

STATE OF MARYLAND

Request for Proposals

Pharmacy Benefits Purchasing Pool Management and Pharmacy Benefits Plan Administration Services

Solicitation No. F10R6200071



DEPARTMENT OF BUDGET & MANAGEMENT

Issue Date: October 4, 2005

NOTICE

Prospective Offerors who have received this document from the Department of Budget and Management's web site or eMarylandMarketplace.com, or who have received this document from a source other than the Procurement Officer, and who wish to assure receipt of any changes or additional materials related to this RFP, should immediately contact the Procurement Officer and provide their name and mailing address so that amendments to the RFP or other communications can be sent to them.

**STATE OF MARYLAND
NOTICE TO OFFERORS/CONTRACTORS**

In order to help us improve the quality of State proposal solicitations, and to make our procurement process more responsive and business friendly, we ask that you take a few minutes and provide comments and suggestions regarding the enclosed solicitation. Please return your comments with your proposals. If you have chosen not to bid on this contract, please fax this completed form to: 410-974-3274 to the attention of Edward Bannat.

**Title: Pharmacy Benefits Purchasing Pool Management and Pharmacy Benefits
Plan Administration Services**

Solicitation No: F10R6200071

1. If you have responded with a "no bid", please indicate the reason(s) below:
 - Other commitments preclude our participation at this time.
 - The subject of the solicitation is not something we ordinarily provide.
 - We are inexperienced in the work/commodities required.
 - Specifications are unclear, too restrictive, etc. (Explain in REMARKS section.)
 - The scope of work is beyond our present capacity.
 - Doing business with Maryland Government is simply too complicated. (Explain in REMARKS section.)
 - We cannot be competitive. (Explain in REMARKS section.)
 - Time allotted for completion of the bid/proposal is insufficient.
 - Start-up time is insufficient.
 - Bonding/Insurance requirements are restrictive. (Explain in REMARKS section.)
 - Bid/Proposal requirements (other than specifications) are unreasonable or too risky. (Explain in REMARKS section.)
 - MBE requirements. (Explain in REMARKS section.)
 - Prior State of Maryland contract experience was unprofitable or otherwise unsatisfactory. (Explain in REMARKS section.)
 - Payment schedule too slow.
 - Other: _____

2. If you have submitted a bid or proposal, but wish to offer suggestions or express concerns, please use the Remarks section below. (Use reverse or attach additional pages as needed.)

REMARKS:

Offeror Name: _____

Date: _____

Contact Person: _____ Phone (____) _____ - _____

Address: _____

KEY INFORMATION SUMMARY SHEET

STATE OF MARYLAND

Request For Proposals

**PHARMACY BENEFITS PURCHASING POOL MANAGEMENT AND
PHARMACY BENEFITS PLAN ADMINISTRATION SERVICES**

SOLICITATION NO: F10R6200071

RFP Issue Date: October 4, 2005

RFP Issuing Office: Department of Budget and Management
Employee Benefits Division (EBD)

Procurement Officer: Mr. Edward Bannat
Office Phone: (410) 260-7662
Fax: (410) 974-3274
e-mail: ebannat@dbm.state.md.us

Proposals are to be sent to: Department of Budget and Management
45 Calvert Street, Room 141
Annapolis, MD 21401
Attention: Ed Bannat

Pre-Proposal Conference: October 17, 2005 at 2:00 local time
State Highway Administration
Office of Traffic & Safety Training Room
7491 Connelly Drive
Hanover, MD 21076

Closing Date and Time: November 14, 2005 at 2:00 local time

NOTE

Prospective Offerors who have received this document from the Department of Budget and Management's web site or eMarylandMarketplace.com, or who have received this document from a source other than the Procurement Officer, and who wish to assure receipt of any changes or additional materials related to this RFP, should immediately contact the Procurement Officer and provide their name and mailing address so that amendments to the RFP or other communications can be sent to them.

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SECTION 1 - GENERAL INFORMATION

1.1 Summary Statement

The Department of Budget and Management is issuing this Request for Proposals for Pharmacy Benefits Purchasing Pool Management and Pharmacy Benefits Plan Administration Services to procure services for the State of Maryland in connection with the Maryland Rx Program and the State Employee and Retiree Health and Welfare Benefits Program.

1.1.1 Pass-Through Pricing, Pricing Guarantees and Transparency

Through this RFP process, the State would like to secure a pricing model that provides the following:

- (a) **Pass-Through Pricing at Retail Pharmacies** - For the retail component, the Contractor selected shall pass-through the actual price the Contractor has negotiated with the dispensing retail pharmacy; spread pricing with participating retail pharmacies shall not be permitted.
- (b) **Pass-Through Pricing on Mail Order and Specialty Pharmacies** - For the mail and specialty pharmacy components, passing through actual acquisition pricing from wholesalers or manufacturers is not required; however, the drug ingredient cost charged to the State must be consistent with the pricing guarantees for claims processed at mail and specialty pharmacies.
- (c) **Pass-Through Pricing on Other Items** - For the retail, mail and specialty components, the Contractor selected shall not retain any revenue (attributable to the State's business) from pharmaceutical manufacturers or wholesalers including, but not limited to data fees, access fees, market share fees, rebates, formulary access fees, administrative fees or marketing grants.
- (d) **Pricing Guarantees** - For the retail, mail and specialty components, the Contractor selected shall also guarantee a maximum amount for dispensing and administration fees, minimum percentage discounts off AWP by drug-type (brand and generic) and place of service (retail, mail and specialty pharmacies) and minimum guarantees per claim for rebates, including all revenue described in Section 1.1.1(c).
- (e) **Transparency** - For the retail, mail and specialty components, the Contractor selected shall provide full transparency reporting as further described in 3.4.1.7 Reporting section of the RFP.

1.1.2 Maryland Rx Program

The Department administers the pharmacy and prescription benefits plan that covers State employees, State retirees, Satellite organization employees, direct pay enrollees, and their respective eligible Dependents. The plan is self-funded by the State and is a group health plan administered as part of the State Employee and Retiree Health and Welfare Benefits Program.

Pursuant to State Personnel and Pensions Article, §2-502.1, the Department is establishing the Maryland Rx Program, a purchasing pool for pharmacy benefits for the State Employee and Retiree Health and Welfare Benefits Program, local governments and employers for employees in Maryland. These other entities will be entitled to participate in the purchasing pool and to

secure pharmacy benefit management services from the Contractor on the same terms and conditions as the State through separate contracts with the Contractor. A purchasing pool member must use the same formulary, pricing structure, and terms as the pharmacy benefits plan of the State, but all costs (fees and claims) will be paid by the purchasing pool member directly to the Contractor, with rebates and discounts for each purchasing pool member's plan costs directly paid to that purchasing pool member. All financial terms set for each purchasing pool member (rebates, discounts, fees, etc.) shall be set at the tier for the aggregate purchasing pool population and the contracts between the Contractor and individual purchasing pool members may not extend beyond the termination date of the Contract between the State and the Contractor. Each purchasing pool member will be responsible for all costs associated with his/her respective plan.

1.1.3 Consultant

Please note that Aon Consulting, as the State's benefits consultant, is assisting the State in this procurement.

1.2 Abbreviations and Definitions

For purposes of this RFP, the following abbreviations or terms have the meanings indicated below:

- a. **AWP** – means average wholesale price.
- b. **COB** – means coordination of benefits.
- c. **CMS** – means Centers for Medicaid and Medicare Services.
- d. **COMAR** - means Code of Maryland Regulations.
- e. **Contractual Employee** - means a non-permanent employee of the State of Maryland who is not eligible for State subsidy of benefits, but is eligible to enroll in the State of Maryland Employee and Retiree Health and Welfare Benefits Program, paying full premium costs.
- f. **DAW** – means dispense as written
- g. **DBM or Department**- means the Department of Budget and Management.
- h. **DESI** – means Drug Efficacy Study Implementation and refers to drugs identified by the Food and Drug Administration as lacking substantial evidence of effectiveness.
- i. **Dependent** – means a spouse, natural child, stepchild, legally adopted child, or legal ward of an eligible member who is also eligible for coverage under a prescription benefits plan. For the State Plan, Dependent includes a spouse and certain children who are also tax dependents of the employee for health benefits purposes, and who meet the eligibility criteria of COMAR 17.04.13.03.A(11). Eligible Dependents in the State Plan include children through the end of the calendar year in which they attain age 19, or 23 if a full-time student, and certain disabled dependents in accordance with COMAR 17.04.13.03A(11).
- j. **Direct Pay Enrollee** - means an individual in the State Plan who is billed directly by the Department for selected State benefits, including COBRA Participants, Leave of Absence Participants, Contractual Employees and Part-Time Employees.

