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Middlesex Regional Educational Services Commission Prescription Drug RFP Analysis

HEALTHCARE ANALYTICS | MAY 31ST, 2016

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Executive Summary - Project Background

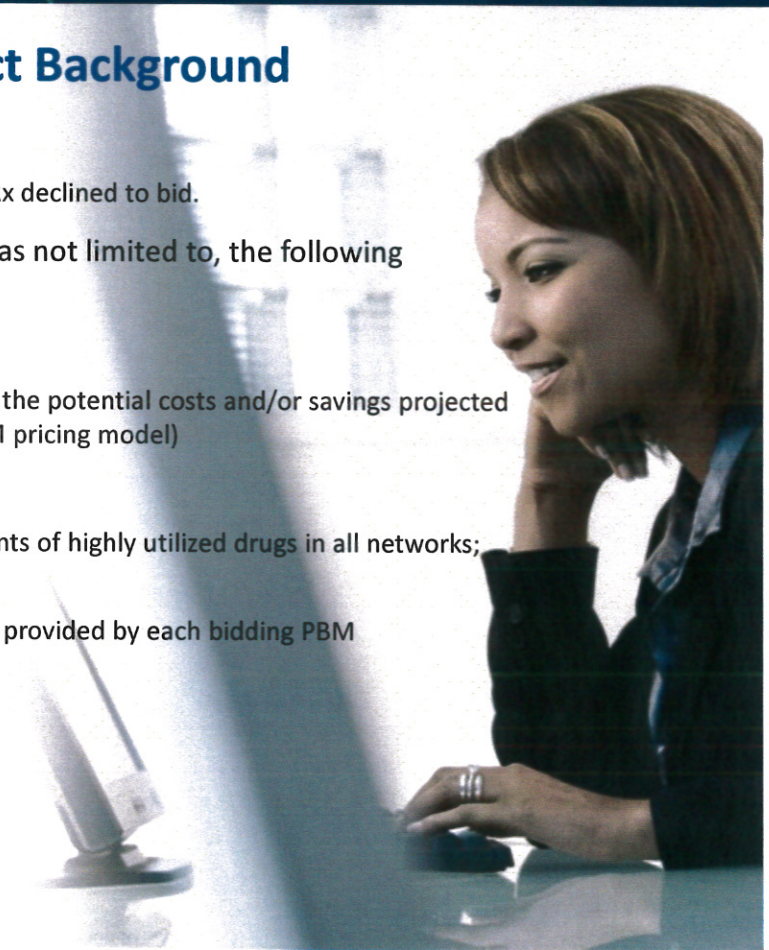
- **Middlesex Regional Educational Services Commission** currently contracts with BeneCard for its pharmacy benefit management (PBM) services through 6/31/2016 on a fully-insured arrangement.
- **Middlesex Regional Educational Services Commission** engaged Healthcare Analytics (HCA) to assess the PBM marketplace to ensure that they attain the best financial arrangement for the 2016-2018 plan years.
 - The key to the analysis, and what clearly differentiates GBS from other consulting firms, is our in-depth evaluation of the bidding PBM's **contract language**.
 - There is a direct link between variations in contract language and the overall financial impact for each PBM's bid.
- In order to select the best candidate for PBM services, HCA conducted an extensive Request for Proposal (RFP) process which included an analysis of all submitted proposals.



Executive Summary - Project Background

- 9 PBMs were solicited for proposals
 - BeneCard, the incumbent, MedImpact and Optum Rx declined to bid.
 - HCA's analysis of these PBMs included, but was not limited to, the following parameters:
 - Review of bidding PBM's **contract language**
 - Review of the proposed **financial terms** to calculate the potential costs and/or savings projected over the contract term (using HCA's proprietary PBM pricing model)
 - Evaluation of **questionnaire** responses
 - Comparison of the **unit cost and cost per day** amounts of highly utilized drugs in all networks; and
 - Review of the **Maximum Allowable Cost (MAC)** lists provided by each bidding PBM

PBM or Health Plan	Submitted Bid	Declined to Bid
Benecard		X
Bollinger-CVS Caremark	✓	
Envision	✓	
Express Scripts	✓	
MedImpact		X
Navitus	✓	
Optum Rx		X
Synchrony Rx-CVS Caremark	✓	
V Rx	✓	





Executive Summary - Summary of Findings (Overall)

- Out of a 100 point scoring system, the results of the analysis are as follows:

