3. Retail Pharmacy Network Relationships

A second critical function of the Contractor is to contract a Retail Pharmacy Network that maximizes discounts to the Programs on Prescriptions dispensed from Network Pharmacies. The Offeror must provide responses to the following questions.

a. Network Pharmacy Questions

(1) Is the network the Offeror is proposing a standard network or has it been specifically contracted to administer the Programs?

To best serve the Programs' Enrollees and to meet DCS and NYSIF's financial goals, we offer our Broad National Pharmacy Network. This standard network offering includes more than 67,000 pharmacies which equates to 98 percent of available retail pharmacies, is extensive, inclusive, and established. This network provides convenient access all major chains and many independent pharmacies throughout the United States (including Puerto Rico, Guam, and the Virgin Islands). Enrollees can also receive up to 90-day supplies of their medications through this network.

We also offer a separate national pharmacy network for Medicare Part D. This similar network includes access to long-term care pharmacies.

Please answer questions 2 through 7 based on the Offeror's book of business:

(2) Please detail how the Offeror's business model provides an incentive for the Offeror to negotiate the deepest discounts with chain and independent pharmacies and to offer the full benefit of those discounts to the Programs? For instance, a proposal whereby the Programs receive the same or better reimbursement rates from Network Pharmacies than the Offeror pays Network Pharmacies when it administers a self- funded benefit would tend to demonstrate alignment of financial interests.

We maintain network retail pricing that is not only current and competitive but also progressive and forward-thinking in regard to addressing trends and adapting to changing federal state and local regulations. We analyze de-identified market data, and experiential data from our sales and network teams in order to work with the chain and independent pharmacies to confirm that we are negotiating best in class pricing for our clients. Our network pricing strategy is strengthened by our close relations with network pharmacies, close monitoring of trends, and our leadership's involvement with the pharmacy community. We translate these advantages into actionable results, such as network adjustment recommendations that help us provide the Programs with industry leading network pricing and the associated cost savings.

As a growth company in a highly competitive and price sensitive market, OptumRx has consistently won large public sector opportunities with our "lowest net cost" business model. Our existing and new customers realize the value provided by OptumRx including our retail network price points. No two customers are exactly the same. For example, our customers and prospects request pricing scenarios that do not always require 100 percent pass-through of network discounts in lieu of administration or other fees. Our aggressive retail discounts and continual negotiations with the pharmacy network benefit our entire book of business. The Programs are receiving full 100 percent and fully auditable pass-through pricing of our network discounts and dispensing fees so our interests are completely aligned to continually and aggressively pursue better network pricing.

(3) Does the Offeror's book of business model provide for a single standard contract with participating Network Pharmacies with consistent terms applied to all of the Offeror clients, including brand name discount and identical MAC pricing? If no, please describe the basis and reasons for multiple contracts and/or amendments with individual pharmacies. Please indicate if Network Pharmacies will be reimbursed for the Programs' Generic Drug Prescriptions based on the Offeror's most favorable Network Pharmacy pricing arrangement, meaning lowest overall net cost, used to reimburse Network Pharmacies. If not, please explain. Each Procuring Agency, respectively, reserve its rights for the Contractor to create, maintain and use a second MAC List at the sole discretion of each Procuring Agency, should industry or programmatic events necessitate the use of a second list. Does the Offeror have the willingness and capacity to utilize a second MAC List and negotiate Guaranteed Minimum Discounts and the overall maximum dispensing fee guarantees for generic drugs if a second MAC List is utilized? If not, please explain.

Our pharmacy contracts vary from a reimbursement perspective based upon individual pharmacy negotiations. We manage multiple MAC lists across all lines of business. The number of products and discounts can vary based on location, drug mix, and the customer type. OptumRx has contractual relationships with approximately 67,000 pharmacies. Our pharmacy network mission and vision is to create a level playing field as it relates to pricing components, including our MAC program.

GENERIC PRESCRIPTION DRUG REIMBURSEMENT

Our MAC program has been designed with the overall goal of obtaining the lowest net prescription drug cost for customers. Our MAC process and pricing logic apply to every pharmacy in our network. However, that the same MAC price does not necessarily apply at every pharmacy. In very limited instances, differing MAC values may be used to reimburse pharmacies. For example, more remote or rural pharmacies may have a differing MAC value due to the increased cost of delivery.

GUARANTEED MINIMUM DISCOUNTS

Yes. We can manage multiple MAC lists. We provide a guaranteed minimum rate based on pharmacy utilization to the Programs. We analyze this utilization against our pharmacy network to determine specific guaranteed minimum rates.

(4) Do all of the Offeror Network Pharmacy contracts contain specific pricing terms for Brand, Generic, and Compound Drugs? Are all pricing terms and formulas incorporated into formal contracts or amendments with Network Pharmacies?

Yes, except that compound drugs are only broken out for specific providers, mostly large retailers. Brands and generics are broken out. Formulas are not provided for contracts that contemplate generic predictability.

(5) How do the Offeror's contracts set forth Brand Drug pricing? How do the Offeror's contracts set forth Generic Drug pricing? Do the agreements contain aggregate discount targets or guarantees for Generic Drugs dispensed? Do the contracts set forth an agreed upon discount rate for individual Brand Drug Prescriptions? Do the contracts set forth an overall target discount rate for all drugs, brand name and generic, dispensed? Does the Offeror negotiate specific aggregate discount targets with any Network Pharmacy? For all drugs dispensed? For Brand Drugs dispensed? For Generic Drugs dispensed?

Our contracts are based on AWP discounts or average aggregate rates. Below we detail our contract structure:

Offeror's Contracts Set Forth Generic Drug Pricing

Our generic drug pricing is the same as brand drug pricing.

Contain Aggregate Discount Targets Or Guarantees For Generic Drugs Dispensed

Only large provider agreements in our network contain aggregate discount targets or guarantees for generic drugs dispensed.

Agreed Upon Discount Rate for Individual Brand Drug Prescriptions

Agreed upon discount rates vary by contract. All rates in our contract are agreed to by the providers.

Overall Target Discount Rate for All Drugs

Flat rates and aggregate rates are specifically contemplated and quantified.

Negotiate Specific Aggregate Discount Targets

When necessary, we have done this with providers.

For All Drugs Dispensed, Brand and Generic

It depends on the provider and how our base language is contemplated.

(6) If Program specific Retail Pharmacy Network contracts, or specific amendments, are to be utilized to administer the Programs, how will these agreements differ from standard Network Pharmacy contracts? Provide a copy of the Offeror's standard contract(s) for Network Pharmacies.

Agreement terms and conditions are consistent. A copy of our standard contract can be found in **Section VIII, Exhibit 2.**

(7) In addition to negotiating agreements with Network Pharmacies on behalf of clients, does the Offeror have other business arrangements with Network Pharmacies from which the Offeror have derived revenues? If the Offeror derives revenue or obtains other consideration or compensation from agreements with Network Pharmacies please identify the recipient(s) of such Network Pharmacy revenue and explain the business relationship from which the revenue is derived. Please detail how the Offeror's business model ensures that these relationships do not create a real or perceived conflict with the clinical and financial interests of the Programs?

No. We do not offer additional incentives for our network pharmacies.