
SECTION III: ADMINISTRATIVE PROPOSAL REQUIREMENTS

This Section of the RFP sets forth the requirements for the Offeror's Administrative Proposal submission, including the Minimum Mandatory Requirements that must be satisfied to qualify an Offeror to be considered for selection. The Procuring Agencies will accept Proposals only from qualified Offerors and will consider for evaluation and selection purposes only those Proposals that they determine to be in compliance with the requirements set forth in this Section III.

The Offeror's *Administrative Proposal* must respond to all of the following items as set forth below in the order and format specified and using the forms set forth in the RFP. Additional details pertaining to the required forms are found in Section II.B. Compliance With Applicable Rules, Laws, Regulations & Executive Orders, and Section III.

The *Administrative Proposal* must contain the following information, in the order enumerated below:

A. Formal Offer Letter (Amended April 4, 2012)

At this part of its Administrative Proposal, the Offeror must submit a formal offer in the form of the "**Formal Offer Letter**" as set forth in **Exhibit I.S**. The formal offer must be signed and executed by an individual with the capacity and legal authority to bind the Offeror in its offer to the State. Each of the ~~two~~ **four** copies of the Offeror's Administrative Proposal marked "ORIGINAL" requires a letter with an original signature; the remaining copies of the Offeror's Administrative Proposal may contain photocopies of the signature. The Offeror must accept the terms and conditions as set forth in RFP, Section VII and Appendices A, B (DCS), B (NYSIF), C (DCS only) and D (DCS only) and agree to enter into separate contractual agreements with the Department and NYSIF containing, at a minimum, the terms and conditions identified in the RFP section and appendices as cited herein (**Note:** Appendix A, "Standard Clauses for New York State Contracts" is basically a compilation of statutory requirements applicable to all persons and entities contracting with NYS and therefore has been deemed to be non-negotiable by the Offices of the Attorney General and the NYS Comptroller. Appendix B, "Standard Clauses for All Department Contracts," Appendix B, "Standard Clauses for All NYSIF Contracts," Appendix C (DCS only), "Third Party Connection and Data Exchange Agreement," and Appendix D, "Participation by Minority Group Members and Women With Respect to State Contracts: Requirements and

Procedures” are compilations of standard clauses/requirements for the contracts and also are non-negotiable.) If an Offeror proposes to include the services of a Key Subcontractor(s), the Offeror shall be required to assume responsibility for those services as “Prime Contractor.” The Procuring Agencies will consider only the Prime Contractor in regard to contractual matters.

B. Minimum Mandatory Requirements

The Procuring Agencies will only accept Proposals from Offerors that attest and demonstrate through current valid documentation to the satisfaction of the Procuring Agencies that the Offeror meets the Proposal’s Minimum Mandatory Requirements set forth herein this Section III.B. At this part of its Administrative Proposal, the Offeror must submit a completed **Exhibit I.T “Offeror Attestations Form”** representing and warranting that the Offeror:

1. as of the Proposal Due Date, possesses the legal capacity to enter into contracts with the Procuring Agencies.
2. as of the Proposal Due Date, has the capability to dispense all covered prescriptions, including Compound Drugs, through the mail service pharmacy process. The Offeror must attest that it either owns or has subcontracted, a currently operational facility(ies) with available capacity to fully administer the Program’s Mail Service Pharmacy Process. The Offeror must attest that it will be capable of processing all the Programs’ mail order prescriptions as of January 1, 2014. The Programs do not require the facility(ies) processing prescriptions under the mail service pharmacy process be within New York State. Any facility serving the Programs’ mail service pharmacy process must be registered with the NYS Education Department and meet all the requirements of Section 6808 of the New York State Education Law. The Offeror must recognize the full prescribing authority of medical professionals granted by NYS where allowed by state law.
3. as of the Proposal Due Date, has the capability to dispense Specialty Medications through one or more Designated Specialty Pharmacy(ies), for those Employee groups participating in the Specialty Pharmacy Program.
4. as of the Proposal Due Date, provides Point of Service prescription claims adjudication and pharmacy benefit management services for a minimum of five million (5,000,000) lives.

The Offeror must provide a list of client organizations with the number of lives served through each client to clearly demonstrate that the Offeror meets the minimum requirement of five million (5,000,000) lives. In determining lives, the Offeror should:

- a. Include both at-risk and fee-for-service business;
 - b. Include Medicaid business;
 - c. Count all lives [i.e., DCS: an Enrollee, a Dependent spouse and two (2) eligible Dependent Children count as four (4) – NYSIF: Claimant (1)];
 - d. Exclude any non-Pharmacy benefit management business;
 - e. Exclude any mail service only lives; and
 - f. Exclude any discount card program lives.
5. as of the Proposal Due Date, has a proposed retail pharmacy network for the Programs that meets the following minimum Retail Pharmacy Network access guarantees:
- a. Ninety percent (90%) of Enrollees in urban areas will have at least one (1) Network Pharmacy within two (2) miles;
 - b. Ninety percent (90%) of Enrollees in suburban areas will have at least one (1) Network Pharmacy within five (5) miles; and
 - c. Seventy percent (70%) of Enrollees in rural areas will have at least one (1) Network Pharmacy within fifteen (15) miles.