Rank	PBM/Health Plan	Contract Terms and Financial Analysis	Questionnaire Responses	Comparison of Unit Cost of Top Drugs	MAC List	Total	Total 3 Year Cost Avoidance
1	Navitus (Pass-Through)	52.36	30.00	4.93	4.86	92.15	\$688,000
2	Synchrony Rx- CVS Caremark (Traditional)	54.04	28.79	4.27	4.55	91.64	\$1,558,000
3	Envision (Pass-Through)	52.88	28.91	4.81	4.13	90.74	\$740,000
4	Bollinger- CVS Caremark (Traditional)	53.75	27.94	4.27	4.55	90.50	\$1,215,000
5	V Rx (Pass-Through)	52.24	28.31	4.54	5.00	90.08	\$667,000
6	Express Scripts (Traditional)	51.69	27.46	4.64	3.75	87.55	\$826,000

- The difference in score of the top 5 vendors is insignificant (about 2%)

Executive Summary - Summary of Findings (Savings)

- The chart below shows the estimated “cost avoidance” associated with changing PBMs
 - Cost avoidance is defined as the difference in GROSS COST of the current PBM with the current contract terms and conditions versus the bidding PBM offer under their contract terms and conditions using the claims file provided as a baseline.
 - It does not contemplate any drug changes or pharmacy changes. All Rx’s would remain the same.
 - Formulary and/or pharmacy network changes could lead to even more savings.
 - Note that the savings shown below represent the cumulative 3-year savings over the term of the contract.
 - Baseline was estimated based on our experience with fully insured vendors
- Pass-Through PBM quotes represent a “minimum” discount. If they achieve better results these are passed on to the client.

Projected Cost Avoidance	Synchrony Rx- CVS Caremark (Traditional)	Bollinger- CVS Caremark (Traditional)	Express Scripts (Traditional)	Envision (Pass-Through)	Navitus (Pass-Through)	V Rx (Pass-Through)
2016	18.7%	16.4%	11.1%	9.5%	9.1%	8.9%
2017	19.8%	15.5%	10.6%	9.5%	8.8%	8.5%
2018	21.0%	14.7%	10.1%	9.4%	8.5%	8.2%
Total (\$)	\$1,558,000	\$1,215,000	\$826,000	\$740,000	\$688,000	\$667,000

**Incumbent declined to bid*

Executive Summary - Summary of Findings (Total Cost)

- The chart below incorporates projected rebates into the cost avoidance estimates
 - The last column is consistent with the cost avoidance from the previous page.
 - The cost avoidance is based on current projected costs. Projected gross cost: \$7,824,000. Projected rebates: \$000,000. (No rebates were reported for Middlesex)
 - Baseline was estimated based on our experience with fully insured vendors
 - Projected rebates totals expressed below are estimates and are not guaranteed.
 - Note that the savings shown below represent the cumulative 3-year savings over the term of the contract.

Rank	PBM/Health Plan	Projected Gross Cost (Allowed + Admin)	Cost Avoidance Gross Cost (Allowed + Admin)	Projected Rebates	Rebates Cost Avoidance	Total Cost Avoidance
1	Synchrony Rx-CVS Caremark (Traditional)	\$7,390,000	\$434,000	\$1,124,000	\$1,124,000	\$1,558,000
2	Bollinger-CVS Caremark (Traditional)	\$7,295,000	\$529,000	\$686,000	\$686,000	\$1,215,000
3	Express Scripts (Traditional)	\$7,374,000	\$450,000	\$376,000	\$376,000	\$826,000
4	Envision (Pass-Through)	\$7,351,000	\$472,000	\$268,000	\$268,000	\$740,000
5	Navitus (Pass-Through)	\$7,280,000	\$544,000	\$144,000	\$144,000	\$688,000
6	V Rx (Pass-Through)	\$7,390,000	\$434,000	\$233,000	\$233,000	\$667,000

*Incumbent declined to bid

**Ranking based on the Total Cost Avoidance.

Executive Summary - Summary of Findings (Advantages and Disadvantages)

