STATE OF ALASKA
Department of Administration
Division of Retirement and Benefits

PHARMACY BENEFIT MANAGEMENT (PBM) SERVICES

RFP 180000053

Amendment #2

February 23, 2018

This amendment is being issued to answer questions submitted by potential offerors and to provide additional important information. In addition to adhering to any changes made to the RFP by this amendment, offerors must use Submittal Form A – Offeror Information to acknowledge this amendment.

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Questions submitted by potential offerors and answers from the state:
(Note: the question numbering reflects a continuation from RFP Amendment #1)

Question 20: Please clarify the intent of the pricing inflation guarantee. It is not an industry standard to include a pricing inflation guarantee as part of the Pharmacy pricing proposal, so we would like to obtain more details including a description of the request, so we can work internally to accommodate.

Answer: The state is interested in the market's capabilities to manage trend and would find value in a bidder's ability to guarantee the impact of its cost management programs.

Question 21: Many of the competitor's offer a broad, open formulary that also includes mandatory formulary exclusions. We can offer this type of formulary or we can offer a formulary that matches what is in place today. Will the state be considering "open formularies with mandatory exclusions" from

bidders? If not, will the state submit an amendment stating that no exclusions will be considered on the proposed formulary to ensure they receive comparable quotes?

Answer: The state is requesting a formulary that closely matches the current formulary. The current formulary is a broad, open formulary that is subject to change (additions/removals of drugs), however, there are no mandatory drug coverage exclusions. All proposals must be based on an open, broad formulary and the cost proposal will be scored based on the pricing associated with your open broad formulary. However, additional approaches utilizing alternative formulas may also be proposed. They will not be scored, but may be discussed during the Clarification Period. Additional approaches may be submitted as separate documents with your proposal, and please reference them on Submittal Form D – Value Opportunity Assessment.

Question 22: Please consider changing the contract requirements (Submittal Form G – Contractual Requirements) to include Yes and No boxes separately for Commercial and EGWP plans. In the information meeting on February 6th, a verbal instruction was given to answer "no" if the answer was different by plan. We believe this will lead to a number of "no"s, with clarifications just because of the potential different response by product, and think an adjusted format would be beneficial for all bidders.

Answer: Offerors must utilize the current form as provided. If it is not possible to confirm "yes" for both EGWP and Commercial for a specific requirement, then please check "no" and provide an explanation (up to 250-word maximum) in the No Answers Clarification section of Submittal Form G.

Question 23: Please confirm how you want us to handle the identification of the four key personnel that must be available for separate interviews, when those positions may be different for the commercial plan and the EGWP plan, due to certain staff members being specialized in Medicare business affected by CMS rules.

Answer: The four-key personal required to participate in the interview process are outlined in section 5.17 of the RFP. Each offeror is responsible for identifying the personnel that most appropriately fits the description. The interviews are limited to four individuals, and in the case where offerors have different leads for EGWP and commercial plans, offerors must select the individual most suited to answer questions relative to both plans.

Question 24: Can the state consider allowing bidders to submit two versions of each of the Form C – Risk Assessment Plans - one for Commercial and the other for EGWP (i.e. we would be allowed two pages of controllable EGWP risks, two pages of controllable Commercial risks, two pages of non-controllable EGWP risks, two pages of non- controllable Commercial risks.

Answer: Submittal Form C contains two pages for controllable risks and two pages for non-controllable risks. This will not be changed. Offerors will have to use that space efficiently to identify risks for both commercial and EGWP.

Question 25: Should Submittal Form B – Service Approach – Part 2- Customer & Member Support be limited to just the commercial plan, or should it also include the EGWP Plan? We ask this because Submittal Form B – Service Approach – Part 3- Medicare Part D is specific just to the Enhanced EGWP, and not the Commercial.

Answer: The offeror should use this part of the Submittal Form to efficiently communicate critical information regarding overall Customer Service and Member Support. If there are special considerations regarding the EGWP plan the offeror should include that information.

