2. Pharmaceutical Manufacturer Revenue

The Contractor, under the resultant Agreements from this RFP, is required to maximize savings for the Programs through negotiation of direct discounts from manufacturers and pass along those savings to the Programs. In addition, all Pharma Revenue agreements with manufacturers and other entities applicable to the Programs must meet or exceed the Offeror's best existing Pharma Revenue agreements for all individual drugs. The Contractor must ensure that in no instance will the Programs receive less Pharma Revenue (as a percentage of claims) in any therapeutic class than other clients of the Offeror with a comparable benefit design and consistent preferred drug designations in the class provided the Programs' utilization of the drugs generating Pharma Revenue in the class is equal to or greater than those of other clients (as a percentage of claims).

The Contractor must provide to the Procuring Agencies, on an ongoing basis, and to OSC upon request, access to all Pharma Revenue agreements, calculations and distribution records to fully verify contract compliance and verify proper crediting of Pharma Revenue amounts due the Programs. Please answer the following questions with respect to how the Offeror's business model generates and distributes Pharma Revenue to the Offeror's clients.

a. Pharma Revenue Questions

(1) Please describe how the Offeror's business model maximizes Pharma Revenue from manufacturers for the net financial benefit of the Programs. Please detail how the Offeror's business model ensures that these Pharma Revenue streams do not cause a conflict with the clinical and financial interests of the Programs. What unit within the Offeror organization negotiates the Pharma Revenue agreements with manufacturers? What unit within the Offeror organization negotiates drug acquisition costs? How does the Offeror ensure that Pharma Revenue is not traded for lower acquisition costs or other cost considerations where the Offeror clients are not the primary beneficiary?

OptumRx leverages both our scale and benefit designs to maximize savings from negotiations with pharma manufacturers. All financial modeling is done net of rebates. We make decisions holistically based on the lowest net cost management for the therapeutic category and taking medical outcomes into consideration.

Our Industry Relations team negotiates pharma revenue agreements for OptumRx. This team undertakes rebate strategy modeling with a clinical evaluation of all drugs in the class and a complete understanding from a clinical perspective of how the therapeutic category can be managed. All financial modeling and decisions for formulary placement are based on the lowest net cost of the category.

Our Procurement team negotiates acquisition costs for our mail and specialty pharmacies.

We maintain significant firewalls between our Industry Relations and Procurement teams.

(2) Does the Offeror derive revenue or obtain other consideration or compensation from agreements with pharmaceutical manufacturers? If the Offeror derives revenue or obtains other consideration or compensation from agreements with pharmaceutical manufacturers, please identify the recipient(s) of such pharmaceutical manufacturer revenue or other consideration or compensation and explain the business relationships from which this revenue, consideration, and/or compensation is derived. If the revenue received is derived directly or indirectly from the Offeror's performance of Prescription benefit management functions, please detail the nature of the services provided in return for manufacturer funding, including, but not limited to, revenue derived from negotiated rebate sharing agreements with clients; revenues associated with administration of the rebate program; revenue derived from sharing of data gathered in the course of administering Prescription benefit plans; administration of clinical programs; and/or grant programs.

Yes. As a result of our unique footprint in the health care arena, we maintain multi-faceted relationships with pharma manufacturers. [redacted]

(3) Please explain in detail the process the Offeror utilizes to negotiate rebate and other revenue agreements with pharmaceutical manufacturers tied directly to specific drug utilization, including how therapeutic class is considered in the Offeror strategy to maximize the benefit of rebates on a net cost basis for the Offeror clients and how planned AWP increases are factored in. What is the process the Offeror is proposing to assure the Procuring Agencies that the Programs will not receive less Pharma Revenue in any therapeutic class than other clients of the Offeror with a comparable benefit design and consistent preferred drug designations in the class provided the Programs' utilization of the drugs generating Pharma Revenue in the class is equal to or greater than those of other clients?

OptumRx understands that the ability to influence Enrollee behavior and drive market share is what motivates pharma manufacturers. We leverage our proven ability to move market share to develop strong relationships with pharmaceutical manufacturers and negotiate aggressive pricing discounts and achieve market-leading rebates for all medications, including specialty.