- k. **Drug Utilization Review or DUR** – means a collection of programs designed to ensure the safe, efficient and cost-effective use of drugs.
- l. **EBD** - means Employee Benefits Division.
- m. **EDI** – means Electronic Data Interface.
- n. **FMLA** – means the Family Medical Leave Act.
- o. **FTE** – means full-time equivalent. A State employee who is FTE or who works at least 50% of a normal workweek for the position is eligible for State subsidy of the State Plan’s premium.
- p. **HIPAA** – means Health Insurance Portability Accountability Act of 1996 and the regulations promulgated pursuant thereto, including the administration simplification provisions relating to the privacy and security of protected health information, the electronic exchange of health information, standard data transaction codes and code sets, and national unique identifiers.
- q. **Leave of Absence** - means the period of time a permanent employee has elected non-paid leave of absence from State of Maryland employment. During this time, the employee is not eligible for State subsidy of benefits (unless the leave is authorized FMLA leave), but is eligible to continue participation in certain benefits provided by the State of Maryland while on a leave of absence.
- r. **Local Time** - means time in the Eastern Time zone as observed by the State of Maryland.
- s. **MAC** – means maximum allowable cost.
- t. **Maryland Rx Program** – means the pharmacy and prescription drug benefits purchasing pool established by the Department and including the State Employee and Retiree Health and Welfare Benefits Program and other entities made eligible by Maryland law and Departmental policy.
- u. **MBE** - means a Minority Business Enterprise that is certified as such by the Maryland Department of Transportation.
- v. **Medical Records Act** – means the Maryland Confidentiality of Medial Records Act, Annotated code of Maryland, Health General Article, Title 4, subtitle 3.
- w. **Member** – means an eligible employee, former employee, or retiree who participates in the applicable prescription and pharmacy benefits plan but does not include the member’s dependents.
- x. **Offeror** – means a vendor who responds to the RFP by submitting a proposal to provide the requested services.
- y. **PHI** – means protected health information, as that phrase is defined and used in the HIPAA statute and regulations (see also 45 CFR §164.501).
- z. **Participant** - means all eligible individuals, including Members and Dependents.
- aa. **Part-Time Employee** - means a permanent employee who works less than fifty percent of the standard workweek and is not eligible for State subsidy of benefits, but is eligible to enroll in the State of Maryland Employee and Retiree Health and Welfare Benefits Program.
- bb. **Pass-through pricing at retail** – means the amount billed to the State or Purchasing Pool Participant by the Contractor for claims processed at a retail pharmacy is no different from the amount the Contractor pays to the dispensing pharmacy.

- cc. Pass-through pricing of rebates**— means any and all payments, discounts, etc. associated with the administration and utilization of the pharmacy benefit program that are collected by a Contractor from pharmaceutical manufacturers and wholesalers will be provided to the State or Purchasing Pool Participant.
- dd. Plan** – means, when capitalized, the State’s self-funded pharmacy and prescription benefits plan offered through the State Employee and Retiree Health and Welfare Benefits Program. The Plan is a purchasing pool member.
- ee. Plan Year** – means the 12-month period of benefit coverage beginning July 1 and ending June 30 of the next calendar year.
- ff. PMPM** – means per member per month.
- gg. Purchasing Pool Participant (PPP), Purchasing Pool Member, Pool Member or Pool Participant** – means an entity that participates in the pharmacy benefits purchasing for its own self-funded plan. Each purchasing pool participant will be able to contract with the Contractor for pharmacy and prescription benefits management services on the same terms and conditions as the State, but by way of a separate contract with the Contractor. Drug purchases and enrollment from all participating purchasing pool members will be aggregated to set certain cost and payment terms.
- hh. RFP** - means this Request for Proposals for Pharmacy Benefits Purchasing Pool Management and Pharmacy Benefits Plan Administration Services.
- ii. Satellite Account Employee** - means an employee of a political subdivision, agency, commission, or organization that is permitted by Maryland law to participate in the State of Maryland Employee and Retiree Health and Welfare Benefits Program.
- jj. Spread Pricing** – means the difference between the amount billed to a plan sponsor by a pharmacy benefits administrator for claims processed at retail pharmacies and the amount the pharmacy benefits administrator pays to the dispensing pharmacies.
- kk. State** – means the State of Maryland.
- ll. Subcontractor** - means an organization or entity that the Offeror plans to utilize for the purposes of services covered under this contract.
- mm. TTY/TDD** - means a telephone device used by hearing impaired individuals whereby they communicate via telephone connected to a keyboard and screen.
- nn. Utilizer** – means a participant that has at least one pharmacy claim.

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1.3 Scope

The State is soliciting proposals for one contractor to provide the pharmacy benefits purchasing pool management services for the Maryland Rx Program and to provide pharmacy benefits plan management and administration services for the State's self-funded employee and retiree prescription plan. The State's current contract for pharmacy benefits plan management services expires June 30, 2006. The Offeror that is awarded a contract pursuant to this RFP will be required to provide management services for the purchasing pool and for the prescription benefits plan beginning July 1, 2006 through June 30, 2011. Implementation services will begin upon contract award in early 2006.

1.4 Contract Type

The contract that results from this RFP shall be a fixed unit price, indefinite quantity contract and reimbursement of claims as provided in COMAR 21.06.03.02A (2) and 21.06.03.06.

1.5 Contract Duration

The contract resulting from this RFP shall be for a period of about five (5) years beginning upon award of the contract. The term of the contract shall include five (5) plan years beginning July 1, 2006 through June 30, 2011, plus a 12 - month claims runout period.

1.6 Procurement Officer

The sole point of contact at the State for purposes of this RFP, prior to the award of any contract, is the Procurement Officer at the address listed below:

Edward Bannat, Procurement Officer
Director of Procurement Policy and Administration
Department of Budget and Management
45 Calvert Street/ First Floor, Room 141
Annapolis, Maryland 21401
Telephone #: 410 - 260 - 7662
Fax #: 410 - 974 - 3274
E-mail: ebannat@dbm.state.md.us

1.7 Pre-Proposal Conference

A Pre-Proposal Conference will be held on **October 17**, beginning at **2:00 PM** (local time) at the Judiciary State Highway Administration, Office of Traffic & Safety Training Room, 7491 Connelly Drive, Hanover, MD 21076. Attendance at the Pre-Proposal Conference is not mandatory, but all interested Offerors are encouraged to attend in order to facilitate better preparation of their proposals. In addition, attendance may facilitate the Offeror's understanding and ability to meet the State's Minority Business Enterprise (MBE) goals.

The Conference will be transcribed. A copy of the transcript of the Pre-Proposal Conference will be made available to potential Offerors at a nominal charge directly from the transcription company. The identity of the company and details of how to obtain a transcript copy will be provided at the conference. In addition, as promptly as is feasible subsequent to the Conference, a summary of the Pre-Proposal Conference and all questions and answers known at that time will

be distributed, free of charge, to all prospective Offerors known to have received a copy of this RFP.

If there is a need for sign language interpretation and/or other special accommodations due to a disability, it is requested that at least five days advance notice be provided. DBM will make reasonable efforts to provide such special accommodation.

1.8 Use of and fee for e-Maryland Marketplace

1.8.1 Use

e-Maryland Marketplace is an electronic commerce system administered by the Maryland Department of General Services. In addition to using the DBM web site (<http://www.dbm.maryland.gov>) and other means for transmitting the RFP and associated materials, the solicitation and minutes of the pre-bid/proposal conference, Offeror questions and DBM responses, addenda, and other solicitation related information will be provided via e-Maryland Marketplace.

This means that all such information is immediately available to organizations that subscribe to e-Maryland Marketplace. Because of the instant access afforded by e-Maryland Marketplace, it is recommended that all Offerors interested in doing business with Maryland State agencies subscribe to e-Maryland Marketplace.

1.8.2 Fees and Mandatory Registration

COMAR 21.02.03.06 requires that the successful Bidder/Offeror under this solicitation pay a fee to support the operation of e-Maryland Marketplace. A copy of COMAR 21.02.03.06 can be found on the website at www.eMarylandMarketplace.com. The successful bidder/offeror must register with e-Maryland Marketplace prior to contract award.

Whereas COMAR 21.02.06.03 includes a fee schedule which Offerors would normally use to determine what level of fee to build into their bid/offer prices, because of the indefinite, non-guaranteed level of usage under the contract that results from this solicitation, Offerors are hereby advised to include a **Level 9 fee** as the e-Maryland Marketplace fee.

The fee amount must be included within the rate or price of the proposal/bid and may not be quoted as a separate add-on price.

In order to receive a contract award, an Offeror must be registered on e-Maryland Marketplace. Contractors shall pay the fee as provided by COMAR 21.02.03.06 and in accordance with guidelines issued by the Maryland Department of General Services. These guidelines can be found on the website at www.eMarylandMarketplace.com.

1.9 Questions

Written questions from prospective Offerors will be accepted by the Procurement Officer prior to the pre-proposal conference. If possible and appropriate, such questions will be answered at the pre-proposal conference. (No substantive question will be answered prior to the pre-proposal conference.) Questions may be submitted by mail, facsimile, or preferably, by e-mail to the Procurement Officer. Questions, both oral and written, will also be accepted from prospective

Offerors attending the Pre-Proposal Conference. If possible and appropriate, these questions will be answered at the Pre-Proposal Conference.

Questions will also be accepted subsequent to the Pre-Proposal Conference. All post-conference questions should be submitted in a timely manner to the Procurement Officer only. The Procurement Officer shall, based on the availability of time to research and communicate an answer, decide whether an answer can be given before the proposal due date. Answers to all substantive questions that have not previously been answered, and are not clearly specific only to the requestor, will be distributed to all Offerors who are known to have received a copy of the RFP.

1.10 Proposals Due (Closing) Date

An unbound original and eight (8) bound copies of each proposal (technical and financial) must be received by the Procurement Officer, at the address listed in Section 1.6, no later than **2:00 PM** (local time) on **November 14, 2005** in order to be considered. Three (3) electronic versions on CD of the Technical Proposal (in MS Excel format and WORD, as appropriate) must be enclosed with the original technical proposal. An electronic version on CD of the Financial Proposal in MS Excel format must be enclosed with the original financial proposal. Ensure that the CDs are labeled with the RFP title, RFP number and Offeror name, and are packaged with the original copy of the appropriate proposal (technical or financial).