	PBM/ Health Plan (Proposal)	Advantages	Disadvantages
1	Bollinger-CVS Caremark (Traditional)	<ul style="list-style-type: none"> • Provided the very competitive discounts at Retail. • 90 day at retail available • Large rebates • Best Service rating for traditional vendors by PBMI • Second Best GFR of reviewed vendors 	<ul style="list-style-type: none"> • Members may experience some formulary disruption. • Business model is traditional little disclosure. • Coalition model
2	Synchrony Rx-CVS Caremark (Traditional)	<ul style="list-style-type: none"> • Provided the very competitive discounts at Retail. • 90 day at retail available • Large rebates • Best Service rating for traditional vendors by PBMI • Best GFR of reviewed vendors 	<ul style="list-style-type: none"> • Members may experience some formulary disruption. • Business model is traditional little disclosure. • Coalition model
3	Envision (Pass-Through)	<ul style="list-style-type: none"> • Provides a low cost formulary with opportunity for cost savings in future. • Has the lowest Book of business Specialty cost per day and unit cost compared to reviewed vendors. • Point of service rebates • One of PBMI's highest rated Pharmacy vendors 	<ul style="list-style-type: none"> • Members may experience slight formulary disruption but the concern can be mitigated by the ability to grandfather the current formulary.
4	Express Scripts (Traditional)	<ul style="list-style-type: none"> • Best patient and physician communication models • Therapy Resource centers • Best clinical specialty pharmacy system • Best BOB mail cost per unit/day 	<ul style="list-style-type: none"> • Provides a "new" exclusive drug formulary -a large number of drugs were not covered. • Uses own algorithm to determine whether brand or generic. • Lower Customer service scores • MAC pricing is not aggressive means higher generic costs.
5	Navitus (Pass-Through)	<ul style="list-style-type: none"> • Has the lowest unit cost for generics among all the vendors. • Has highest rating by PBMI customer study. • Offers formulary flexibility reducing disruption. • Has aggressive MAC List. • Lowest BOB top retail cost per unit/day of reviewed vendors • Highest score on resources and capabilities questionnaire 	<ul style="list-style-type: none"> • Members can experience formulary disruption to achieve maximum savings.
6	V Rx Pharmacy (Pass-Through)	<ul style="list-style-type: none"> • Flexible to clients needs • Offers low cost formulary • Best MAC unit costs 	<ul style="list-style-type: none"> • Much smaller PBM with less Physical Resources • Much smaller resources • No experience with GBS clients



Executive Summary - Next Steps



Based on the results of our analysis, MRESC should consider the following PBMs as “finalists”

- *Bollinger-CVS Caremark*
- *Synchrony Rx-CVS Caremark*
- *Express Scripts*

- Based on financials these possible finalists should be invited to provide “Best and Final Offers” (BAFO) proposals to Middlesex Regional Educational Services Commission:
 - Bollinger-CVS Caremark (Traditional)
 - Synchrony Rx-CVS Caremark (Traditional)
 - Express Scripts (Traditional)
- HCA will update our analysis based on BAFO submissions.
- Finalist meetings, if needed, should be set up no later than the week of June 18th.
 - An agenda will be provided to each finalist.
 - Presentations should be limited to 1 ½ hours per presenter.



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Appendix 1 – Detailed Analysis of Results

CONTRACT TERMS AND FINANCIAL ANALYSIS

QUESTIONNAIRE RESPONSES

COMPARISON OF UNIT COSTS AND TOP DRUGS

COMPARISON OF MAC (MAXIMUM ALLOWABLE COST)

OVERALL SCORING RESULTS



Contract Terms and Financial Analysis

- Contract terms affect the ***financial outcome*** as each vendor applies those terms against the claims to determine cost. Therefore, it is extremely important to review and analyze each contract to determine how the terms will influence Rx costs.
- The contract terms review is not mutually exclusive of the financial analysis. In fact, most of the contract terms are factored into the financial modeling.
- In total, the scoring is based on 60 total points possible (10 points for qualitative assessment of contract terms and 50 points for financial modeling).

Contract Terms Review

- Each contract was reviewed against 26 different elements of the contract (including terms and definitions) to determine how the contract will affect costs (*see Appendix for complete details of contract terms review*).
 - Overall, the Pass-Through model contract terms and definitions are well defined and easy to understand.
 - The Traditional model contract terms are ambiguous. Since the terms and definitions are not well defined, the terms are susceptible to manipulation.



Contract Terms and Financial Analysis

Contract Review

- Contract terms are evaluated based on whether they are considered **GOOD, ADEQUATE, or POOR**.
- The terms are then given a score (3,2,1) based on the evaluation and aggregated. Complete analysis can be found in Appendix 2.

Rank	PBM/Health Plan	Points	Zero Based Claims	AWP Definitions	Standard Size Bottle Definition	Single Source Generic/Brand Guarantee	Pharmaceutical Revenues	General Guarantee Terms
1	Envision (Pass-Through)	8.65	●	●	●	●	●	●
2	Navitus (Pass-Through)	8.46	●	●	●	●	●	●
3	V Rx (Pass-Through)	8.46	●	●	●	●	●	●
4	Express Scripts (Traditional)	6.92	●	●	●	●	●	●
5	Bollinger - CVS Caremark (Traditional)	6.35	●	●	●	●	●	●
6	Synchrony Rx-CVS Caremark (Traditional)	4.04	●	●	●	●	●	●

- Envision and V Rx had very good contract language.
- Bollinger-CVS Caremark and Synchrony Rx-CVS Caremark had the most vague contract terms of all the vendors.
- All vendors had mostly good contract terms.



