expiration/availability of over-the-counter products, a drug withdrawal or recall, or industry-wide market change, constitutes a material departure from MRx's underwriting assumptions, the Parties will make an equitable modification to the pricing terms of the Agreement as of the effective date of such event/change. In the event of any increase in postage or carrier rates announced after this Agreement is signed, MRx will amend the Dispensing Fee relating to the Mail Order Pharmacy or Specialty Pharmacy, as applicable, to reflect such increased amount.
- The figures provided in the "S000000161 BAFO Cost Workbook" are estimates of cost based upon the data provided and the guarantees we are proposing. They do not represent guarantees.