Question 26: RFP Section 2.04 – Please describe how 90-day supply prescriptions are covered currently at retail pharmacies for the Employee Plan and Defined Contribution Plan, including at which pharmacies.

Answer: Currently, a member locates a network pharmacy using a website Aetna provides (DocFind). A member presents their ID card to this network pharmacy when a prescription is filled to be eligible for network benefits. The network pharmacy calculates this claim online, and the member pays the deductible, copayment or coinsurance directly to the network pharmacy. The member does not submit claims forms.

At retail pharmacies, each prescription is limited to a 90-day supply, and the member's copay applies to each 30-day supply.

Question 27: RFP Section 1.11 – Please confirm that offering a different program, e.g. Exclusive Specialty in the Value Opportunity Assessment, does not violate the prohibition here of an alternate offering.

Answer: Yes, offering a different program such as an Exclusive Specialty in the Value Opportunity Assessment does not violate the prohibition of alternate proposals.

Question 28: RFP Section 2.06 – For the 71,641 retirees in the Defined Benefit Retiree Plan, please indicate how many have dual (or more) benefits? How many are "double-counted"? How many distinct retired members in total?

Answer: At the start of FY 2017 (July 1, 2016) the defined benefit retiree plan has 63,121 members, lending to about 9,000 to 10,000 duplicates.

Question 29: RFP Section 4.05(b) – Please provide additional detail on "non-controllable risks" relative to their not being included in the costs for the basic offering.

Answer: As indicated in the RFP, costs related to non-controllable risks must not be included in the offeror's base cost proposal. Costs related to non-controllable risks can be discussed during the Clarification Period.

Question 30: RFP Section 6.4 – For medications in "bubble wrap/blister packs" please explain when and how these are currently used in the AlaskaCare program.

Answer: The state is interested to know what capabilities a vendor has and what they can do to accommodate the request. We are not necessarily using this today, however we are interested in discussing opportunities further in the Clarification Period.

Question 31: Submittal Form G, Section 11.2 – Is the state's intent to allow members to determine whether specialty medications are on the PBM's specialty list? If so, please explain to what extent member input is to be considered.

Answer: Member input would be considered by the state and ultimately determined by the state.

Question 32: Submittal Form G, Section 16.9 – Regarding the "100% member paid plan" referred to here, please confirm that this is not to include a fully unfunded benefit for which the state has no responsibility for any costs, such as a discount card program.

Answer: The offeror must confirm all pricing will be effective and guaranteed for the term of the agreement and will not be modified or amended if the state modifies the current plans or implements additional plan options. If the answer is no, check "no" and provide an explanation (up to 250-word maximum) in the No Answers Clarification section at the end of Submittal Form G.

Question 33: Submittal Form E – Please confirm that the references need not be "previous" clients.

Answer: Confirmed. This was addressed with Amendment #1 to the RFP and the word "past" has been removed from the RFP documents. Offeror clients may be current clients. Also, if you have already collected references prior to "past" being removed, it is ok to submit the original form since it contains all the same fields.

Question 34: Submittal Form F, Number 3 – Please confirm that the mention of subcontractors here is not intended to prohibit the use of subcontractors in minor roles but rather to prohibit the use of subcontractors to meet the minimum requirements related to EGWP and to confirm that the bidder is the direct contract holder with CMS.

Answer: Correct. This requirement does not prohibit the use of subcontractors in general, just not for providing enhanced EGWP services to the state, and the offeror must have a direct contract with CMS to provide enhanced EGWP.

Question 35: Submittal Form G – For questions that do not specify commercial or EGWP, and for which the answers would differ between commercial or EGWP, what is the state's preference as to how the "yes/no" boxes are checked, and how to differentiate between the responses?

Answer: If the answers would differ between commercial or EGWP, the offer should check "no" and provide clarification (up to 250-word maximum) in the No Answers Clarification section of Submittal Form G.

Question 36: Submittal Form G, Section 12.1 – Please indicate the state's willingness to allow the bidder to offer the most beneficial account team structure, whether that may be separate teams for EGWP and Commercial or not.

