

## Health Action Council & Equalis Group Pharmacy Benefits Management Program Development & Procurement Process

### Why did Health Action Council & Equalis Group Develop the Pharmacy Benefit Management Program?

For over 20 years, Health Action Council has managed a pharmacy benefit management (**PBM**) program on behalf of its members. The program leverages the collective purchasing power of Health Action Council's participating members to secure better pricing terms and contract features from PBM suppliers. The program has become one of the largest PBM purchasing programs in the country, and delivers pharmacy benefits for millions of lives annually.

In 2015, Health Action Council began the process of developing a new Request for Proposal (**RFP**), in anticipation of its then-current supplier contract expiring at the end of 2016. Health Action Council's leadership and members saw the new RFP process as an opportunity to dramatically shift the PBM coalition paradigm, and to develop a PBM program incorporating the following requirements:

- ⦿ Increased plan design choices – Transparent, Traditional, and Average Script Price.
- ⦿ Cost savings as a result of the coalition's volume, with savings for all participants increasing as the coalition grows.
- ⦿ Protection against the rising cost of prescription drugs through multi-year price guarantees.
- ⦿ Transparency in the classification of brand name, generic, and specialty drugs, with stable discount rates.
- ⦿ Consistent program pricing for all self-insured employer groups, regardless of size.
- ⦿ Claim-level pricing guarantees (applying coalition pricing on a per claim, per employer basis).
- ⦿ Improved account management and customer service levels, with financial penalties to the PBM supplier for underperformance.

Health Action Council established a Steering Group of members representing each of the various types of members participating in the program. The Steering Group included small, medium, and large employers ranging in size from 500 to over 90,000 employees from manufacturing, financial services, government, technology, retail, and public education industries. Additionally, the Steering Group involved a mix of privately held, publicly traded, and governmental entities.

Recognizing that many of its members utilizing the program are public sector entities (such as cities, counties, and K-16 educational institutions), Health Action Council partnered with Equalis Group to conduct the RFP process in accordance with public sector procurement guidelines to establish an already-procured, piggybackable agreement available to public sector entities nationwide.

### The Procurement Process

Together, Health Action Council and Equalis Group sought a PBM subject matter expert to work as part of the Procurement Team. After interviews with numerous consultants, we selected Quest Analytics based on its actuarial background, pharmacy benefits management experience, industry knowledge, and demonstrated commitment to develop a revolutionary PBM program consistent with Health Action Council's stated objectives.

The Procurement Team included of *Health Action Council* as the group purchasing expert, *Equalis Group* as the public procurement expert, and *Quest Analytics* as the pharmacy industry expert, all reporting our progress to the Steering Group. We developed draft specifications consistent with the Steering Group's objectives, researched the supplier marketplace, and identified numerous potential suppliers that could meet the stringent program criteria we had created. We proactively contacted multiple suppliers from across the country and invited them to participate in the process. We reviewed our program objectives

with each supplier, provided them with an opportunity to review the draft specifications, and sought their feedback before finalizing the RFP specifications.

Following months of development, the Procurement Team completed the program specifications and assembled the final RFP. Once the Steering Group reviewed and approved the final RFP, Equalis Group initiated the public sector procurement process by publishing notice of the RFP opportunity on our website and in a newspaper of general circulation for three consecutive weeks. We proactively forwarded the RFP package to each supplier we had identified and interviewed during our advance research, with the objectives for Health Action Council and Equalis Group members.

In keeping with public sector procurement guidelines, the Proposal Team opened the proposals we received in a public forum. We scored Technical Proposals (qualitative supplier information) first, and only scored Cost Proposals (pricing and financial information) from suppliers whose Technical proposals met our minimum scoring requirements. Three finalists qualified to present their capabilities in an open forum to current users of the program and the Proposal Team. An overwhelming majority of users attended the finalist meetings and engaged in direct dialogue with key executive leadership of the finalists. Based on the bid tabulation results, we issued a dual award to CVS/caremark and OptumRx as the lowest responsive and responsible bidders.

### **Why did Health Action Council & Equalis Group Select both CVS/caremark and OptumRx as Supplier Partners?**

We selected CVS/caremark and OptumRx for a number of reasons:

- ⊖ Both companies' proposals achieved the objectives established by the Steering Group.
- ⊖ The bid tabulation resulted in a statistical tie with five one-hundredths of a point separating the two companies.
- ⊖ The size and scale of both entities enable them to meet the financial commitments made in their response. Together, CVS/caremark and OptumRx are two of the three largest PBMs in the industry and service over 80% of the PBM marketplace.
- ⊖ The two companies' business models are sufficiently different to provide program participants with a meaningful choice.
- ⊖ Both PBMs agreed to work in a dual choice environment without changing their proposed financial terms or pricing.

The program now provides greater accountability for the supplier partners, increases transparency, leverages the coalition purchasing power, reduces participants' costs as the coalition continues to grow, features a three-year price guarantee to better control costs, includes claim-level pricing guarantees, and applies financial penalties to the supplier partners for account management and customer service underperformance.

The contract is flexible, enables users to create and manage their own custom benefits design, and was procured in accordance with public sector purchasing guidelines. As a result of the public sector procurement process, local governments, K-12 school districts, and institutions of higher education can implement the program without having to conduct their own bid or RFP process.

In addition, Equalis Group partnered with RxReins to provide three stop loss insurance options for program participants. Participants can purchase stop loss insurance to contain their total annual Rx spend (aggregate coverage), the maximum annual Rx spend on a per-employee basis (specific coverage), or the maximum monthly and annual expense (guaranteed cost coverage). This last option gives participants the opportunity to establish budget certainty by creating a fixed monthly PBM cost.