Contract Terms and Financial Analysis

Financial Modeling

- HCA used the proprietary analytics model and knowledge of changes in the marketplace (i.e., major Brand drugs moving to Generic, new drug treatments and new Specialty drug products), to evaluate proposed pricing offers from each of the bidding vendors.
- Pass-through bids are based on the *minimum* discount guarantee while Traditional bids were based on the *maximum* discount guarantee.
- Cost avoidance was calculated by estimating the difference between the projected costs under the proposed terms and the projected costs under the current arrangement. The points were based on all financial components (i.e. ingredient costs, dispensing fees, rebates etc.).
- Since the current PBM arrangement is on a fully-insured basis, detailed claims information was not available for this analysis. The cost estimated in this analysis are based on NJ Rx Shared Services total costs prepared for MRESC membership.



Contract Terms and Financial Analysis

Financial Modeling

- Synchrony Rx-CVS Caremark performed the best in the financial analysis.

Rank	PBM/Health Plan	Points	Cost Avoidance Gross Cost (Allowed + Admin)	Rebates Cost Avoidance	Total Cost Avoidance
1	Synchrony Rx-CVS Caremark (Traditional)	50.00	\$434,000	\$1,124,000	\$1,558,000
2	Bollinger-CVS Caremark (Traditional)	47.40	\$529,000	\$686,000	\$1,215,000
3	Express Scripts (Traditional)	44.77	\$450,000	\$376,000	\$826,000
4	Envision (Pass-Through)	44.23	\$472,000	\$268,000	\$740,000
5	Navitus (Pass-Through)	43.90	\$544,000	\$144,000	\$688,000
6	V Rx (Pass-Through)	43.78	\$434,000	\$233,000	\$667,000

**Incumbent declined to bid.*

- Synchrony Rx-CVS Caremark had the best financial offer.
- Bollinger-CVS Caremark and Express Scripts came in second and third in financials.
- V Rx scored the lowest in the financial analysis.
- Insignificant difference in bottom two vendors.

Questionnaire Responses

- The questionnaire included questions that provide insight into how the PBM may administer the pharmacy benefit plan and manage pharmacy costs.
- HCA conducted a subjective analysis using the subject matter experts to review the PBM responses and assess points to each answer.
- Scoring was based on 30 total points possible.
- Most of the vendors provided information to convey their skills, resources and capabilities in administering the pharmacy benefit.

Rank	PBM/Health Plan	Points
1	Navitus (Pass-Through)	30.00
2	Envision (Pass-Through)	28.91
3	Synchrony Rx-CVS Caremark (Traditional)	28.79
4	V Rx (Pass-Through)	28.31
5	Bollinger - CVS Caremark (Traditional)	27.94
6	Express Scripts (Traditional)	27.46

**Incumbent declined to bid*



- Navitus scored the highest on the technical questionnaire.
- Synchrony Rx-CVS Caremark scored average on the technical questionnaire.
- Express Scripts scored the lowest.
- Insignificant difference in scores.



Comparison of Unit Costs of Top Drugs

- Each vendor submitted ingredient cost per unit and ingredient cost per day from their book of business (BOB) for top utilized drugs at Retail, Mail Order and Specialty.
 - Each vendor referenced the most current 6 months worth of BOB Rx data and listed the cost of each of the top Retail drugs, top Mail Order drugs and top Specialty drugs.
- HCA reviewed the average cost, cost per day and cost per unit for each of the top drugs.
 - Point totals were allocated according to how favorable the cost per day and cost per unit amount.
 - The total points for the top drugs were calculated.
- Scoring based on 5 total possible points.



Comparison of Unit Costs of Top Drugs

- The following were the key observations made in the evaluation of the BOB unit cost pricing at Retail, Mail Order and Specialty:
 - Navitus scored the highest at Retail book of business unit cost.
 - Express Scripts scored the highest at Mail book of business unit cost.
 - Envision scored the highest at Specialty book of business unit cost.
 - No significant difference in all vendors.