We participate in ongoing discussions with manufacturers regarding benefit design and copayment structure to negotiate improved rebates and lower the overall net cost of prescription medications. We are engaged in discussions with several manufacturers around therapeutic classes, including cardiovascular disease and other specialty conditions. We continually evaluate opportunities for value based contracting.

Our strategy is designed so the manufacturer has a significant stake and delivers measurable value while improving patient outcomes. In addition, we operate independently from pharmaceutical manufacturers, offing our customer a higher level of transparency.

OUR REBATE STRATEGY FOR THE PROGRAMS

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THE DRUG SELECTION PROCESS

Our formulary is defined and developed to align Enrollee cost share with the evidence-supported value of the choices they make with their physicians. To accomplish this objective, OptumRx relies on the evaluations and recommendations of our Pharmacy and Therapeutics (P&T) Committee, Industry Relations Financial Analytics Workgroup, and Business Implementation Committee. The collective input of these groups is responsible for confirming that the final tier placement of drugs, as well as any utilization management criteria, meet our stated objectives and goals, and deliver on our commitments to our customers and their Enrollees.

Our P&T Committee advises both the Industry Relations Team and the Business Implementation Committee on clinical and therapeutic considerations that are important in making tier assignment decisions. The clinical evidence that the P&T Committee provides during its analysis includes the evaluation of a prescription drug's place in therapy, the relative safety and relative efficacy of the prescription drug, as well as any rules or limitations that should be applied.

The P&T Committee also reviews clinical programs and clinical policies for consistency with published clinical evidence.

We continually review our formularies and make positive changes throughout the year as necessary to achieve the best clinical and financial value for our customers. We make negative changes to the formulary up to two times per year, considering new clinical or economic evidence on existing drugs, new medications, patent expirations and over-the-counter alternatives. By periodically updating our formulary, we improve our ability to capitalize on market changes (such as price adjustments, over-the-counter status, and generic availability) and to quickly maximize cost savings opportunities for customers. Although we intend to meet the Programs' requirement to update the formularies annually, the Programs nonetheless benefit from our ability to leverage more aggressive rebates from manufacturers who are motivated to retain their tier placement on our broader business that is subject to change more frequently.

Our contracting approach incorporates our review of the formulary by therapeutic class. We review all of the major therapeutic classes annually or more often based on opportunities that present themselves, such as changes in the marketplace (new generic entrants or new competing products), changes in clinical guidelines or new safety information and use these as opportunities to reevaluate the existing rebate contracts.

(4) Please describe in detail the process the Offeror utilizes to negotiate any other pharmaceutical manufacturer revenue streams not tied directly to specific drug utilization.

[redacted]

(5) Does the Offeror enter into a single Pharma Revenue agreement with pharmaceutical manufacturers related to a particular drug applicable to all clients or does the Offeror have multiple Pharma Revenue agreements applicable to individual clients or groups of clients? If the Offeror has multiple agreements, please describe the basis and rationale for multiple agreements with different terms related to the same drug? Does the Offeror enter into separate agreements with manufacturers related to revenue due the Offeror and revenue due the client attributable to utilization of a particular drug by clients? If the Offeror does enter into separate agreements in the normal course of business, please describe the basis and rationale for dividing Pharma Revenue attributable to the same client utilization. Please specify which agreement(s) the Offeror is proposing to utilize in managing the Programs. Please detail the process the Offeror is proposing to confirm compliance with the provision that the Programs receive all Pharma Revenue attributable to its utilization and that the Programs shall receive the full benefit of the best Pharma Revenue agreements between the Offeror and pharmaceutical manufacturers. Please confirm the Offeror's willingness to take whatever steps are deemed necessary by the Department/NYSIF to confirm compliance with this provision.

OptumRx maintains multiple agreements with pharma manufacturers for a particular drug to comply with the Centers for Medicare & Medicaid Service (CMS) requirements.

We maintain one primary contract with each manufacturer for our fully insured and self-insured commercial business and one for our Medicare business.