Requests for extension of this date or time will not be granted. Offerors mailing proposals should allow sufficient mail delivery time to ensure timely receipt by the Procurement Officer. Except as provided in COMAR 21.05.03.02F, proposals received by the Procurement Officer after November 14, 2005 at 2:00 PM (local time) will not be considered. Proposals may not be submitted by e-mail or facsimile.

1.11 Duration of Offer

Proposals submitted in response to this RFP are irrevocable for 120 days following the closing date of proposals or of Best and Final Offers (BAFOs), if requested. This period may be extended at the Procurement Officer's request only with the Offeror's written agreement.

1.12 Revisions to the RFP

If it becomes necessary to revise this RFP before the due date for proposals, amendments will be posted on the DBM website and eMarylandMarketplace.com, and provided to all prospective Offerors who were sent this RFP or otherwise are known by the Procurement Officer to have obtained this RFP. Amendments made after the due date for proposals will be sent only to those Offerors who submitted a timely proposal.

Acknowledgment of the receipt of all amendments to this RFP issued before the proposal due date must accompany the Offeror's proposal in the Transmittal Letter accompanying the Technical Proposal submittal. Acknowledgement of the receipt of amendments to the RFP issued after the proposal due date shall be in the manner specified in the amendment notice. Failure to acknowledge receipt of amendments does not relieve the Offeror from complying with all terms of any such amendment.

1.13 Cancellations; Discussions

The State reserves the right to cancel this RFP, accept or reject any and all proposals, in whole or in part, received in response to this RFP, to waive or permit cure of minor irregularities, and to conduct discussions with all qualified or potentially qualified Offerors in any manner necessary to serve the best interests of the State of Maryland. The State also reserves the right, in its sole discretion, to award a contract based upon the written proposals received without prior discussions or negotiations.

1.14 Oral Presentation

Offerors may be required to make oral presentations to State representatives. Significant representations made by an Offeror during the oral presentation must be reduced to writing. All such representations will become part of the Offeror's proposal and are binding if the contract is awarded. The Procurement Officer will notify Offerors of the time and place of oral presentations. Typically, oral presentations occur approximately two weeks after the proposal due date.

1.15 Incurred Expenses

The State will not be responsible for any costs incurred by an Offeror in preparing and submitting a proposal, in making an oral presentation, in providing a demonstration, or in performing any other activities relative to this solicitation.

1.16 Economy of Preparation

Proposals should be prepared simply and economically, providing a straightforward, concise description of the Offeror's proposal to meet the requirements of this RFP.

1.17 Protests/Disputes

Any protest or dispute related respectively to this solicitation or the resulting contract shall be subject to the provisions of COMAR 21.10 (Administrative and Civil Remedies).

1.18 Multiple or Alternative Proposals

Neither multiple nor alternate proposals will be accepted.

1.19 Access to Public Records Act Notice

An Offeror should give specific attention to the clear identification of those portions of its proposal that it considers confidential, proprietary commercial information or trade secrets, and provide justification why such materials, upon request, should not be disclosed by the State under the Access to Public Records Act, Title 10, Subtitle 6, of the State Government Article of the Annotated Code of Maryland. (See Section 4.4.2.1)

Information, which is claimed to be confidential, is to be placed after the Title Page and before the Table of Contents in the Offeror's Technical Proposal, and if applicable, also in its Financial Proposal. Offerors are advised that, upon request for this information from a third party, the

State will make an independent determination whether the information must be disclosed (see COMAR 21.05.08.01).

1.20 Offeror Responsibilities

The selected Offeror/Contractor shall be responsible for all products and services required by this RFP. Subcontractors must be identified, and a complete description of their roles relative to the proposals must be included in the Proposal. The selected Offeror retains the responsibility for all work performed by and any deliverable submitted by a subcontractor. Additional information regarding MBE subcontractors is provided in paragraph 1.24 below, Section 4.4.5, and **Attachment D**.

If an Offeror that seeks to perform or provide the services required by this RFP is the subsidiary of another entity, all information submitted by the Offeror such as, but not limited to, proposed services, description of the Offeror's ability to perform the scope of work, references and financial reports, shall pertain **exclusively** to the Offeror, unless the parent organization will guarantee the performance of the subsidiary. If applicable, the Offeror's proposal must contain an explicit statement that the parent organization will guarantee the performance of the subsidiary.

1.21 Mandatory Contractual Terms

By submitting an offer in response to this RFP, an Offeror, if selected for award, shall be deemed to have accepted the terms of this RFP and the Contract, attached as **Attachment A**. Any exceptions to this RFP or the Contract must be clearly identified in the Executive Summary of the technical proposal. **A proposal that takes exception to these terms may be rejected.** (See Section 4.4.2.2)

1.22 Proposal Affidavit

A proposal submitted by an Offeror must be accompanied by a completed Bid/Proposal Affidavit. A copy of this Affidavit is included as **Attachment B** of this RFP.

1.23 Contract Affidavit

All Offerors are advised that if a contract is awarded as a result of this solicitation, the successful Offeror will be required to complete a Contract Affidavit. A copy of this Affidavit is included for informational purposes as **Attachment C** of this RFP. This Affidavit must be provided with the signed contract after notification of proposed contract award.

1.24 Minority Business Enterprises

A Minority Business Enterprise (MBE) subcontractor participation goal of 5 percent (5%) of the administration fees to the Contractor has been established for this procurement. The Contractor shall structure its award(s) of subcontracts under the contract in a good faith effort to achieve the goal in such subcontract awards by businesses certified by the State of Maryland as minority owned and controlled. MBE requirements are specified in **Attachment D** of this RFP. Subcontractors used to meet the MBE goal of this RFP must be identified in the Offeror's proposal.

Questions or concerns regarding the MBE requirements of this solicitation must be raised before the opening of bids or receipt of initial proposals.

Attachments D-1 and D-2 **must** be submitted with each Offerors proposal. Failure to submit these completed attachments **will** eliminate an Offeror from further consideration.

A current directory of MBEs is available through the Maryland State Department of Transportation, Office of Minority Business Enterprise, P. O. Box 8755, B.W.I. Airport, Maryland 21240-0755. The phone number is 410-865-1244. The directory is also available at <http://www.mdot.state.md.us>. Select the MBE Program label. The most current and up-to-date information on MBEs is available via the web site.

1.25 Arrearages

By submitting a response to this solicitation, each Offeror represents that it is not in arrears in the payment of any obligations due and owing the State of Maryland, including the payment of taxes and employee benefits, and that it shall not become so in arrears during the term of the contract if selected for contract award.

1.26 Procurement Method

This contract will be awarded in accordance with the competitive sealed proposals process under COMAR 21.05.03.

1.27 Verification of Registration and Tax Payment

Before a corporation can do business in the State of Maryland it must be registered with the Department of Assessments and Taxation, State Office Building, Room 803, 301 West Preston Street, Baltimore, Maryland 21201. It is strongly recommended that any potential Offeror complete registration prior to the due date for receipt of proposals. An Offeror's failure to complete registration with the Department of Assessments and Taxation may disqualify an otherwise successful Offeror from final consideration and recommendation for contract award.

1.28 False Statements

Offerors are advised that section 11-205.1 of the State Finance and Procurement Article of the Annotated Code of Maryland provides as follows:

- (a) In connection with a procurement contract a person may not willfully:
 - (1) falsify, conceal, or suppress a material fact by any scheme or device;
 - (2) make a false or fraudulent statement or representation of a material fact; or
 - (3) use a false writing or document that contains a false or fraudulent statement or entry of a material fact.
- (b) A person may not aid or conspire with another person to commit an act under subsection (a) of this section.
- (c) A person who violates any provision of this section is guilty of a felony and on conviction is subject to a fine not exceeding \$20,000 or imprisonment not exceeding 5 years or both.

1.29 Electronic Funds Transfers

By submitting a response to this solicitation, the Offeror agrees to accept payments by electronic funds transfer unless the State Comptroller's Office grants an exemption. The selected Offeror shall register using the **Attachment F: COT/GAD X-10 Vendor Electronic Funds (EFT) Registration Request Form**. Any request for exemption must be submitted to the State Comptroller's Office for approval at the address specified on the COT/GAD X-10 form and must include the business identification information as stated on the form and include the reason for the exemption.

1.30 Electronic File Transfers

All electronic file transfers between the Department of Budget and Management and the Contractor shall be exchanged using a point-to-point VPN (Virtual Private Network) connection approved by the State of Maryland, Department of Budget and Management, Office of Information Technology.

1.31 Census and Confidentiality Agreement

Offerors will be provided a census data file with demographic and plan participation information for the State Plan. Information on the CD may only be used in response to this RFP. A confidentiality agreement (**Attachment E**) will need to be provided to the State to ensure that the information will only be used as set forth in this RFP. To receive the census data file, each Offeror will need to present the completed confidentiality agreement and a picture ID such as a valid driver's license. The census data file will be available anytime after the release of the RFP, including at the Pre-Proposal Conference as outlined in Section 1.7 or upon arrangement with the Procurement Officer whose contact information is found in Section 1.6.

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SECTION 2 – OFFEROR MINIMUM QUALIFICATION

Offeror must demonstrate the following qualifications:

1. At least two years experience in the administration of a retail pharmacy network.
2. At least one million covered lives across the Offeror's pharmacy benefit management book of business as of proposal submission date.