Answer: Each offeror is responsible for identifying the personnel that most appropriately meet the needs of the client. In the case where offerors have different leads for EGWP and commercial plans, offerors must develop and provide the structure that best serves the client.

Question 37: Submittal Form J – Please confirm if all subcontractors must have an Alaska Business License even when the contract holder is the PBM, and the PBM is fully responsible and liable for the subcontractor(s).

Answer: Yes, all subcontractors must hold an Alaska Business License and the PBM is ultimately responsible and liable for the subcontractor performance. Subcontractors will be required to submit a signed written statement the clearly verifies that the subcontractor is committed to render the services required by the contract. However, subcontractors do not need to hold an Alaska Business License at the deadline for receipt of proposals. The Alaska Business License # column of Submittal Form J – Subcontractors has been removed and Section 3.13 of the RFP is revised as follows (new language in blue):

SEC 3.13 SUBCONTRACTORS

U.S. based subcontractors may be used to perform work under this contract. If an offeror intends to use subcontractors, the offeror must complete Submittal Form J – Subcontractors, provided as an attachment to the RFP.

Subcontractor experience shall not be considered in determining whether the offeror meets the requirements set forth in Submittal Form F – Mandatory Requirements.

An offeror's failure to provide this information with their proposal may cause the state to consider their proposal non-responsive and reject it.

During the Clarification Period (RFP Section 5.20), the state will require a signed written statement from each subcontractor proposed in Submittal Form J – Subcontractors that clearly verifies the subcontractor is committed to performing the services required by the contract. Prior to the contract award, the state will also require evidence that each subcontractor possesses a valid Alaska Business License.

During the course of the contract, the substitution of one subcontractor for another may be made only at the discretion and prior written approval of the project director or contracting officer.

Question 38: Submittal Form K, Section 8.6 – If the Specialty program includes specialty pharmacies in addition to or instead of retail pharmacies, please explain why the heading refers only to retail pharmacies.

Answer: Offerors should utilize Form K 8.6 to provide guarantees and information for all specialty drugs, regardless of pharmacy type or distribution channel. This applies to exhibits for both Commercial and EGWP pharmacies.

Question 39: Submittal Form K, Section 8.6 – In addition to an open Specialty program being offered and priced here, please confirm that an alternative offer, e.g. Exclusive Specialty, may be provided in the Value Opportunity Assessment response including the applicable pricing guarantee.

Answer: Yes, an Exclusive Specialty offering may be provided in the Value Opportunity Assessment response.

Question 40: Do you anticipate that SB74 could potentially affect this solicitation?

Answer: The state does not anticipate SB74 will have any impact on this solicitation.

Question 41: Are there specific service or performance issues with current vendor? If yes, please provide information regarding the issues so bidders can address how they will ensure such issues will be addressed.

Answer: Historically, the most complex challenges facing the plan are not limited to the current vendor. Over the years, perhaps the most difficult aspect for vendors to support is the plan's coordination with itself, especially among members covered in the AlaskaCare retiree health plan. This is particularly challenging on the pharmacy side, as point-of-sale coordination requires a system that can perform this coordination when the member fills their medication. Additional challenges include those outlined in section 2.07(b).

Question 42: Please explain why the State of Alaska is soliciting proposals for a new pharmacy benefit manager.

Answer: The state is required to periodically issue a request for proposals (RFP) for third-party administrator (TPA) services for the AlaskaCare Employee Health Plan and Retiree Health Benefit Plan. The state has determined that allowing direct PBM service providers to propose on PBM services will benefit the state and plan members in the form of increased competition. Additionally, the state is highly motivated to implement an Medicare Enhanced EGWP effective January 1, 2019.

Question 43: Please provide information regarding the state's decision to solicit PBM services independent of the medical and dental programs.

Answer: See answer to question 23.

Question 44: Please confirm the date which all responses to all initial bidder questions will be answered and released.