Rank	PBM/Health Plan	Retail Points	Mail Order Points	Specialty Points	Weighted Average Points
1	Navitus (Pass-Through)	5.00	4.92	4.28	4.93
2	Envision (Pass-Through)	4.81	4.74	5.00	4.81
3	Express Scripts (Traditional)	4.60	5.00	4.42	4.64
4	V Rx (Pass-Through)	4.68	4.25	3.81	4.54
5	Bollinger - CVS Caremark (Traditional)	4.25	4.64	3.75	4.27
6	Synchrony Rx-CVS Caremark (Traditional)	4.25	4.64	3.75	4.27

**Incumbent declined to bid*

Maximum Allowable Cost (MAC) Drugs



- Typically, Generic drugs typically account for at least 80% of total prescriptions.
- A 1% increase in Generic Fill Rate (GFR) translate into 1.5%-2% cost savings.
- Between 2015 – 2017, approximately \$50 billion of Brand drugs will go Generic- it is important to ensure that this large number of drugs will be priced appropriately.
- A robust Maximum Allowable Cost (MAC) list protects the client against artificial inflation of Generic Rx cost. MAC lists are specific to the client and any updates must be provided to the client on a timely basis.
- MAC lists are proprietary and the actual costs are typically not shared with clients; however, each vendor submitted a current MAC list.
- The top 100 utilized Generic drugs' unit costs were compared on each vendor's MAC list.
- HCA allocated points according to the following: (a) if the vendor had the highest point total on MAC unit costs; and, (b) if the vendor had the highest number of the top 100 drugs included in the MAC list (c) weighted against utilization of that product.
- Scoring based on 5 total possible points.



Maximum Allowable Cost (MAC) Drugs

- MAC pricing will have more impact with the adoption of a Pass-Through model.
 - It affects the actual cost at pharmacy-level which is what the client pays in a Pass-Through model, not in a Traditional model.
- The following were the key observations made in the evaluation of the MAC unit cost pricing:
 - VRx offered the most competitive MAC unit pricing.
 - Synchrony Rx-CVS Caremark scored average.
 - Express Scripts scored the lowest.
 - Insignificant difference in top 5 vendors.

Rank	PBM/Health Plan	Points
1	V Rx (Pass-Through)	5.00
2	Navitus (Pass-Through)	4.86
3	Bollinger - CVS Caremark (Traditional)	4.55
4	Synchrony Rx-CVS Caremark (Traditional)	4.55
5	Envision (Pass-Through)	4.13
6	Express Scripts (Traditional)	3.75

**Incumbent declined to bid*



Overall Scoring Results

Rank	PBM/Health Plan	Contract Terms and Financial Analysis	Questionnaire Responses	Comparison of Unit Cost of Top Drugs	MAC List	Total
1	Navitus (Pass-Through)	52.36	30.00	4.93	4.86	92.15
2	Synchrony Rx-CVS Caremark (Traditional)	54.04	28.79	4.27	4.55	91.64
3	Envision (Pass-Through)	52.88	28.91	4.81	4.13	90.74
4	Bollinger-CVS Caremark (Traditional)	53.75	27.94	4.27	4.55	90.50
5	V Rx (Pass-Through)	52.24	28.31	4.54	5.00	90.08
6	Express Scripts (Traditional)	51.69	27.46	4.64	3.75	87.55

*Incumbent declined to bid

- Navitus achieved the highest overall score.
- Synchrony Rx-CVS Caremark and Bollinger-CVS Caremark achieved the highest scores in contract terms review and financial analysis.
- V Rx scored below average in overall scoring.
- Express Scripts scored the lowest in overall score.
- Insignificant difference in top 5 vendors.



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Appendix 2 - Ancillary Details and Glossary




SUMMARY OF CONTRACT TERMS











































SUMMARY OF FINANCIAL TERMS

CUSTOMER SATISFACTION – PBMI SURVEY

GLOSSARY











































Summary of Contract Terms

	Good
	Adequate
	Poor




Contract Terms	Criteria	PBM/HEALTH PLAN					
		Bollinger - CVS Caremark (Traditional)	Envision (Pass-Through)	Express Scripts (Traditional)	Navitus (Pass-Through)	V Rx (Pass-Through)	Synchrony Rx- CVS Caremark (Traditional)
Definition of Brand	Medispan Definition/PBM defines/unknown algorithm						
Definition of Generic	Medispan definition/PBM defines/unknown algorithm/Limited availability						
Brand Guarantee calculations	Are any drugs excluded, are single source included, are short supply generics included?						
Generic Guarantee Calculations	Are certain drugs excluded?						
Rebate Guarantee Calculations	Are rebates per brand drug? Are some drugs excluded, are specialty drugs included in brand guarantees, are compounds excluded, required to install special clinical programs?						
Zero Based Claims	Are they included in generic guarantee?						
Usual and Customary	Are they included in the brand or generic guarantees?						











