Please refer to Attachment J-1, the first tab of the Excel portion of this RFP.

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SECTION 3 – SCOPE OF WORK

3.1 Description of State Prescription Drug Plan

The State of Maryland currently has a stand alone, self-funded, prescription drug plan that is currently administered by AdvancePCS, a subsidiary of Caremark. It is the prescription plan offered by the State to all active employees, Satellite Account employees, State retirees, Direct Pay Enrollees, and their Dependents (see 1.2) through the State Employee and Retiree Welfare Benefits Program. The State Employee and Retiree Welfare Benefits Program is administered by the Department. Eligibility for coverage under the State Plan as a Member or Dependent is governed by COMAR 17.04.13.03 and .04 and State Personnel and Pensions Article, Annotated Code of Maryland, §§2-501 et. seq.. In addition, coverage may be provided pursuant to the COBRA provisions of the Public Health Services Act, 42 USC §§300bb-1 et seq.

The State offers an expansive range of employee benefit plans to approximately 106,000 Members (70,000 active employees, 32,000 retirees, 2,500 Satellite Account Employees, 1,500 Direct Pay Enrollees), and their covered Dependents. Benefit plans include health (including behavioral health), dental, group term life, accidental death and dismemberment, flexible spending accounts, prescription drugs, and long term care. These benefits are offered to a diverse workforce that includes clerical, administrative, technical, professional, maintenance, educational (State colleges and universities) and public safety employees, and appointed and elected officials at more than 250 different worksites.

None of the State's medical plans currently offers prescription drug benefits. The Plan serves approximately 99,500 enrollees living in Maryland and across the United States and in foreign countries. The total cost of the Plan, including administrative fees and claims but excluding rebates, was approximately \$293 million for calendar year 2004.

The current State Plan includes an extensive national retail network as well as access to a mail and specialty pharmacy. Members use a prescription card to access services or directly submit paper claims to the contractor for reimbursement of claims from a non-participating pharmacy. Authorizations of early refills and advance supplies are approved by the contractor but may be overridden and audited by the State or a designee. The successful Offeror must provide and administer a full-service, operational and cost-efficient pharmacy benefits plan serving this population and providing these services for the State to fund on a self-insured basis.

The prescription drug plan year runs from July 1 through June 30 of the subsequent calendar year and coincides with the State's fiscal year. Due to the large number of State employees, diverse population and numerous employee work locations, the State sponsors annual Benefit Fairs during each annual enrollment period. During the last enrollment period for which Benefit Fairs were held, the State conducted approximately 100 Benefit Fairs throughout the State.

3.2. Objectives

The State expects the successful Offeror will identify fully all of the revenue the Offeror receives in connection with services provided under the Contract, provide complete pass-through pricing, agree to audits by the State and/or an independent auditor of the State's choice, cooperatively work with the Department to use a cost-based, evidence-based quality formulary, and to contract with drug manufacturers for rebates based upon utilization of the Maryland Rx Program participants. The successful Offeror is expected to provide volume pricing discounts relative to

the number of claims, covered lives and units of service growth. As the Maryland Rx Program grows, the State expects to see its own self-funded plan become more cost-effective.

By establishing the pharmacy and prescription benefits purchasing pool, the Department expects to take advantage of the aggregate number of total lives and the aggregate drug purchases to obtain lower unit costs for the products and services obtained by this RFP and higher rebates and discounts. The State expects the successful Offeror to economically and cost-effectively administer the pharmacy and prescription drug benefits Plan.

The objectives of this procurement are to:

- Identify the most appropriate Contractor for the State and the Maryland Rx Program’s prescription management business for the duration of this contract;
- Partner with a Contractor that that can identify and implement various strategies to reduce/control the State’s ongoing prescription drug costs;
- Secure a fully transparent arrangement for the State Plan, which includes complete information disclosure and pass-through pricing;
- Make available to participants prescription drugs and other pharmacy services that address their health care needs and contribute to overall wellness;
- Provide Participants convenient accessibility to a national pharmacy provider network, ensuring pharmacies in Maryland are well represented;
- Offer a pharmacy benefit of significant value via a thorough examination of pharmacy costs and implementation of innovative strategies designed to manage health care costs; and
- Maximize cost-savings for the State and Maryland Rx Program participants by contracting on a fixed fee basis, with product discounts and incentives accruing directly to the State and Purchasing Pool Participants.

3.3 Implementation and Project Time Frames

Following are the high level milestones and the State’s desired due dates, where applicable:

Milestone	Date
3.3.1 Begin implementation meetings	Upon contract award
3.3.2 Completion of draft communications materials presented to the State for review	Within 14-21 days of award and February of each subsequent year of the contract.
3.3.3 Benefit Coordinator Training Session (for each Plan Year)	March – April 2006 and March – April of each subsequent year
3.3.4 Attend <u>all</u> Open Enrollment Benefit Fairs for each Plan Year	April – May
3.3.5 Effective Date of Prescription Benefits Plan Coverage for each Plan Year	July 1

3.3.6	Annual Rate Setting Process for each subsequent Plan Year	(Estimated) November - March
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3.4 Description of Scope of Work

3.4.1 Pharmacy and Prescription Benefits Plan Administration

The State is soliciting proposals for one Contractor to provide all of the required services for this RFP. The Contractor will provide a responsive, efficient, auditable, service-oriented system that will permit all eligible Members to obtain pharmacy and prescription benefits for themselves and their enrolled and eligible Dependents, and provide access to pharmacy benefit management services for all Purchasing Pool Participants. The Contractor will be able to accommodate a flexible plan design from the State to minimize costs while providing adequate coverage.

The successful Offeror who is awarded the contract pursuant to this RFP will be required to provide the services required by this RFP and proposed by the Offeror with an effective date of coverage beginning July 1, 2006, and begin the necessary implementation services in early 2006.

The services the Contractor shall provide for the State Plan and for the plan of each Purchasing Pool Members include:

3.4.1.1 Eligibility Tracking

The Contractor shall:

- Accept electronic transfer of eligibility data in a format that is agreeable to the State or Participating Pool Participant
- Maintain eligibility records for Participants including those who may be enrolled in multiple groups and subgroups within one plan simultaneously
- Provide access to claims history for at least seven years
- Provide Participants on-line access to view their individual eligibility status
- Process and/or update eligibility immediately for a Member if requested
- For Purchasing Pool Participants, maintain flexibility to deal with Pool Participant-specific eligibility data requirements and variations, such as: member ID numbers varying in length; alpha-numeric ID numbers; incorporating client specific departments, classes or product coding

3.4.1.2 Claims Administration

The Contractor shall:

- Provide an integrated system for processing retail, mail order and specialty pharmacy claims
- Process electronic as well as paper claims
- Administer the existing State plan design (see **Attachment N-1**)
- Agree that co-pays and/or plan design may be changed by the State without contract modification, but by written direction to the contractor.

- Have the flexibility to administer different plan designs the State may consider, including ones based on coinsurance, fixed dollar + coinsurance, or copays and formulary tiers specific to certain drugs or drug classes
- Comply with all HIPAA compliance requirements

3.4.1.3 Member Services

The Contractor shall:

- Offer integrated member support for retail, mail order and specialty pharmacy claims
- Provide a toll-free customer service line for support relating to claims payment, eligibility, ID card status, pharmacy locations, benefit design questions, general questions and appeals
- Offer on-line WEB-based customer service support
- Provide participants information on the cost and names of alternative drug therapies and run “test claims” for participants who request this information
- Regularly survey participants on their satisfaction with Offeror’s programs

3.4.1.4 Clinical and Cost Management Programs

The Contractor shall:

- Ensure pharmacies provide free information to members on general health information such as adverse drug events, medication safety and storage, poison control and child safety
- Substitute the drug prescribed with another drug only if there is a benefit to the health of the member or a savings to the State or other Maryland Prescription Drug Program participant
- Substitute the drug prescribed with another drug only if the prescriber and the member agree to the substitution, unless the substitution is from a brand drug to a generic drug
- Conduct a full range of Drug Utilization Review (DUR) programs for retail, mail and specialty pharmacy utilization, including prior authorization, quantity level limits and electronic edits for duplicate claims, drug to drug interactions, duplicate therapies, fraud and abuse programs, etc.
- Cooperate with initiatives the State may wish to pursue to integrate medical, laboratory and pharmacy claims data to enhance DUR and Disease Management initiatives
- Utilize a P&T Committee to ensure appropriate therapies are represented on the formulary and in clinical programs

3.4.1.5 Network Management

The Contractor shall:

- Maintain a comprehensive network of participating retail pharmacies
- Provide mail service and specialty pharmacy service

- Conduct ongoing auditing and quality assurance for participating retail, mail order and specialty pharmacies

3.4.1.6 Account Management

The Contractor shall:

- Offer comprehensive implementation support during the initial transition
- Provide ongoing account management services, including an on-site Account Services Representative and a dedicated Account Manager for the State
- Attend Quarterly Account Management meetings with the State
- Participate in Benefits Coordinator training sessions (approximately five per year at regional locations throughout the State)
- Attend Open Enrollment Benefit Fairs (approximately 110 – 120 fairs during the Open Enrollment period)
- Share in the cost of mailing and printing of the Open Enrollment Materials

3.4.1.7 Reporting

The Contractor shall:

- Provide quarterly reports integrating financial and utilization data on retail, mail and specialty pharmacy claims, including the mandatory reports shown in **Attachment N-2**.
- Provide full disclosure of pricing, revenues, discounts, administration fees, formulary or preferred drug list bonuses and fees, rebates, operations, drug switching/substitution, and formulary management information (such as quarterly updates of MAC list changes, formulary changes, and preferred drug list changes)
- Report on activities relating to clinical and cost management programs including DUR and substitution programs
- Furnish on-line access to State reports
- Provide benchmark data on pharmacy costs and utilization
- Offer ad-hoc reporting assistance as requested by the State
- Provide clinical resources to the State to help in interpreting pharmacy data and developing cost management strategies

3.4.1.9 Participant Communications

The Contractor shall:

- Issue member ID cards using a number other than the participant's Social Security number or any part of the number (the State will provide the enrollment and premium deduction information to the successful Offeror using the SSN but the ID card issued to participants must not contain the SSN).
- Have the ability to assist participants who contact Member Services with only their name and / or Social Security number
- Provide Explanations of Benefits (EOBs) or similar Member utilization statements on a quarterly basis
- Assist the State, as requested, in the development of benefit summaries and other communication materials for participants

- With prior approval from the State, provide ongoing communications to participants on issues pertinent to the pharmacy benefits program

3.4.1.10 Medicare Part D

The Contractor shall:

- Provide information as required for the State and / or Purchasing Pool Participant to pursue the Retiree Drug Subsidy (RDS) including, but not limited to:
 - a. Monthly eligibility submission to CMS, in CMS-required formats, and response file management/coordination with State and Purchasing Pool Participants
 - b. Monthly extraction of data elements from the CMS response files and the load of that data into the maintained eligibility records
 - c. Monthly submission of claims data to CMS via the Retiree Drug Subsidy website pertaining to the State's, and any Purchasing Pool Participant's, application for subsidy, and the submission of the final reconciliation file due within 15 months after the end of the Plan Year (such claims data will be in the format specified by CMS, and will be sent at a frequency required by CMS in future guidance so that the State, or any Purchasing Pool Participant, will receive payments on a timely basis);
 - d. Process electronic (in real time) and paper claim submissions for COB as secondary payor for Part D enrollees;
 - e. Prior authorizations to categorize Part B covered drugs for exclusion from claim submission;
 - f. Storage of data for CMS audit, and participation in CMS audits, as needed;
 - g. Exchange eligibility and enrollment data, as necessary, with the CMS COB Coordinator for accurate administration and processing of COB;
 - h. Certificates of Coverage at termination of Creditable Coverage, including postage and mailing
 - i. Performing annual reconciliation to adjust for actual rebates, discounts, and price concessions;
 - j. Record retention (claims, utilization management, and eligibility data) for the period required by CMS; and
 - k. Providing claims data necessary to support audit processes
- If the State and / or a Purchasing Pool Participant decides to pursue COB for retirees and their dependents who elect Part D coverage, the Offeror shall administer COB on prescription drug claims for these participants in accordance with the NAIC-120-1 Model COB Contract Provisions (see **Attachment G**) and applicable Medicare Secondary Payor laws, statutes, and regulations.

3.4.1.11 HIPAA

The Contractor shall:

- Develop and implement administrative, physical and technical safeguards that reasonably and appropriately protect the confidentiality, integrity and availability

of the electronic protected health information that the Offeror creates, receives, maintains or transmits in the Offeror's administration of the prescription drug plan(s), as required by and sufficient to satisfy the HIPAA security standards

- Develop and implement policies and procedures to comply with the HIPAA security standards
- Maintain documentation of the policies and procedures and safeguards implemented to comply with the HIPAA security standards
- Ensure that any agent, including a subcontractor, to whom the Offeror provides electronic PHI, agrees to implement reasonable and appropriate safeguards
- Report to the State any security incident of which the Offeror becomes aware during the term of the Contract and any mitigation or remedial plans to address such security incidents
- Make the Contractor's policies and procedures, and its documentation required by the HIPAA security standards, available to the Department of Health and Human Services for purposes of determining if the Prescription Drug plans comply with the HIPAA security standards
- Comply with HIPAA privacy standards, 45 CFR Parts 160 and 164, subpart C, including the following:
 - Contractor shall not use or disclose PHI except to fulfill the requirements of this RFP and the contract
 - Contractor shall implement and use appropriate and reasonable administrative, physical and technical safeguards to prevent use or disclosure of PHI other than (1) as provided in this RFP and the contract, (2) permitted by the HIPAA Privacy Regulation for a Covered Entity, and (3) permitted by the Medical Records Act. In the event that the HIPAA Privacy Regulation and the Medical Records Act conflict regarding the degree of protection provided for PHI, the Contractor shall comply with the more restrictive protection requirements
 - Contractor shall report to the State any use or disclosure of PHI that is not permitted within 10 days of when the Contractor becomes aware of such use and disclosure
 - Contractor shall use reasonable efforts to mitigate the effect of any use or disclosure of PHI known to Contractor that is not permitted
 - Contractor shall comply with the administrative requirements of 45 CFR § 164.530 as if the Contractor were the Covered Entity in relation to the health plan
 - Contractor shall ensure that any agents, including subcontractors, to whom it provides PHI agree in writing to the same restrictions and conditions that apply to the Contractor with respect to such PHI
 - Contractor shall provide a Notice of Privacy Practices to all individuals enrolled in the prescription benefits health plan in compliance with 45 CFR § 164.520 as if the Contractor were the Covered Entity with regard to the prescription benefits health plan
 - (1) This Notice of Privacy Practices shall comply with the requirements of 45 CFR § 164.520 as if the Contractor were the Covered Entity with regard to the health plan
 - (2) A copy of this Notice of Privacy Practices shall be provided to the State with certification that the notice has been provided to the Members

- Contractor shall permit an individual enrolled in the health plan to request restricted uses and disclosures of PHI related to that individual in accordance with 45 CFR §164.522(a)(1)(i). The Contractor shall comply with 45 CFR §164.522(a)(1)(iii)-(iv) in the event that a request for restricted uses and disclosures is granted as if the Contractor were the Covered Entity with regard to the health plan. The Contractor may refuse such request to restrict uses and disclosures or terminate a restriction on uses and disclosures provided that the Contractor complies with the provisions of 45 CFR §164.122(a)(1)(ii) and §164.522(a)(2)-(3) as if the Contractor were the Covered Entity with regard to the health plan
- Contractor shall accommodate reasonable requests by individuals enrolled in the health plan or by the State on behalf of such individuals to receive confidential communications in compliance with 45 CFR §164.522(b)(ii) as if the Contractor were the Covered Entity with regard to the health plan. The Contractor may condition providing confidential communications as permitted by 45 CFR §164.522(b)(2)
- Contractor shall maintain PHI in a Designated Record Set and make available to an individual the PHI relating to that individual in compliance with 45 CFR §164.524 as if the Contractor were the Covered Entity with regard to the health plan
- Contractor shall make available for amendment and amend PHI at the request of the State or the individual to whom the PHI relates in compliance with 45 CFR §164.526 as if the Contractor were the Covered Entity with regard to the health plan
- Contractor shall document and track disclosures and provide an accounting of disclosures of PHI to the individual about whom it relates in compliance with 45 CFR §165.528 as if the Contractor were the Covered Entity with regard to the health plan
- Contractor shall make internal practices, books and records, including privacy and confidentiality policies and procedures and PHI, available to the State and the Federal Department of Health and Human Services, for purposes of determining whether the State is compliant with the HIPAA Privacy Regulation in the administration of the health plan
- Upon the end of the Contract, for any reason, the Contractor shall maintain all records created under the Contract as required by the Contract and shall extend the protections of the HIPAA privacy standards to the PHI contained in those records for so long as the Contractor maintains the PHI. All such records containing PHI shall be destroyed at the expiration of the record retention period required by the Contract or, if retained by the Contractor, protected, used and disclosed only in accordance with this RFP and the Contract
- Contractor shall provide a certification to the State that the Contractor's HIPAA Privacy Standards obligations have been met, to occur no more frequently than quarterly, upon the State's request for certification
- Contractor shall disclose PHI to the State and to the State's agents for the State's use in treatment, payment and health care operations related to the health plan and the State's other related health plans, and to the State as the Plan sponsor in accordance with the HIPAA privacy regulation
- Contractor may use and disclose PHI in order to provide the services required by the Contractor in the administration of the health plan provided that (a) such use and disclosure complies with the HIPAA

Privacy Regulation as if the Contractor were the Covered Entity with regard to the health plan, (b) such use or disclosure is permitted by the Medical Records Act, and (c) such use or disclosure is consistent with the Contractor's notice of privacy practices. In the event that a HIPAA Privacy Regulation and the Medical Records Act conflict regarding the degree of protection provided for PHI, the Contractor shall comply with the more restrictive protection requirement