Answer: Amendment #1 to the RFP, released on February 9, 2018, answered most of the initial offeror questions. This Amendment #2 addresses questions 20 – 67, and Amendment #3 will provide answers to the remaining questions received. If further questions are received, the date for those answers will depend on the date in which those questions are received. If an amendment is needed to answer questions or make any changes to the RFP less than 14 days from the deadline for receipt of proposals, the amendment will also extend the deadline to allow at least 14 days from the date of the amendment to the deadline.

Question 45: Bidder questions can be submitted up until 10 days prior to the deadline. Please confirm when the state will provide responses to questions asked through February 27 to ensure all information provided by the state is incorporated into the response. To ensure all bidders have the appropriate amount of time to contemplate the State of Alaska's responses provided to the bidder questions (due by Friday, 02/27/2018) into their proposal responses, please consider an extension of the proposal due date equal to the length of time (in days) the last responses to bidder questions are released.

Answer: Responses to offeror questions will be provided as quickly as possible. Any RFP amendment that answers questions or makes changes to the RFP less than 14 days form the deadline for receipt of proposals will extend the deadline to allow at least 14 days from the date of the amendment to the deadline.

Question 46: Please provide additional information on the current clinical programs including and not limited to, Prior Authorization Step Therapy, Age Gender, Age Gender and other edits.

Answer: Clinical Programs:

- No standard precertification or step therapy programs are in place currently.
- National Precertification: Both the Active and Retiree Plans require Prior Authorization for specialty drugs. These are primarily injectable products. Please see specialty drug list attached. The drugs on the list with "PR" designation require Prior Authorization.
- Safety Edits: Both the Active and Retiree Plans apply Prior Authorization and Quantity Limits to a limited list of drugs with the highest potential for abuse and harm. The goal is to ensure the prescribed drug will be used within the guidelines set by the Food and Drug Administration and current medical findings. Please refer to the Safety Edits drug list.
- Rx Check: is a drug utilization review program in place for both the Active and Retiree Plans. It identifies drug-related opportunities to improve care, prevent misuse and reduce waste. It triggers targeted outreach to prescribers and sometimes members.
- Targeted outreach to prescribers helps to:
  - Bring to light potential misuse
  - Spur direct and rapid involvement with the prescriber to improve member care
  - Reduce medicine errors
- Some issues that Aetna Rx Check identifies include:
  - Simultaneous use of two drugs that serve the same purpose.
  - Severe drug-to-drug interactions.
  - Multiple prescriptions and/or prescribers for certain drugs with the potential for misuse.
  - Money-saving opportunities when generic equivalent drugs are available.
  - Prescriptions for a multiple daily dose of a proton pump inhibitor (PPI). A PPI reduces the production of acid by blocking the enzyme in the wall of the stomach that produces acid.
- Controlled Substance Use & Misuse Waste and Abuse Program: In place for both Active and Retiree Plans, it identifies members exhibiting potential prescription drug misuse or abuse, notifies the members and their prescribing doctor(s) of the concern, and provides Behavioral Health resources to help them make changes. Top doctor-shopping cases are referred to the Aetna Special Investigations Unit (SIU) for fraud investigation.

Question 47: How does the state currently manage compound medications?

Answer: Actives:

- Do not cover bulk chemical compounds
- Cover FDA approved ingredient compounds

Retirees:

- Cover bulk chemical compounds
- Cover FDA approved ingredient compounds

Compound Thresholds:

- Both Active and Retiree Plans follow standard compound policy for thresholds:

- ✓ Compound claim review process
- ✓ When the amount billed meets a certain threshold, Aetna prompts the dispensing pharmacist to call their Pharmacy Help Line for additional review.
- ✓ The applicable threshold is $70 for a 30-day supply or less, $75 for a 31-60 day supply and $100 for a 61-90 day supply
- ✓ Upon calling, Aetna verifies that the claim is correct and valid, according to the NDCs provided for the compound
  - If the cost is under $2,000 – Aetna enters an override for the prescription to be approved for payment
  - If the cost is over $2,000 – Aetna sends notification to their compound team to review and approve the claim, if appropriate.