We only make a decision to accept rebates from manufacturers when it results in lower net costs, or when the terms of the rebates are consistent with our clinical and overall cost objectives. The specific rebate agreements we negotiate apply to all of our customers who utilize a qualifying benefit design and meet all contract criteria.

Our size and significant market influence allow our customers to earn higher levels of rebates than they could directly with a manufacturer. For plans that have substantial amounts of business in "open" or two-tier formularies where control over product market share is minimal, we leverage our incentive (three or four tier) formularies to earn rebates on two-tier plans, something an individual customer cannot do. Our contracts offer significantly greater rebates to those plans with closed or incentive (three tier) formularies. Our existing contracts take advantage of not only our size, but also our demonstrated ability to drive market share. The Programs benefit from the contracts that provide the highest level of value for the terms that DCS and NYSIF are willing to agree to and implement.

OptumRx is willing to take whatever steps deemed necessary by DCS and NYSIF to confirm compliance with the above provision.

(6) Similarly, does the Offeror have a single agreement or multiple agreements with individual manufacturers pertaining to Pharma Revenue streams not directly tied to specific drug utilization? If the Offeror has multiple agreements, please describe the basis and rationale for entering into multiple agreements. Please specify which, if any, of these agreements would be applicable to the Programs. If there are current agreements that would be applicable to the Programs, please explain the benefit of these agreements to the Programs. If there are agreements not tied directly to specific drug utilization, and not applicable to Programs, please explain how clinical and financial decisions related to the Programs are not impacted by these agreements.

[redacted]

(7) Does the Offeror enter into standard agreements with all manufacturers? If so please describe the basis for calculating the amount of Pharma Revenue due from the manufacturer tied directly to specific drug utilization (i.e., if on a per unit basis is the amount calculated as percentage of AWP; percentage of WAC, or other method). If the Offeror agreements with manufacturers do not utilize a standard calculation method based on dispensed units, please detail any alternative method(s) used to calculate the amount due from the manufacturer? Does the Offeror enter into agreements with manufacturers that tie rebate levels to the Programs' market share of applicable drugs? If so, please give examples of such agreements for your book of business.

Each manufacturer agreement is negotiated and developed to drive the greatest value in achieving our goals and objectives, and support quality health care at a lower cost. In all cases, the rebate is based on a percentage of Wholesale Acquisition Cost (WAC).

Rebates are calculated consistently for all manufacturer agreements on a per unit dollar basis (per tablet), which is multiplied by the utilization of paid claims for the current quarter. Our customers receive their rebates based on the utilization of the manufacturer's products for which rebates are contracted and received. The Programs' contract-required reports accompany the rebate, and are matched to the appropriate quarterly billed activity data.

(8) Describe how the Offeror will be distributing Pharma Revenue rebates to the Programs based on the Programs' Preferred Drug Lists and Flexible Formulary benefit designs. Is there a difference in the calculation of rebates between the Offeror's formulary benefit designs, including factors such as varying coverage rules and other utilization and cost management programs (e.g., drug exclusions)? If so, explain.

OptumRx offers commercial customers with a number of formulary options with varying levels of utilization and cost management programs. As market conditions have rapidly changed over the last few years, there has been an uptick in demand for a more rigid formulary option that excludes a number of redundant therapies as well. OptumRx negotiates unique rebates for each of these standard formulary options. Rebate values can be tied back to the utilization associated with the formulary option that each individual plan selects. In addition to the more traditional rebate models, OptumRx has introduced Value Based Contracting (VBC) as a supplement to our rebate contracts. These VBCs set payment or non-payment on an identified performance metric of the drug or on an outcome basis.

(9) What record is kept of the calculation and distribution of Pharma Revenue to the Offeror clients? Please explain. Please confirm that the Offeror will provide full access to these records as necessary to confirm compliance with contract terms.

OptumRx calculates and bills manufacturers for rebates based upon claim-level, NDC data. Detailed supporting documentation is maintained for a minimum of seven years. Typically, customer-specific, summary-level rebate reports are provided quarterly and are the basis of rebate payments to our customers.