- Contractor may disclose PHI as required by law in compliance with 45 CFR §164.512
 - Contractor may use and disclose PHI to conduct data aggregation services as permitted by 45 CFR §164.501 and §164.504(e)(2)(i)(B)
 - Contractor may use and disclose PHI for the proper management and administration of the Contractor or to carry out its legal responsibilities as permitted by 45 CFR §164.504(e)(4), provided that: (a) such uses and disclosures would be permitted by the HIPAA Privacy Regulation if the Contractor were a Covered Entity regulated by the HIPAA Privacy Regulation and (b) the Contractor obtains reasonable written assurances from the person, agency, or entity to which such disclosures are made that all PHI will remain confidential and be used or disclosed further only as required by law, for the purposes of disclosure by the Offeror, and the person, agent or entity notifies the Contractor of any instances in which the confidentiality of the PHI has been breached
 - Contractor may use or disclose PHI to report violations of the law to appropriate State and federal authorities consistent with 45 CFR §164.502(j)
 - Contractor may disclose PHI in response to an authorization executed by the individual who is the subject of the PHI or that's individual's personal representative in accordance with 45 CFR §502(g) and 45 CFR §164.508
- Confirm that its proposal, and plan design offered, is in compliance with all federal and state laws and regulations that pertain to employee benefit programs and prescription drug benefits plans
 - Certify that it will comply with the interim final rules on nondiscrimination in the group health market, including: a) Coverage for self-inflicted injuries for persons who suffer from medical conditions (such as depression), and b) Coverage for persons who are hospital-confined or not actively at work when coverage would otherwise take effect
 - Certify that it reports to the National Healthcare Integrity and Protection Databank (HIPDB) as required and, as may be necessary, submit inquiries to the HIPDB to determine whether any final adverse legal actions have been taken against its member providers Understand and have the necessary systems capability and comply with HIPAA's administrative simplification standards related to electronic data interchange (EDI)
 - Require any agents/subcontractors it brings onto the project(s) covered by this RFP to comply with the HIPAA standards for EDI

3.4.1.12 Alternative Cost Management Strategies

The Contractor shall offer specific strategies for the State to consider in order to help the State better manage total pharmacy costs (including costs to the State and to its participants) while minimizing the disruption / inconvenience to participants.

The Contractor shall periodically provide such recommendations to the State during the contract term and agree to implement such strategies as the State deems appropriate.

3.4.2 Maryland Rx Purchasing Pool

Eligible members of Maryland Rx include the State of Maryland Employee and Retiree Health and Welfare Benefits Program, local governments and employers for employees in Maryland. The State self-funded Plan is administered through the State of Maryland Employee and Retiree Health and Welfare Benefits Program and is the only guaranteed member of the Maryland Rx Program purchasing pool.

The other entities will be entitled to participate in the purchasing pool and to secure pharmacy benefit management services from the Contractor on the same terms and conditions as the State through separate contracts with the Contractor. Such purchasing pool members must agree to self-insure their respective plans and the risk of benefits coverage for their respective plans.

The State will undertake efforts to notify local governments and businesses in Maryland of the availability of the Maryland Rx Program purchasing pool. The Contractor may also publicize the existence of the Maryland Rx Program.

3.4.2.1 Purchasing Pool Eligibility

3.4.2.1.1 The Contractor shall confirm in writing the eligibility of an entity to participate in the Maryland Rx Program with the Department prior to adding the entity to the purchasing pool.

3.4.2.1.2 Each entity seeking to be a Purchasing Pool Member must agree to:

- a. Permit the Department to have access to enrollment information (limited to Member names and Social Security Numbers) for purposes of Maryland Rx administration, such as auditing and verifying eligibility of the entity as a Purchasing Pool Member;
- b. Permit the Department to have access to aggregate and de-identified claims and utilization information for purposes of Maryland Rx administration;
- c. Notify Members of the entity's own prescription plan that wage data information may be accessed as part of the eligibility audit and verification function;
- d. Self-insure or otherwise pay all the costs and fees associated with its own prescription benefits plan administered by the Contractor as part of the Maryland Rx Program;
- e. Provide coverage through the Maryland Rx Program only for Members who are employed in and paid wages in the State of Maryland;
- f. Provide enrollment and eligibility data to the Contractor;

- g. Maintain a plan design for its own prescription benefits plan in the Maryland Rx Program in accordance with Section 3.4.2.2; and
- h. Acknowledge that the Purchasing Pool Member remains the sponsor of the entity's own prescription benefits plan for its employees and is responsible for the administration, legality, and operation of that plan.

3.4.2.1.3 Eligibility for the Maryland Rx Program will be determined as follows:

- A. **Governmental Entities.** For purposes of eligibility to participate as a Purchasing Pool Member, local governments include the counties of Maryland, Baltimore City, municipalities (see (<http://www.mdarchives.state.md.us/msa/mdmanual/01glance/html/mun.html#K>) for a list) and quasi-governmental entities, such as cooperative inter-governmental councils and special taxing districts.
- B. **Other Employers.** Any other entity, including but not limited to a non-for-profit organization, business, or any other employer, that has Maryland employees but only with respect to the Maryland employees will be eligible to participate as a Purchasing Pool Member. The prescription benefits plan for which the entity participates in the Maryland Rx Program may include as eligible Members only those employees who are paid wages in the State of Maryland.

3.4.2.2 Purchasing Pool Member Plan Designs

A purchasing pool member must use the same formulary, preferred drug list, network, plan design, co-payment and coinsurance pricing structure, and terms as the pharmacy benefits plan of the State Plan, but all costs (fees and claims) will be paid by the purchasing pool member directly to the Contractor, with rebates and discounts for each purchasing pool member's plan costs directly paid to that purchasing pool member.

To the extent that a deviation from the formulary, preferred drug list, network, plan design, co-payment and coinsurance pricing structure, and terms of the pharmacy benefits plan of the State Plan will not impede or limit cost savings or impede or limit use of the aggregate population and utilization pricing terms and guarantees provided through the Contract, the Contractor may permit a purchasing pool member to use such deviations upon written notice to the State.

The Contractor shall provide a certification to the State regarding any plan designs used by Purchasing Pool Members that deviate from the plan design of the State Plan.

3.4.2.3 Pricing for Purchasing Pool Members

All financial terms set for each purchasing pool member (rebates, discounts, fees, etc.) shall be set at the tier for the aggregate purchasing pool population and the contracts between the Contractor and individual purchasing pool members may not extend beyond the termination date of the Contract between the State and the Contractor. Each purchasing pool member will have its own member eligibility and enrollment criteria and will be responsible for providing enrollment information to the Contractor.

3.4.2.4 Services for Purchasing Pool Members

The Contractor shall provide Pharmacy and Prescription Benefits Purchasing Pool Management services to each Purchasing Pool Member, including:

- a. Per purchasing pool member account management services;
- b. Claims payment, processing and tracking services for each purchasing pool member;
- c. Reports for each purchasing pool member based on the member’s own prescription benefits plan;
- d. Enrollment tracking per purchasing pool member;
- e. Invoice and accept claims payments from each purchasing pool member for each purchasing pool plan;
- f. Rebate and administration fee invoicing and payments per purchasing pool member (at the rates set using the aggregate enrollment and utilization of the purchasing pool); and
- g. Pharmacy and prescription benefits management and administration services for the self-funded plan of each purchasing pool member in accordance with the requirements of the RFP and terms and conditions of the contract.

3.4.2.5 Services for Maryland Rx Program Management

The Contractor shall:

- a. Provide to the Department monthly reports detailing aggregate population and utilization information;
- b. Provide quarterly reports indicating the administrative fee costs and aggregate enrollment for each Purchasing Pool Member; and
- c. Implement pricing discounts and guarantees, rebate guarantees, and administrative fees at the beginning of the next month after which aggregate population and utilization goals have been met which trigger changes in pricing discounts and guarantees, rebate guarantees, and administrative fees.

3.5 Excel Attachments

Additional requirements of this RFP are contained in Excel files (Attachments J-1 through J-8, Attachments K-1 through K-8, Attachments N-1 through N-2, and Attachment O). These Attachments are labeled “Technical Response.xls”, Financial Response.xls and “Additional Attachments - Excel.xls”, containing response pages and supporting data to complete an Offeror’s response, summarized as follows:

Section		Tab Name	File Name
Response Pages			
Attachment J-1:	Offeror Qualifications	Qualification	Technical Response.xls
Attachment J-2:	Questionnaire	Offeror Information	Technical Response.xls
Attachment J-3:	Bio of Account Manager	Bio	Technical Response.xls
Attachment J-4	Maryland Benefits	MD Benefits	Technical Response.xls

	<u>Section</u>	<u>Tab Name</u>	<u>File Name</u>
Attachment J-5A	Geo-Access Report – All Eligible Employees and Retirees	Geo-Access – J-5A	Technical Response.xls
Attachment J-5B	Geo-Access Report – Employees and Retirees Currently Participating in the State Pharmacy Benefits Plan	Geo-Access – J-5B	Technical Response.xls
Attachment J-5C	Geo-Access Report – Sample Standard Report	Geo-Access – J-5C	Technical Response.xls
Attachment J-6	Pharmacies by County	Pharmacies by County	Technical Response.xls
Attachment J-7	Pharmacy Disruption	Pharmacy Disruption	Technical Response.xls
Attachment J-8	Formulary Analysis	Formulary Analysis	Technical Response.xls
Attachment J-9	Mail Purchasing	Mail Purchasing J-9	Technical Response.xls
Attachment K-1	Financial Proposal Instructions	Financial Instructions	Financial Response.xls
Attachment K-2A1	Fees, etc < 150,000 Members	K-2A1	Financial Response.xls
Attachment K-2A1	Aggregate Costs < 150,000 Members	K-2B1	Financial Response.xls
Attachment K-2A2	Fees, etc 150,000 to 299,999 Members	K-2A2	Financial Response.xls
Attachment K-2B2	Aggregate Costs 150,000 to 299,999 Members	K-2B2	Financial Response.xls
Attachment K – 2A3	Fees, etc 300,000 to 499,999 Members	K-2A3	Financial Response.xls
Attachment K-2B3	Aggregate Costs 350,000 to 499,999 Members	K-2B3	Financial Response.xls
Attachment K-2A4	Fees, etc > 500,000 Members	K-2A4	Financial Response.xls
Attachment K-2B4	Aggregate Costs > 500,000 Members	K-2B4	Financial Response.xls
Attachment K-2BSum	Sum Weighted Aggregate Costs	K-2BSum	Financial Response.xls
Attachment K-3	Administration Fee Breakdown	K-3 Admin Fee Breakdown	Financial Response.xls
Attachment K-4	Financial Compliance Checklist	K-4 Financial Compliance	Financial Response.xls
Attachment K-5	Financial Compliance Checklist - Explanation	K-5 Fin Compl Explain	Financial Response.xls
Attachment K-6	Specialty Drug List Analysis	K-6 Specialty	Financial Response.xls
Attachment K-7	Other Programs	K-7 Other Programs	Financial Response.xls

