

# Succeeding in the Part D PBM RFP and Contracting Process



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# Presenters



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# PBM RFP Process and Important Considerations



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# PBM RFP Important Considerations

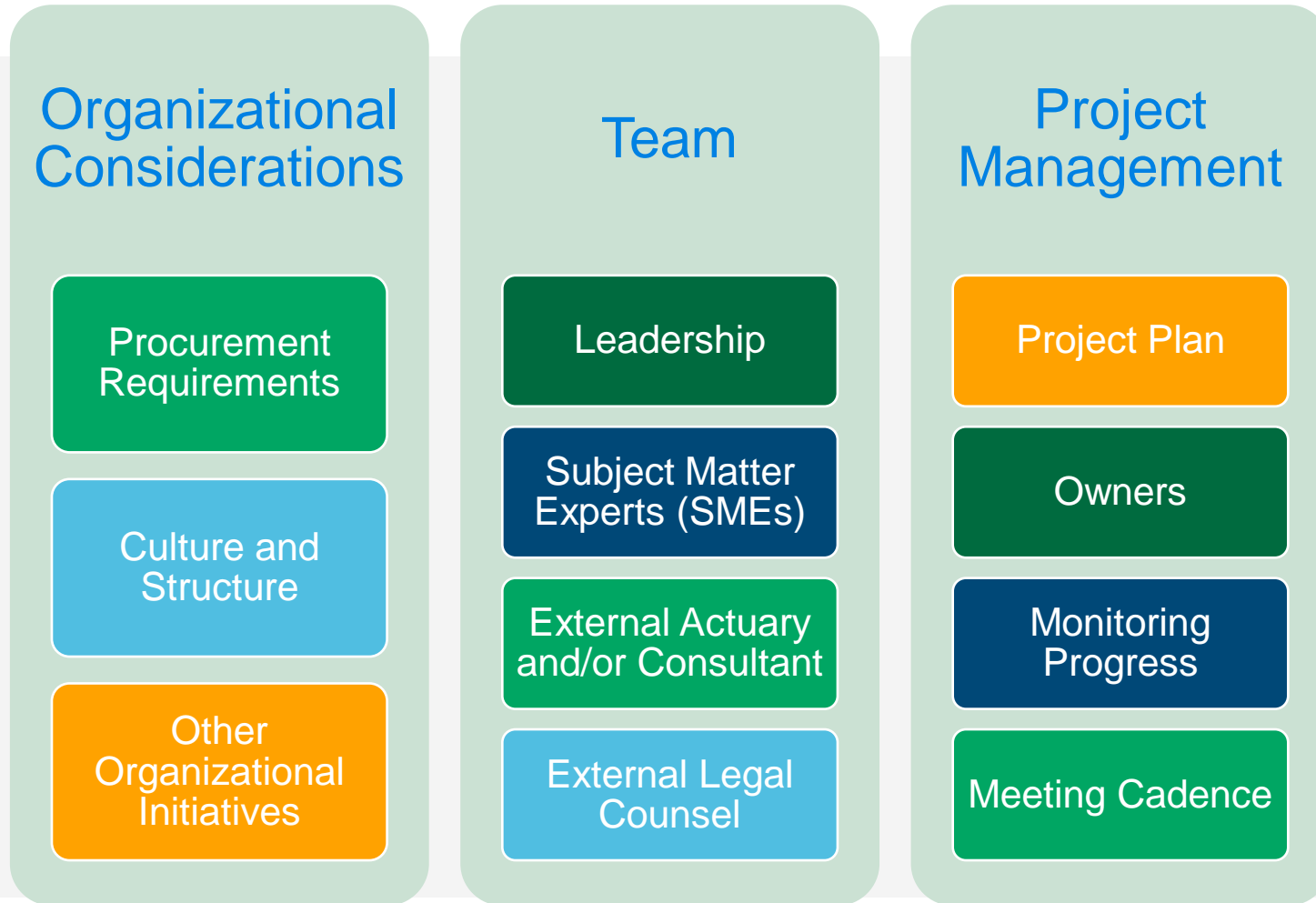
## Important questions to ask when considering a PBM RFP:

- Is the financial arrangement keeping up with the market?
- Is the PBM willing to contract auditable and sustainable terms that your organization finds acceptable?
- Are there any compliance issues? If so, were they resolved within an acceptable timeframe?
- Is the PBM meeting your organization's needs?
- Which PBMs will be included in the RFP?
- Does your organization have enough time to complete the RFP and implementation, if you decide to change PBMs?
- Is your organization geared up to change PBMs?