OptumRx confirms that we will provide full access to DCS and NYSIF-specific records in accordance with contractual terms, as maybe necessary to confirm contract compliance.

VBC terms will also be made available to confirm compliance. As this strategy matures, the associated reconciliation report may vary by therapeutic category or by utilization tied to a specific manufacturer.

(10) Does the Offeror enter into Pharma Revenue agreements with pharmaceutical manufacturers that condition or tie revenue for one or more drugs based on the assigned formulary status of other products of the manufacturer? Does the Offeror's business model allow any other pharmaceutical manufacturer revenue stream not directly tied to specific drug utilization to ever be dependent on the formulary status of one or more products of the manufacturer? If the Offeror does enter into so-called "bundling arrangements with manufacturers" please describe the analysis conducted to ensure that such agreements are in the best interests of the Offeror clients.

No. Bundled agreements are not consistent with our business interests. When assessing the appropriate tier for a product, our formulary evaluation process does not assign a value for gains or losses on unrelated products. Each product must stand alone on its own clinical value or impact on pharmacy spend.

(11) Please detail the Offeror's timeline for negotiating Pharma Revenue agreements with pharmaceutical manufacturers. How often do the Offeror Pharma Revenue agreements change with manufacturers? Is the process done on a pre-determined scheduled basis? If so, what is the scheduled time for modifications? What are the factors that would cause the Offeror to renegotiate the Offeror Pharma Revenue agreements? How would the Programs be notified of these changes? When do the current agreements that the Offeror Proposal is based on expire?

Most manufacturer rebate agreements have terms ranging from three to five years. Most of these agreements are tied to a manufacturer's particular status on our formulary, usually with terms requiring equal or preferred treatment in the category. OptumRx has complete control over these agreements. If at any time a particular drug's net cost becomes non-competitive, either because of new clinical evidence, price increases, dosage creep, change in utilization patterns, or the availability of a new similar brand drug or generic, we have the option of opening up a class for renegotiation. This provides significant risk of market share loss, motivating the pharma manufacturer and enabling us to favorably renegotiate our agreement to retain the necessary value to manage therapeutic classes to lowest net cost.

(12) Does the Offeror have different Pharma Revenue agreements applicable to the Offeror mail order business than the Offeror client's retail business? If the Offeror does have independent mail order Pharma Revenue agreements please detail the rationale for different agreements. Do these mail order agreements provide for higher or lower total revenue on a unit basis than agreements applicable to drugs dispensed at retail. Please state the basis for calculation of the Offeror's mail order rebate agreements. If there are different calculations utilized for mail order rebates please define these different methods. Please provide a list of all drugs that the Programs would receive less Pharma Revenue when the Prescription is filled through the Mail Service Pharmacy Process as opposed to dispensed through a Network Pharmacy.

No. OptumRx does not have different manufacturer rebate rates for the same drug for mail or retail.

(13) Does the Offeror have different Pharma Revenue agreements applicable to the Offeror's Specialty Drugs/Medications dispensed through the Specialty Pharmacy Program as opposed to Specialty Drugs/Medications dispensed through the Retail Pharmacy Network? If so, please detail the rationale for different agreements.

[redacted]

(14) Would the addition of a large client, such as NYS, affect the Offeror's Pharma Revenue agreements with manufacturers? If yes, is this priced into the Offeror's Proposal? Confirm the Offeror's agreement that the Programs would get the full benefit of any renegotiation of Pharma Revenue agreements tied directly to specific drug utilization or other Pharma Revenue agreements not directly related to specific drug utilization.

We do not expect the addition of DCS and NYSIF to affect pharma revenue agreements. Our scale and the ability to control market share allows for maximum rebate yield.

(15) Indicate whether or not the Offeror is receiving any Pharma Revenue or other manufacturer revenue based on Generic Drug utilization in the GPI; and if so, what is the amount of the manufacturer revenue?

No. We do not receive any pharma revenue or other manufacturer revenue based on generic drug utilization in the GPI.