	Section	Tab Name	File Name
Attachment N-1	Current Plan Design	Current Plan Design	Attachments - Excel.xls
Attachment N-2	Utilization and Cost Schedule	Utilization and Cost Schedule	Attachments - Excel.xls
Attachment N-3	Experience	Experience N-3	Attachments - Excel.xls
Attachment O	Aon RFI	RFI	Aon RFI

The files are in Microsoft Excel (.xls) format and have been compressed to a self-extracting ZIP (.zip) file using WinZip.

Please note that the majority of the questions have been structured to elicit “Yes” or “No” responses, except where otherwise noted.

3.6 Payment Specifications

The Contractor shall accept the payment procedures and parameters outlined in Sections 3.6.1 and 3.6.2 for payments by the State for the State Plan. The Contractor shall offer payment procedures that are at least as favorable as these to each RX Program Purchasing Pool Member.

The Contractor shall accept the parameters for fees charged to the State as provided in Attachment K.

3.6.1 Claims

The Contractor shall:

- Invoice the State processed claims on a weekly basis, with claims broken out by Member/Participant subgroup (active, retired, Satellite Account, Direct Pay) for the State Plan. Invoices will be sent to the State by 4:00 p.m. Local Time each Monday (or next State business day if Monday is a holiday) for claims processed the prior week
- Accept payment via wire transfer within 24 hours or next business day following receipt of invoice
- Submit to the State for each claim invoiced, a 100-character record with claims detail. The file containing these records must equal the amount invoiced and be submitted within 48 hours of invoice submission. The file layout is in "**Attachment H**"
- Accept adjustments based on the reconciliation of State's invoice amount and 100-character file. Applicable adjustments will be made to a subsequent invoice

3.6.2 Non-Claims (Administrative)

The Contractor shall:

- Accept monthly payments from the State of administration fees (for the State Plan) based on the State's deduction report data (calculated by the State). [ex. November's payment reconciles September actual deductions to September's estimated payment and estimates November payment based on September's actuals]

- Accept payment from the State as processed through normal State transmittal process (i.e., transmittal sent to Annapolis, EFT transfer to Offeror. Payment is usually made by the 27th of each month.)
- For any recoveries as a result of fraud or an audit, pay the State any portion due it via a separate check payment and provide documented substantiation. The Contractor shall report on activity twice a year, at six-month intervals.

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SECTION 4 – PROPOSAL FORMAT

4.1 Two Part Submission

Offerors must submit proposals in two **separate** volumes:

- “Volume I – (TECHNICAL PROPOSAL)”
- “Volume II – (FINANCIAL PROPOSAL)”

4.2 Proposals

Volume I-Technical Proposal must be **sealed separately** from Volume II-Financial Proposal but submitted simultaneously to the Procurement Officer (address listed on Key Information Summary and in Section 1.6). This is the only address to which proposals may be submitted. An unbound original, so identified, and **eight (8)** bound copies of each volume are to be submitted. Hard copies must be a complete proposal containing all information contained on the CDs unless otherwise directed in Section 4. Offerors must attach to the original Technical Proposal three (3) separate CDs containing an electronic version of Volume I- Technical Proposal (in MS Excel format and WORD, as appropriate). Offerors must also attach to the original Financial Proposal three (3) separate CDs containing an electronic version of the Volume II- Financial Proposal (in MS Excel format).

Please note that the Offeror must provide separate CDs for the Technical Proposal and the Financial Proposal, resulting in 6 CDs attached to the proposal. The CDs containing the electronic responses should be placed in separate envelopes labeled “Offeror Response CDs – Volume “X” (“X” is Volume I or Volume II, as appropriate).

4.3 Submission

Each Offeror is required to submit a separate sealed package for each Volume, to be labeled “Volume I-Technical Proposal” and “Volume II-Financial Proposal” respectively. Each sealed package must bear the RFP title and number, name and address of the Offeror, the volume number (I or II), and the closing date and time for receipt of the proposals on the outside of the package. Please label the electronic media with Volume I-Technical Proposal and Volume II-Financial Proposal, as appropriate.

All pages of both proposal volumes must be consecutively numbered from beginning (Page 1) to end (Page “x”).

4.4 Volume I – Technical Proposal

4.4.1 Transmittal Letter

A transmittal letter must accompany the technical proposal. The purpose of this letter is to transmit the proposal and acknowledge the receipt of any addenda. The transmittal letter should be brief and signed by an individual who is authorized to commit the Offeror to the services and requirements as stated in this RFP.

4.4.2 Format of Technical Proposal

Technical proposals must be submitted in a separate sealed package labeled "Volume I - Technical Proposal" and must bear the name and address of the Offeror, the name and number of the RFP and the closing date for proposals on the outside of the package. Inside this package an unbound original, to be so labeled, **eight (8)** copies, and three (3) electronic copies (in MS Excel format and WORD, as appropriate) on 3 separate CDs in a separate envelope labeled as described in Section 4.2, shall be provided. The technical proposal shall include:

4.4.2.1 Title and Table of Contents

The technical proposal should begin with a title page bearing the name and address of the Offeror and the name and number of this RFP. This should be followed by a table of contents for the technical proposal. Information, which is claimed to be confidential, is to be identified after the Title Page and before the Table of Contents.

4.4.2.2 Executive Summary

The Offeror shall condense and highlight the contents of the technical proposal in a separate section titled "Executive Summary" including how the Offeror meets the minimum qualifications outlined in Section 2.1. The summary shall also identify any exceptions the Offeror has taken to the requirements of this RFP, the contract (**Attachment A**), or any other attachments. Offeror shall include a signed Bid/Proposal Affidavit (**Attachment B**).

WARNING: Exceptions to terms and conditions of the RFP, the contract, or any other attachment may result in having the proposal deemed unacceptable or classified as not reasonably susceptible of being selected for award.

4.4.2.3 Response to Scope of Work

In a *concise* manner, the Offeror shall address each requirement in Section 3.4 "Description of Scope of Work" of this RFP and describe how the Offeror's proposed services will meet those requirements. Specifically, the Offeror shall describe its capabilities to provide the following services, noting the sub-bullets included in Section 3.4:

- Eligibility Tracking
- Claims Administration
- Member Services
- Clinical and Cost Management Programs
- Network Management
- Account Management
- Reporting
- Participant Communications
- Medicare Part D
- HIPAA
- Alternative Cost Management Strategies
- Maryland Rx Program Management

If the State is seeking Offeror agreement to a requirement, the Offeror shall state agreement or disagreement.

With regard to the “Alternative Cost Management Strategies” noted above, the Offeror shall provide information on specific strategies the Offeror suggests that the State consider in order to help the State better manage total costs (including costs to the State and to its participants) while minimizing the disruption / inconvenience to participants.

These Alternative Cost Management Strategies may include changes to the current program. Examples might include Disease Management programs, a custom formulary or a retail network designed to accommodate the State’s specific employee and retiree population.

For each Alternative Cost Management Strategy, the Offeror shall specify:

- Potential impact on participants (specify the percentage of participants that would be impacted and to what extent);
- Administrative requirements on the State to implement the strategy;
- Suggested implementation plan;
- Sample member communications materials regarding the strategy; and
- Additional information you believe the State will need to evaluate the potential impact and cost to implement the strategy.

4.4.2.4 Performance Guarantees

The Offeror shall detail the performance guarantees that will be provided to the State for each of the parameters listed below. This should include specific targets, financial impact of achieving / not achieving the targets, how performance will be measured and reported to the State (including frequency) and Offeror’s willingness to further refine any of these terms if so desired by the State. At a minimum, performance guarantees shall be included for the following parameters:

- Implementation (e.g., completion of specific implementation tasks by effective date, etc.)
- Member services (e.g., telephone response time, responses to written inquiries, etc.)
- Administration (e.g., eligibility posting, claims processing time, mail order turnaround, etc.)
- Claims Processing (e.g., Financial and Payment accuracy)
- Utilization (e.g., generic substitution, formulary implementation, etc.)
- Network (e.g., access, audits, etc.)
- Reporting (e.g., timeliness, level of interpretation provided by Offeror)
- Medicare Part D Subsidy Support
- Other (feel free to submit additional performance guarantees)

4.4.2.5 Response to Excel RFP

Offeror's **Volume I – Technical Proposal** (hard copy) must be submitted in the following format:

<u>Technical Proposal Tab Name</u>	<u>Section Name Corresponding to Excel-based portion of the RFP</u>
Attachment J-1:	Offeror Qualification
Attachment J-2:	Offeror Information
Attachment J-2a:	Sample Employee Communication Materials
Attachment J-2b:	Detailed Utilization Management Program List
Attachment J-2c:	Sample Standard Reporting Package
Attachment J-3	Bio of Account Manager
Attachment J-4	Maryland Benefits
Attachment J-5 A, B, C, & D	Geo-Access Reports
Attachment J-6	Pharmacies by County
Attachment J-7	Pharmacy Disruption
Attachment J-8	Formulary Analysis
Attachment J-9	Mail Purchasing

In addition, the Offeror must provide electronic responses for each listed attachment on a CD, using the Excel files provided in the RFP. The Offeror's hard copy technical proposal shall include only a summary of the required Geo-Access reports. Full Geo-Access reports shall be included in each electronic version of the Offeror's technical proposal.