# PBM RFP Process – Overview

- 1 Planning and Information Gathering
- 2 RFP Development
- 3 RFP Release
- 4 Analyzing Financial Bids and Grading Responses
- 5 Finalist Selection and Interviews
- 6 Analyzing Best and Final Offers and Clarifications
- 7 Contract Negotiation
- 8 Contract Award

# PBM RFP Process – Planning



# PBM RFP Process – Information Gathering

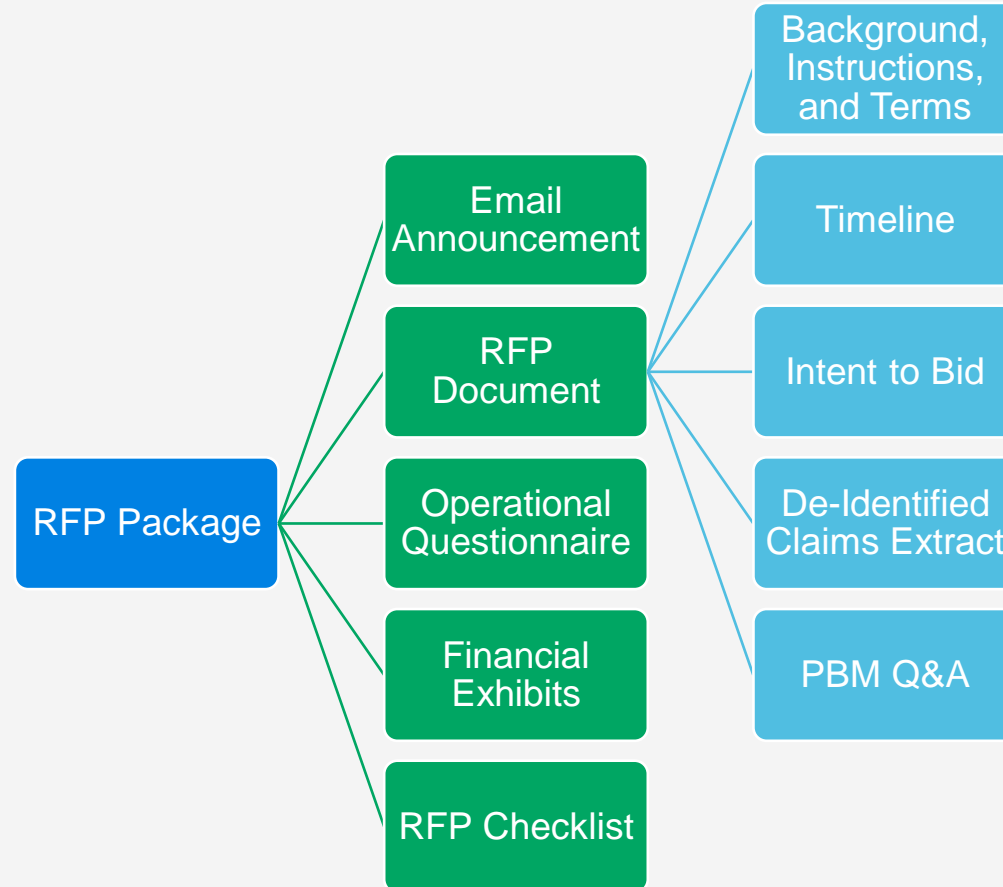
## Data

- Pharmacy Claims Data
- Formulary Files
- Specialty Drug List
- DIR Reporting

## Other Information

- Contract and Amendments
- List of Known Issues
- Delegation Grid
- PBM Reporting
- Plan Design
- Previous RFP (if applicable)

# RFP Development – RFP Package





# Operational Questionnaire Considerations

## Important questions to ask when creating the Questionnaire:

- What is our evaluation criteria?
  - What percentage of the final score will be operational and what percentage will be financial?
  - How will we weight each section of the operational questionnaire?
- What is our scoring rubric or scale?
- Do we have enough variance in the scale to differentiate between PBMs?
- Who will complete the grading?
  - Consultant, internal, or both
  - If internal, how many graders?
- How many questions are we targeting?
- What supporting documentation do we need?
- How can we make the questions clear and concise?

# Operational Questionnaire Format

## Types of Questions

- Confirm/Does Not Confirm
- Open Ended
- Complete a table or exhibit
- Provide an exhibit

## Questionnaire Disclaimer

While supplementary documents, not requested, will be accepted, grading will be based on responses provided within this document. Clear and concise answers are appreciated.