Summary of Contract Terms

	Good
	Adequate
	Poor




Contract Terms	Criteria	PBM/HEALTH PLAN					
		Bollinger - CVS Caremark (Traditional)	Envision (Pass-Through)	Express Scripts (Traditional)	Navitus (Pass-Through)	V Rx (Pass-Through)	Synchrony Rx- CVS Caremark (Traditional)
AWP definition	Is It an average AWP, Are NDC 11 digits used?						
Standard size bottle definition	Actual size? Bottle of 100 or smallest size? 16 oz for liquids?						
MAC List strength	Specific list of drugs, provided to the client, updates at least quarterly						
Audits	Can client pick auditor? How many claims? Any restricted areas? Does client get 100% of found money?						
Are Single Source Generics included in Brand Guarantee?	During exclusion period, sufficient quantities mail and retail						
Are Single Source Generics excluded from Generic Guarantee?	During exclusion period, sufficient quantities mail and retail						
Are Single Source generics included in generic guarantees?	During exclusion period, sufficient quantities mail and retail						































Summary of Contract Terms

	Good
	Adequate
	Poor

Contract Terms	Criteria	PBM/HEALTH PLAN					
		Bollinger - CVS Caremark (Traditional)	Envision (Pass-Through)	Express Scripts (Traditional)	Navitus (Pass-Through)	V Rx (Pass-Through)	Synchrony Rx- CVS Caremark (Traditional)
How are specialty drugs defined?	Is there vague description or actual list with frequent updates, Can they be carved out?						
Specialty drug rebates	Are they included, what is excluded? Retail stores OK? Only through PBM's specialty pharmacy?						
Retail rebate Calculations	All pharmacies included, days supply minimum imposed?						
Mail rebates Calculations	Day supply minimum imposed, Drugs excluded?						
Pharmaceutical revenues- rebates plus	Are all financial benefits received by PBM shared or 100% shared with client?						
Termination Clauses	Can client terminate contract without cause with 90 day notice, does vendor keep outstanding rebates, is there a penalty to terminate?						
Clinical programs	Must you buy the clinical programs to be eligible for all or part of the discounts or rebates? Mandatory mail? Mandatory Step therapy?						

Summary of Contract Terms

	Good
	Adequate
	Poor

Contract Terms	Criteria	PBM/HEALTH PLAN					
		Bollinger - CVS Caremark (Traditional)	Envision (Pass-Through)	Express Scripts (Traditional)	Navitus (Pass-Through)	V Rx (Pass-Through)	Synchrony Rx- CVS Caremark (Traditional)
Formulary compliance	Is there a level of formulary compliance that must be achieved to obtain stated discounts and rebates?						
General guarantee terms	Can PBM use overages in any areas to make up shortfalls in others, retail, mail, discounts, rebates, dispensing fees, others? Reconciled yearly?						
Dispensing fee Guarantees	Are Usual and Customary excluded or Included in dispensing guarantee? Are 100% co-payment and ZBC included or excluded from Dispensing fee guarantees?						
How are pass through rates defined?	Retail only, mail rates if wholly owned? Minimum fee?						
Renegotiation rights	Is there a market check allowed, does PBM allow any renegotiation during contract term?						

Summary of Financial Terms

	Benecard	Traditional Proposals			Pass-Through Proposals		
	Current	Bollinger-CVS Caremark	Express Scripts	Synchrony Rx-CVS Caremark	Envision	Navitus	V Rx
Retail Network							
AWP Discount							
Brand (0-30 days) Brand (31-83 days)	14.00%	16.00%	16.00%	17.00%	Year 1: 16.00% Year 2: 16.10% Year 3: 16.20%	16.10%	16.20%
Brand (84-89 days) Brand (90+ days)		20.00%	19.00%	21.00%	Year 1: 22.00% Year 2: 22.10% Year 3: 22.20%	19.70%	20.25%
Generic (0-30 days) Generic (31-83 days)	70.00%	77.00%	75.00%	79.00%	Year 1: 78.00% Year 2: 78.25% Year 3: 78.50%	79.50%	77.00%
Generic (83-89 days) Generic (90+ days)					80.00%		
Retail SSG (up to 90 days)	N/A	25.00%	N/A	N/A	N/A	N/A	N/A
Dispensing Fee per Rx							
Brand (0-89 days)	\$1.00	\$0.90	\$0.90	\$0.75	\$1.15	\$1.20	\$1.35
Brand (90+ days)		\$0.00	\$0.50	\$0.00	\$0.00	\$0.20	\$0.65
Generic (0-89 days)		\$0.90	\$0.90	\$0.75	\$1.15	\$1.20	\$1.50
Generic (90+ days)		\$0.00	\$0.50	\$0.00	\$0.00	\$0.20	\$0.00
Specialty		\$0.90	\$0.90		\$1.30	\$1.20	
Mail Order Network							
AWP Discount							
Brand (0-45 days)	14.00%	16.00%	16.00%	17.00%	Year 1: 16.00% Year 2: 16.10% Year 3: 16.20%	16.10%	16.40%
Brand (46-90 days)		24.50%	23.50%	24.00%	23.00%	23.00%	24.00%
Generic (0-45 days)	70.00%	77.00%	75.00%	79.00%	Year 1: 78.00% Year 2: 78.25% Year 3: 78.50%	79.50%	77.00%
Generic (46-90 days)		78.00%	78.00%	84.00%	80.00%	85.00%	82.00%
Mail Order SSG (up to 90 days)	N/A	30.00%	N/A	N/A	N/A	N/A	N/A