4.4.2.6 Past Performance and Experience

The Offeror shall describe its overall experience, past performance, to providing services similar to those solicited.

4.4.2.7 Financial Capability and Statements

The Offeror shall provide evidence that the Offeror has the financial capacity to provide the services by providing copies of the last two (2) year end financial statements (independently audited preferred). The financial statements must be for the entity proposing to provide services under this RFP and not for any prospective owners or parent companies not directly involved in the provision of services.

The Offeror shall provide a list of applicable insurance the Offeror carries for liability purposes.

4.4.2.8 Economic Benefit Factors

- 1) The Offeror shall describe the benefits that will accrue to the State of Maryland economy as a direct or indirect result of the Offeror's performance of the contract resulting from this RFP. The Offeror will take into consideration the following elements. **(Do not include any detail of the financial proposal with this technical information):**

- a. The estimated percentage of contract dollars to be recycled into Maryland's economy in support of the contract, through the use of Maryland subcontractors, suppliers and joint venture partners. Offerors should be as specific as possible and provide a percentage breakdown of expenditures in this category.
 - b. The estimated number and types of jobs for Maryland residents resulting from this contract. Indicate job classifications, number of employees in each classification, and the aggregate Maryland payroll percentages to which the contract has committed at both prime and, if applicable, subcontract levels.
 - c. Tax revenues to be generated for Maryland and its political subdivisions as a result of this contract. Indicate tax category (sales tax, inventory taxes and estimated personal income taxes for new employees). Provide a forecast of the total tax revenues resulting from the contract.
 - d. The estimated percentage of subcontract dollars committed to Maryland small businesses and MBEs.
- 2) In addition to the factors listed above, the Offeror should explain any other economic benefit to the State of Maryland that would result from the Offeror's proposal.

4.4.2.9 Subcontractors

Offerors must identify subcontractors and the role these subcontractors will have in the performance of the contract. MBE subcontractors must also be identified in the Proposal and each Subcontractor question must be answered with regard to each MBE.

Offerors must submit completed and fully executed **Attachments D-1 and D-2** with their technical proposals.

4.4.2.10 Information Questionnaire

For the Aon RFI section (an electronic-response section, a sample of which is provided in an Excel file labeled **Attachment O**), each Offeror will do one of the following (choose either 1. or 2. whichever is applicable):

1. Offerors who have already responded to Aon's 2005 RFI data request will need to confirm the validity of their responses as they pertain to this RFP. Each Offeror should review its initial responses to Aon's national data request and:
 - a. highlight (e.g. yellow highlights) any changes in its hard copy version that will be attached as Attachment O in its Technical Proposal;
 - b. sign off on the hard copy version; and
 - c. highlight (e.g. yellow highlights) any changes in the electronic version that will be attached to the Technical Proposal on a CD.
2. Offerors who did not respond to Aon's 2005 PBM RFI request (or did not receive the request from Aon) should contact the Procurement Officer (see section 1.6), via e-mail, to request an electronic file (do not use the sample provided in this RFP). Aon will transmit via email to the Offeror (with cc. to State of Maryland) an electronic file to complete. Each Offeror must provide in return:
 - a. a signed, hard copy response in its Technical Proposal; and

- b. an electronic response on a CD in Excel format with its Technical Proposal.

4.5 Volume II - Financial Proposal

4.5.1. General Instructions

Under separate sealed cover from the Technical Proposal and clearly identified with the same information noted on the Technical Proposal, the Offeror must submit an original unbound copy, **eight (8)** bound copies, and three (3) electronic copies (in MS Excel format on 3 separate CDs) in a separate envelope labeled as described in Section 4.2, of the Financial Proposal. The Financial Proposal must contain all cost information in the format specified in **Attachments K1 – K7** of this RFP.

All administrative fees must be quoted on a fully loaded basis, (i.e., fees must include all direct and indirect costs, general and administrative overhead, purchasing burden and profit) except where a specific service is identified as requiring a separate, specific fully loaded fee.

The files are in Microsoft Excel (.xls) format and have been compressed to a self-extracting ZIP (.zip) file using WinZip.

4.5.2 Alternative Cost Management Strategies

The Offeror must provide both detailed cost information and guaranteed savings for any Alternative Cost Management Strategy proposed in response to Section 4.4.2.3. Guaranteed savings must be specific and tied to something that can be measured and demonstrated to the State. For example, the Offeror might guarantee a specific dollar Return on Investment (ROI) for a proposed Disease Management program. In that scenario, the Offeror would need to be able to measure the impact of the Disease Management program and regularly report to the State on the actual ROI. Moreover, the Offeror's financial proposal must clearly delineate the financial consequences for the Offeror if the financial guarantee is not met.

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SECTION 5 – EVALUATION CRITERIA AND SELECTION PROCEDURE

5.1 Evaluation Criteria

Evaluation of the proposals will be performed by a committee organized for that purpose. Evaluations will be based on the criteria set forth below.

5.2 Technical Criteria

The criteria to be applied to each technical proposal are as follows, listed in descending order of importance

1. Administrative Capabilities, including, but not limited to:
 - Experience and Past Performance
 - Claims Payment
 - Transparency Reporting and Disclosure
2. Pharmacy Network, including, but not limited to:
 - Size of Network
 - Network Management and Administration
3. Clinical Capabilities, including, but not limited to:
 - DUR
 - Pre-Authorization
 - Managed Drug Limitation (MDL)
 - Formulary Management
4. Implementation Plan and Account Management, including but not limited to:
 - Account Management Team
5. Alternative Cost Management Strategies
6. Maryland Economic Impact

5.3 Financial Criteria

All qualified Offerors will be ranked from the lowest to the highest costs based on the amounts shown for each Offeror in Line 6 of **Exhibit K-2B Sum** of the RFP.

5.4 Reciprocal Preference

Although Maryland law does not authorize procuring agencies to favor resident Offerors in awarding procurement contracts, many other states do grant their resident businesses preferences over Maryland contractors. Therefore, as described in COMAR 21.05.01.04, a resident business preference will be given if: a responsible Offeror whose headquarters, principal base of operations, or principal site that will primarily provide the services required under this RFP is in another state submits the most advantageous offer; the other state gives a preference to its residents through law, policy, or practice; and, the preference does not conflict with a Federal law or grant affecting the procurement contract. The preference given shall be identical to the preference that the other state, through law, policy or practice gives to its residents.

5.5 Selection Procedures

5.5.1 General Selection Process

The contract will be awarded in accordance with the competitive sealed proposals process under Code of Maryland Regulations 21.05.03. The competitive sealed proposals method is based on discussions and revision of proposals during these discussions.

Accordingly, the State may hold discussions with all Offerors judged reasonably susceptible of being selected for award, or potentially so. However, the State also reserves the right to make an award without holding discussions. In either case of holding discussions or not doing so, the State may determine an Offeror to be not responsible and/or an Offeror's proposal to be not reasonably susceptible of being selected for award, at any time after the initial closing date for receipt of proposals and the review of those proposals.

The State's consultant will begin analysis of the financial proposal simultaneously with the technical analysis by the State but no information from the financial proposal will be shared with the State until after the evaluation of the technical proposals are completed.

5.5.2 Selection Process Sequence

- 1) The first step in the process will be to assess compliance with the Offeror Minimum Qualification set forth in Section 2 of the RFP. Offerors who fail to meet this basic requirement will be disqualified and their proposals eliminated from further consideration.
- 2) The next level of review will be an evaluation for technical merit. During this review oral presentations and discussions may be held. The purpose of such discussions will be to assure a full understanding of the State's requirements and the Offeror's ability to perform, and to facilitate arrival at a contract that will be most advantageous to the State. For scheduling purposes, Offerors should be prepared to make an oral presentation and participate in discussions within two to four weeks of the delivery of proposals to the State. The Procurement Officer will contact Offerors when the schedule is set by the State.
- 3) Offerors must confirm in writing any substantive oral clarification of, or change in, their proposals made in the course of discussions. Any such written clarification or change then becomes part of the Offeror's proposal.

- 4) The financial proposal of each Offeror will be evaluated separately from the technical evaluation. After a review of the financial proposals of Offerors, the Procurement Officer may again conduct discussions.
- 5) When in the best interest of the State, the Procurement Officer may permit Offerors who have submitted acceptable proposals to revise their initial proposals and submit, in writing, best and final offers (BAFOs).

5.5.3 Award Determination

Upon completion of all discussions and negotiations, reference checks, and site visits, if any, the Procurement Officer will recommend award of the contract to the responsible Offeror whose proposal is determined to be the most advantageous to the State considering technical evaluation factors and price factors as set forth in this RFP. In making the most advantageous Offeror determination, technical factors will be given greater weight than price factors.

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