# Operational Questionnaire – Topic Examples

## General Topics

- Organization Background, Structure, and References
- Contracting
- Customer Service
- Member Communications
- Benefit Design Process
- Formulary
- Clinical Programs
- Provider Relations
- Implementation and Account Management
- Mail Order and Specialty Pharmacy
- Information Technology
- Data, Reporting, and Tools
- Eligibility
- Coordination of Benefits
- Performance Guarantees and Credits

## Part D Topics

- Compliance
- FWA
- FDR Oversight
- CDAG
- MTM
- CMS Audit Support
- CMS Guidance Support
- Plan Finder
- Transition of Care
- P&T Committee
- Pharmacy Credentialing
- Reporting and Submissions
- Star Ratings

# PBM RFP Process – Finalist Interviews Considerations

- Location
  - Virtual or On-Site – Platform (Zoom, Teams, or WebEx)
- Logistics
  - Agenda
  - Invite Owner
  - Moderator
  - Attendees
  - Duration
- Action Items
  - Demos
  - Capturing Commitments in Writing
  - Other Items

# Reviewing your Part D PBM Contract Through an Actuarial Lens



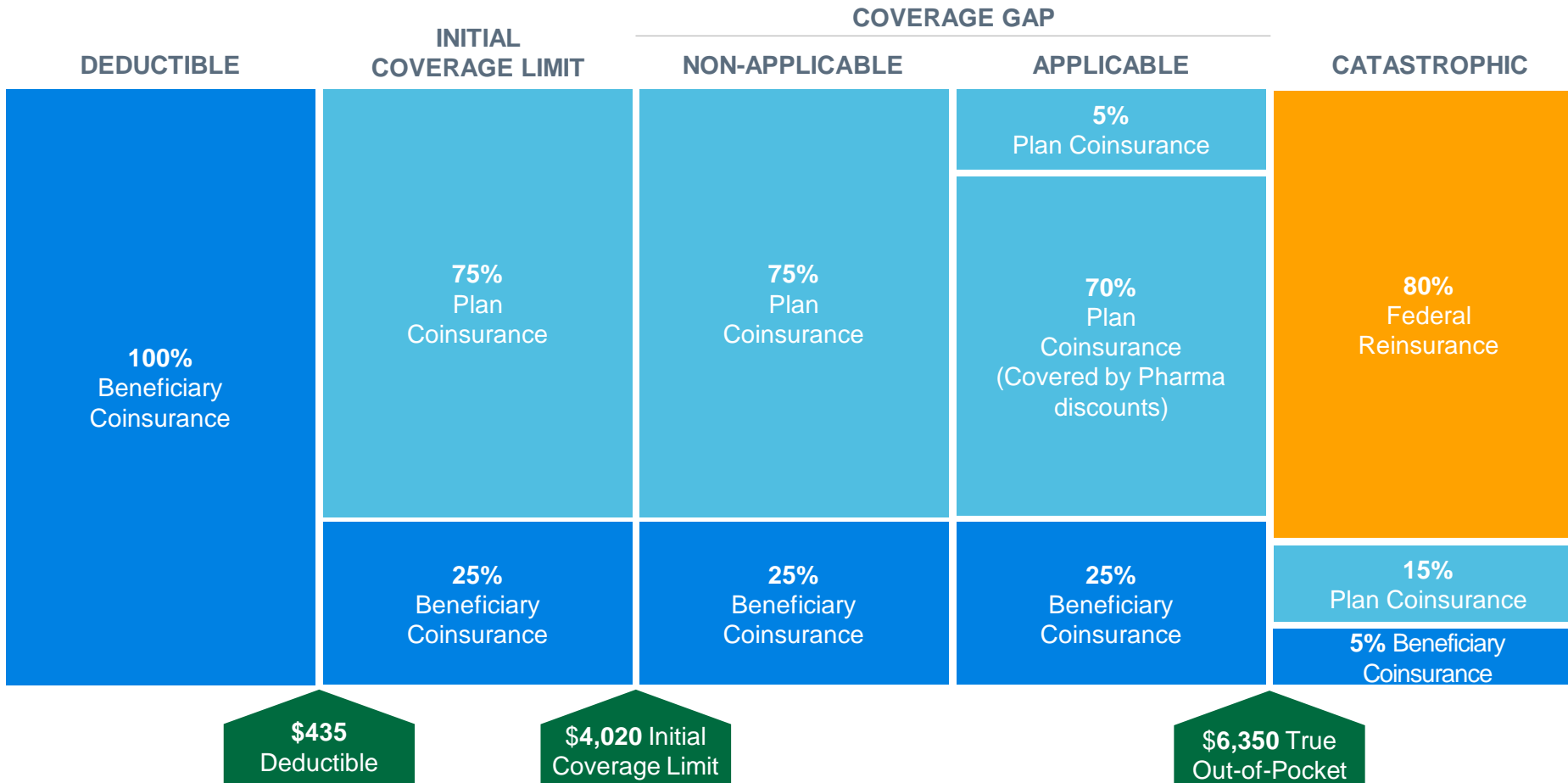
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# Overview