The current discounts and dispensing fees are based on our experience with Fully insured vendors

**Illustrative summary only. Refer to proposal from each PBM/Health Plan for details.*

Summary of Financial Terms

	Benecard	Traditional Proposals			Pass-Through Proposals		
	Current	Bollinger- CVS Caremark	Express Scripts	Synchrony Rx- CVS Caremark	Envision	Navitus	V Rx
Mail Order Network							
AWP Discount							
Dispensing Fee per Rx							
Brand							
Generic	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Specialty							
Rebates per Rx							
Retail (per Brand Rx)	\$0.00	\$51.20 ¹	\$30.25	Year 1: \$74.41 ¹ Year 2: \$88.56 ¹ Year 3: \$105.14 ¹	Year 1: \$16.00 ⁴ Year 2: \$16.75 ⁴ Year 3: \$17.50 ⁴	\$3.25 ⁶	\$5.27 ⁶
Mail Order (per Brand Rx)	\$0.00	\$204.75 ¹	\$90.75	Year 1: \$244.76 ¹ Year 2: \$294.16 ¹ Year 3: \$346.30 ¹		\$11.00 ⁶	\$16.48 ⁶
Specialty (per Brand Rx)	\$0.00	\$400.00 ¹	\$150.00 ²	Year 1: \$319.55 ^{1,3} Year 2: \$354.78 ^{1,3} Year 3: \$391.93 ^{1,3}		\$90.00 ⁶	\$178.45
Administration Fee							
Electronic claim (per Rx claim)	\$0.00	\$0.00	\$0.00	\$0.00	\$2.49 ⁵	\$0.00	\$0.00
Paper claim (per Rx claim)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Per Member per Month	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$2.85	\$3.25
<i>Please Note: Specialty discounts used in the analysis, at Retail and Mail Order, were derived from the re-priced Rx claims file submitted by each vendor.</i>							
<i>¹ Rebates are quoted per brand Rx guaranteed. Rebates are based on three tiers and using the CVS Caremark formulary.</i>							
<i>² Rebates are quoted for Year 1, 2 and 3. Specialty rebates are exclusive to ESI specialty mail only.</i>							
<i>³ Rebates are quoted for Specialty Retail for Year 1, 2 and 3. For Specialty Mail the rebates are quoted \$343.52 in Year 1, \$381.39 in Year 2 and \$421.32 in Year 3.</i>							
<i>⁴ Rebates are quoted PEPM for Year 1, 2 and 3. Rebates are estimates and are based on a three tier plan.</i>							
<i>⁵ Administrative fee is quoted for Year 1. In Year 2 and 3, the administrative fee is quoted \$2.59. Pharmacy Services only in admin. fee.</i>							
<i>⁶ Rebates are quoted for Year 1, 2 and 3. Rebates are quoted per Rx.</i>							

*Illustrative summary only. Refer to proposal from each PBM/Health Plan for details.

The current discounts and dispensing fees are based on our experience with Fully insured vendors

Customer Satisfaction (PBMI, 2015)