Question 48: Please provide additional information on the level and type of integration required for disease management, medical and/or data warehouse.

Answer: The state requires all of its vendors to share the information necessary for each vendor to properly serve the state. At a minimum the PBM will be required to share data with the medical claims administrator in order to properly administer benefit provisions that apply to both medical and pharmacy benefits (such as member out-of-pocket limits) and to support each vendor's health management and clinical programs. This data will include, but not be limited to full claims detail and key demographic and clinical information.

Question 49: Please define the current appeals process.

Answer: Please see the January 1, 2018 amendment at the front of the Defined Benefit Retiree Plan booklet available online at:
http://doa.alaska.gov/drb/pdf/ghlb/retiree/RetireeInsuranceBooklet2003with2018amendment.pdf

See section 9.14 of the Defined Contribution Retiree health plan booklet at:
http://doa.alaska.gov/drb/pdf/ghlb/retiree/AlaskaDcrRetireeHealthPlan-Final-0118.pdf

See section 8.14 of the AlaskaCare Employee plan booklet at:
http://doa.alaska.gov/drb/pdf/ghlb/akcare/SelectBenefitsEmployeeBooklet2018.pdf

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Question 50: Is the plan subject to ERISA?

Answer: No.

Question 51: Submittal Form K, Definitions worksheet, row 21, cell B-21 – This worksheet is locked. Please provide the full text in cell B-21 so an appropriate response can be provided.

Answer: Submittal Form K has been updated to make this change and is posted on the state's Online Public Notice system along with the RFP and this amendment.

Question 52: Submittal Forms B and F appear to be the only places where detailed requirements on capabilities are solicited, please confirm that is correct.

Answer: Submittal Form G also contains detailed requirements on capabilities. An offeror's responses to Submittal Form G may be discussed in further detail during the Clarification Period. This also holds true for the GeoAccess and Network Disruption analyses.

Question 53: For the state's RDS program, is the expectation that the state will submit the RDS file?

Answer: Yes.

Question 54: Please provide a list of pharmacies the state considers key Alaskan independent pharmacies. Or, please provide the criteria for which the state considers a pharmacy to be a be key Alaskan independent pharmacy.

Answer: It is important to the state that the pharmacy network include access for members in geographically isolated communities. Further, the state views favorable the participation of independent pharmacists in any given network. The claims file should have sufficient information for offerors to identify these areas.

Question 55: Can you please provide more detailed information regarding possible COB scenarios?

Answer: The Defined Benefit retiree plan and the Employee plan use traditional coordination of benefit rules (plans coordinate up to 100% of allowed). The Defined Contribution Retirement plan uses governmental carve out coordination where the secondary plan cost share provisions are applied to the portion of the claim not paid by the primary plan. Below are scenarios where each plan is an AlaskaCare plan unless otherwise indicated. PERS = Public Employees' Retirement System, TRS = Teachers' Retirement System.

- Retiree A has PERS retirement plan + Retiree A has TRS retirement plan.
- Retiree A has PERS retirement plan + own active plan.
- Retiree A has PERS retirement plan + covered as dependent under Retiree B's PERS retirement plan.

- Retiree A has PERS retirement plan + Retiree A has TRS retirement plan + own active plan
- Retiree A has PERS retirement plan + Retiree A has TRS retirement plan + covered as dependent under Retiree B's PERS retirement plan.
- Retiree A has PERS retirement plan + Retiree A has TRS retirement plan + covered as dependent under Retiree B's PERS retirement plan + covered as dependent under Retiree B's TRS retirement plan.
- Retiree A has PERS retirement plan + Retiree A has an outside retirement plan.
- Retiree A has PERS retirement plan + Retiree A has an outside employee plan.
- Retiree A has PERS retirement plan + Retiree A has an outside employee plan + covered as dependent under Retiree B's TRS retirement.

This is not an exhaustive list, may be other combinations. Claims need to be reported to the state in a manner that the costs can be applied to the appropriate health trust, i.e. PERS, TRS, etc.