**Evaluating the financial components of the PBM RFP for Part D plans is much more complicated than in commercial plans due to**

- Number of financial stakeholders in Part D
- The complicated benefit design of many Part D plans

# Part D Benefit Design



Plans have different liability in each phase of the Part D benefit design

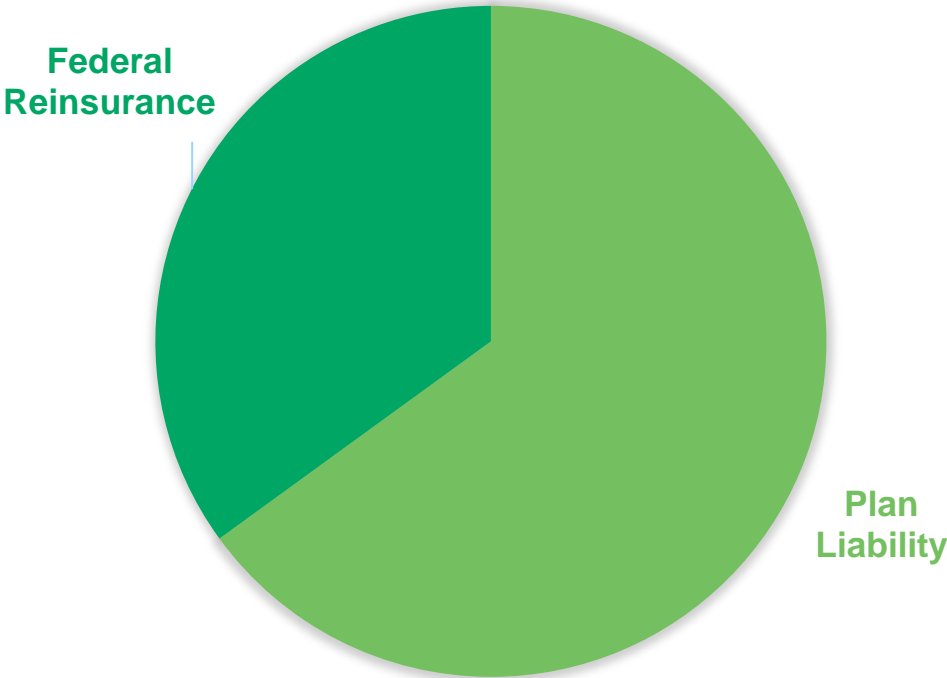
Because of this, where a plan receives savings can determine the impact to net liability

A dollar of generic discount can have a much different impact than a dollar of specialty discount

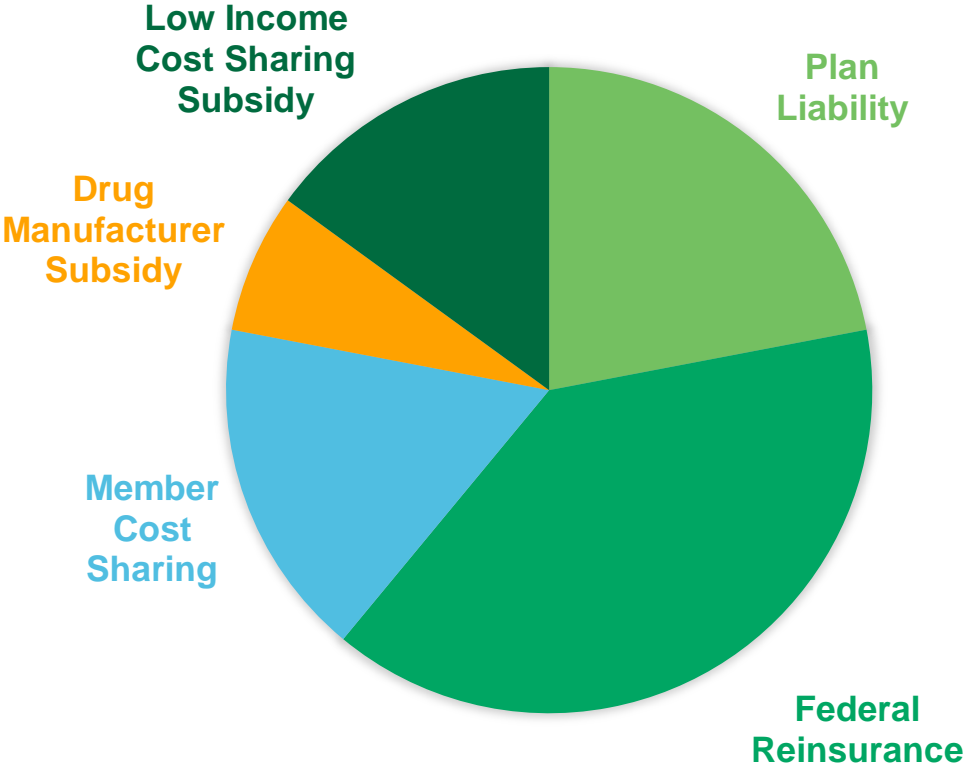
# Why Are Rebates Important?