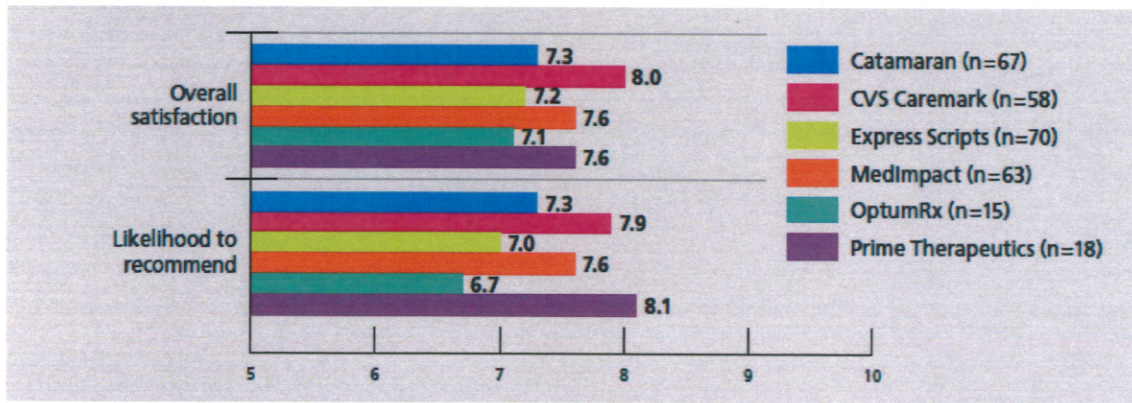


Figure E4
Mean Overall Satisfaction Rating and Likelihood to Recommend, PBMIs with >20M members

Includes PBMIs with at least 10 survey responses.

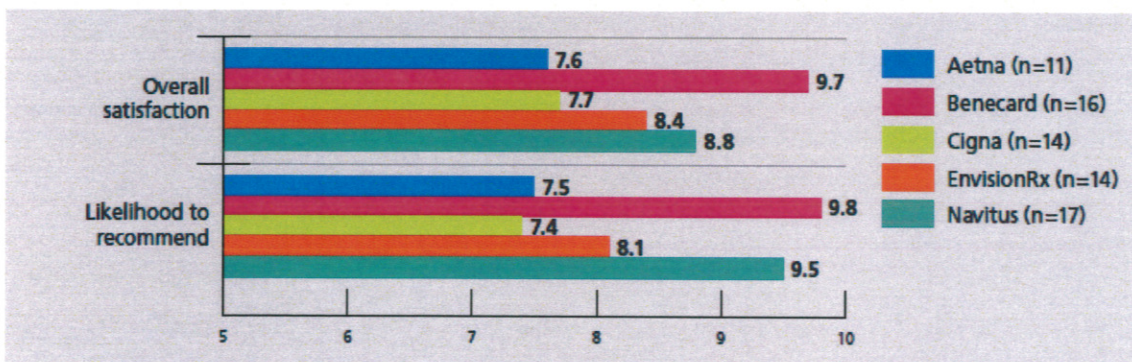


Figure E5
Mean Overall Satisfaction Rating and Likelihood to Recommend, PBMIs with ≤20M members

Includes PBMIs with at least 10 survey responses.



Glossary

Term	Definition
Administrative Fee	fee charged by a PBM to provide services
Average Wholesale Cost (AWP)	a benchmark Rx cost used to determine price and discounts
Co-payment	amount paid by member, either a flat dollar amount or % of cost
Dispensing Fee	amount a pharmacy will charge to fill an Rx
Formulary	list of drugs available for coverage
Generic Fill Rate (GFR)	number of Generic filled Rx's/total Rx's (%)
Generic Substitution Rate (GSR)	the number of Generic Rx's filled/generic Rx's available (%)
Maximum Allowable Cost (MAC)	a cost benchmark for determining the highest reimbursable amount for certain common Generics
Preferred Formulary Drug	a Brand medication promoted by the PBM, usually Tier 2



Glossary

Term	Definition
Pricing Model – Pass-through	<ul style="list-style-type: none">✓ PBM passes through all discounts, rebates, rebate administrative fees and all other monies they receive on behalf of the client✓ The PBMs only form of revenue is the administrative fee which is usually high✓ High administrative fee equates to low risk for the PBM✓ PBM usually underwrites the administrative fee to more than cover their risk✓ Requires full disclosure and total audit rights
Pricing Model – Traditional	<ul style="list-style-type: none">✓ PBM may or may not share all financial information✓ No administrative fee – more risk for PBM✓ Not full disclosure, but will offer disclosure to all necessary financials
Transparent	<ul style="list-style-type: none">✓ PBM offers a Traditional product but shares all financial information with client✓ Disclosure-up to a point. All areas of audit are available



Glossary

Term	Definition
Rebate	a post utilization discount, used with formularies
Rebate Administrative Fee	a fee charged by the PBM to the pharmaceutical manufacturer to manage rebate contracts
Tiers: Typical Co-pay levels	<ul style="list-style-type: none">✓ Tier 1 – Generic✓ Tier 2 = Preferred Brand✓ Tier 3 = Non-preferred Brand✓ Tier 4 = Specialty or Lifestyle