Question 56: Submittal Form G, Section 1, Question 3 – Does the state currently utilize a custom formulary or a PBM-developed formulary with exclusions? Please provide a copy of the current formulary (or formularies) including NDC codes.

Answer: The DCR and employee plans uses a PBM developed formulary with exclusions. The DB retiree plan uses a PBM developed formulary with no exclusions. The formulary is available at: http://doa.alaska.gov/drb/benefits/materials/2018_AetnaDrugGuide.pdf

The exclusion list is available at:
http://doa.alaska.gov/drb/benefits/materials/2018_ExclusionDrugList.pdf

These documents have also been provided as PDF attachments along with the other RFP documents posted on the state's Online Public Notice website.

Question 57: Submittal Form G, Section 1, Question 2/Section 5, question 4 & 5 – Is the 90-day network today targeted to one chain or a broad network? Are any custom networks in place today?

Answer: The 90-day network is a broad network. No custom network is in place today.

Question 58: Submittal Form G, Section 6, Question 5 – Please provide information on any pilot programs or other strategic state initiatives that have been started in the last four years.

Answer: The state has not deployed any pharmacy pilot programs in the AlaskaCare plans in the last 4 years. Strategic initiatives include the introduction of a 3-tier pharmacy benefit and exclusion list in the employee health plan, as well as restrictions in the employee plan around compound medications and over the counter equivalents.

Question 59: Submittal Form G, Section 10, Question 9 – Please provide any charges that the state would anticipate from the medical plan claims administrators for set-up, programming, etc.

Answer: This question refers to any charges from the PBM.

Question 60: Submittal Form G, Section 10, Question 11 – Please confirm the current FSA vendor.

Answer: The state contracts with Aetna who uses their subsidiary Payflex to administer the Health Flexible Savings Account.

Question 61: Submittal Form G, Section 12, Question 7 – Please indicate which systems are being referred to in this question.

Answer: This question refers to the PBM's claims adjudication system.

Question 62: Submittal Form G, Section 13, Question 1 – Please provide the list of data elements referenced in this question.

Answer: This section/question in Submittal Form G has been updated as follows: "The PBM will be expected to provide the reporting and data detail necessary for the state to manage the AlaskaCare program. Please confirm you are able to provide custom regular and as-needed ad-hoc reporting."

As with any responses to Submittal Form G, if the offeror cannot firmly answer yes, the offeror should answer no and provide clarification (up to 250-word maximum) in the No Answers Clarification section at the end of Submittal Form G.

Question 63: Submittal Form G, Section 13, Question 3 – Please provide the state approved electronic format.

Answer: The electronic format can be created during the Clarification Period and may be modified throughout the life of the contract after discussions between the state and the contractor. As with any responses to Submittal Form G, if the offeror cannot firmly answer yes, the offeror should answer no and provide clarification (up to 250-word maximum) in the No Answers Clarification section at the end of Submittal Form G.

Question 64: Submittal Form G, Section 13, Question 8 – Please provide additional details around the state's health reporting eligibility system and estimates on when it will be fully operational.

Answer: The current format of eligibility file transfer is the industry standard ANSI 834 EDI Enrollment Implementation Format sent via FTP transfer. A new 834 file will need to be created and tested for EGWP.

Question 65: Submittal Form G, Section 15, Question 10 – The yes/no check boxes are missing from the response column, please confirm PBM is able to duplicate the response style from the document and include it here to respond appropriately.

Answer: Submittal Form G has been updated to add these boxes and is posted on the state's Online Public Notice system along with the RFP and this amendment.

Question 66: Submittal Form G, Section 18, Question 6 – Please confirm the requested GeoAccess report is equivalent to Submittal Form H – GeoAccess Analysis.

Answer: This section/question of Submittal Form G has been updated as follows: "Please confirm your EGWP network complies with all CMS requirements."

Question 67: Some of our references already returned the "Submittal Form E – Performance Qualifications", prior to the title being renamed (i.e. "Past" being removed). Are we okay to use the original form, since it contains all the same fields?

Answer: Yes, this is acceptable.

End of Amendment #2