In Medicare Part D, rebates are only shared with the government to reduce reinsurance, while discounts are shared with all stakeholders involved in paying claims.

### \$1 DIR



### \$1 DISCOUNT





# Understanding Definitions

**A clear understanding of contract financial terms and what is included/excluded is vitally important the value the contract.**

Brand/Generic definition	Excluded from Guarantees	Pharmacy DIR and how it is contracted	Specialty Drugs
<ul style="list-style-type: none"><li>• <b>Biosimilars</b></li><li>• <b>MediSpan or PBM definition</b></li></ul>	<ul style="list-style-type: none"><li>• <b>OTC</b></li><li>• <b>340b</b></li><li>• <b>Diabetic Supplies</b></li><li>• <b>Compounds</b></li><li>• <b>Vaccines</b></li></ul>	<ul style="list-style-type: none"><li>• <b>Percent of ingredient cost or AWP</b></li><li>• <b>Per Script</b></li><li>• <b>Quality programs</b></li></ul>	<ul style="list-style-type: none"><li>• <b>Included pharmacies</b></li><li>• <b>CMS vs PBM definition</b></li></ul>

# Network Strategy can Influence your Selection and Savings

## Pharmacy Network Designs

- Preferred retail and specialty networks
- DIR vs Discount approach
- Narrow vs quality based networks

## Cost and Population

- Both medical and pharmacy spend
- Differences in the type of members who are more likely to use
- Independent vs chain vs grocery store

# Formulary Analytics

## Formulary Disruption

- Number of people disrupted
- Impact of change in tier vs loss of coverage
- Loss ratio of disrupted members
- Total Beneficiary Cost impacts

## Formulary Shifting

- Important to model the impact of members with disruption and their potential to move to the preferred medication or stay on their current medications.
- Evaluate your own plan's ability and the PBMs ability to support the transition of members between drugs.

# Competitive Formulary Positioning

Comparing your current and the PBMs proposed formularies versus your competitors can help you understand if you are an outlier in your market.

Brand RxCUIs by Tier

Sponsor	RxCUI Counts by Tier					Distribution by Tier - Brands				
	1	2	3	4	5	1	2	3	4	5
Client	2	84	248	210	508	0%	8%	24%	20%	48%
Competitor 1	59	34	252	196	643	5%	3%	21%	17%	54%
Competitor 2	0	9	340	309	653	0%	1%	26%	24%	50%
Competitor 3	0	6	347	300	521	0%	1%	30%	26%	44%
Competitor 4	0	27	267	313	538	0%	2%	23%	27%	47%
Competitor 5	36	35	255	258	522	3%	3%	23%	23%	47%
Competitor 6	0	0	275	357	568	0%	0%	23%	30%	47%
Average Competitor	7	15	297	307	560	1%	1%	25%	26%	47%

## Administrative Fees

**In each contract it is important to understand what you will be charged for.**

**Flat PMPM fees are typically easier to understand, but may not be the cheapest option.**

**Many times the PBM will charge per service charges for utilization management activities such as step therapy, prior authorization, and medication management therapy.**

**It is important to understand how much these additional fees add to the cost.**

## **An Actuarial Pricing Approach**

**The complicated financial structure of Part D leads to numerous and complex strategies that can be implemented.**

**It is important to work alongside the actuaries who are pricing your products to ensure that you understand the full value of each PBM RFP response.**

**These actuarial evaluations should show the premium, member cost share, and formulary disruption impacts.**



**Questions?**

# Caveats, limitations, and qualifications

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