To demonstrate satisfaction of this requirement, the Offeror must submit all information required below based on the Geo-Coded Census file provided by the Procuring Agencies (**Exhibit II.A**). Based on these files the Offeror must submit with their Administrative Proposal the following:

- a. **Exhibit I.Y.4** – Offeror’s Current Retail Pharmacy Network Access Prerequisite Worksheet;

- b. Offeror's GeoAccess Report to Meet Minimum Mandatory Requirements (See Exhibit II.A – GeoAccess Reporting Format);
- c. **Attestation** – The Offeror must attest that, as of the Proposal Due Date, it holds executed contracts with all pharmacies identified in its proposed Retail Pharmacy Network File, Exhibit I.Y.3 with a Pharmacy Status equal to "C" - contracted (See Exhibit I.Y.2 for the file layout) for participation in the Programs Retail Pharmacy Network commencing on January 1, 2014 that are consistent with the duties and responsibilities of the Offeror set forth in Section IV.B.11. of this RFP. To fulfill this requirement, the Offeror may utilize executed, specific to the Programs, pharmacy contracts contingent on award and/or existing pharmacy agreements that can be made applicable to the Programs. The Offeror must also attest that it has completed its credentialing process for all pharmacies included in that file with a Pharmacy Status equal to "C" - contracted. The Offeror must agree to provide documentation, including contracts, as required to demonstrate satisfaction of this requirement.

All Enrollees must be counted in calculating whether the Offeror meets the Retail Pharmacy Network access guarantees. No Enrollee may be excluded even if there is no pharmacy located within the minimum mandatory access requirements.

Note: The Offeror's proposed retail pharmacy network access standards will be scored as part of the evaluation of the Offeror's retail pharmacy network and the Offeror's Network Pharmacy Access Guarantees will be evaluated in accordance with the criteria specified in Section VI, entitled "Evaluation and Selection Criteria."

6. understands and agrees to comply with all specific duties and responsibilities set forth in Section IV.B.3. of this RFP, entitled "Implementation," including Section IV.B.3.b.(2) requiring the Offeror to propose a financial guarantee supporting its commitment to satisfy all implementation requirements.

Note: The Offeror's proposed Implementation and Start-Up Guarantee will be evaluated in accordance with the criteria specified in Section VI, entitled "Evaluation and Selection Criteria."

7. will maintain and make available as required by the Procuring Agencies a complete and accurate set of records related to the Agreements resulting from this RFP as required by Appendices A and B and the draft Agreements set forth in Section VII of this RFP. This includes, but is not limited to, pharmacy contracts, manufacturer's rebate agreements, detailed claim records, and any and all other financial records as deemed necessary by the Procuring Agencies to discharge their fiduciary responsibilities to the Programs' participants and to ensure that public dollars are spent appropriately.
8. will participate in a responsibility determination that will include an assessment of the Offeror's financial protections and transparency. This may require the Offeror, at the Procuring Agencies' sole discretion, to submit documentation in support of the responsibility determination. This part of the responsibility determination will evaluate compliance with, but not limited to, the following:
 - a. Alignment of the Offeror's business model with the financial interests of the Programs;
 - b. Adequacy of the financial protections proposed by the Offeror to address any conflicts presented between the Offeror's business model and the best financial interests of the Programs; and
 - c. Transparency of all business relationships relating to the Programs. This includes but is not limited to sufficient documentation of existing business relationships to allow the Procuring Agencies to verify the reasonableness of the Offeror's Proposal.
9. has submitted as part of its Proposal, if so required by the RFP, or will submit all Transmittal letters, Statements, Formal Certifications and Exhibits as required in Section II of this RFP related to the Offeror's compliance with all rules, laws, regulations and executive orders.
10. will execute the duties and responsibilities set forth in Section IV of this RFP in strict conformance to the requirements described in that section of the RFP.
11. has the ability to adjudicate all Point of Service claims under the Programs using the applicable copayments (DCS only) for brand and generic drugs as defined in Section IV of this RFP.
12. has current URAC accreditation in the area of Pharmacy Benefit Management.

Note: Any Offeror which fails to satisfy any of the above Minimum Mandatory Requirements shall be eliminated from further consideration.

C. Exhibits

At this part of its Administrative Proposal, the Offeror must complete and submit the various Exhibits specified in Section II.B. and Section III of this RFP, in satisfaction of the regulatory requirements described therein. A listing of the required Exhibits is set forth below:

Exhibit Name	Exhibit #
Proposal Submission Requirement Checklist	Exhibit I.A
Freedom of Information Law – Request for Redaction Chart	Exhibit I.C
MacBride Statement and Non-Collusive Bidding Certification	Exhibit I.D
EEO Staffing Plan (form EEO-100)	Exhibit I.G
Debriefing Guidelines	Exhibit I.H
New York State Standard Vendor Responsibility Questionnaire	Exhibit I.I
Offeror’s Affirmation of Understanding and Agreement	Exhibit I.K
Compliance with Public Officers Law Requirements	Exhibit I.M
Compliance with Americans with Disabilities Act	Exhibit I.N
MWBE Utilization Plan (form MWBE-100)	Exhibit I.O
Offeror’s Certification of Compliance Pursuant to State Finance Law §139-k	Exhibit I.P
Certification of Good Faith Efforts (form MWBE-104)	Exhibit I.Q
Formal Offer Letter	Exhibit I.S
Offeror Attestations Form	Exhibit I.T
Key Subcontractors	Exhibit I.U
Program References	Exhibit I.V
Participation/Non-Participation Status of Certain Chain Pharmacies	Exhibit I.Y.1
Offeror’s Proposed Retail Pharmacy Network File	Exhibit I.Y.3
Offeror’s Proposed Retail Pharmacy Network Access Prerequisite Worksheet	Exhibit I.Y.4

Note: If not already provided to the Procuring Agencies prior to Proposal submission, the Offeror must enclose a completed Exhibit I.K “Offeror’s Affirmation of Understanding and Agreement.”

D. Key Subcontractors

At this part of its Administrative Proposal, the Offeror must provide a statement identifying all Key Subcontractors, if any, that the Offeror will be contracting with to provide Prescription

Drug Program services and must, for each such Key Subcontractor identify, complete and submit **Exhibit I.U “Key Subcontractors”**:

1. provide a brief description of the services to be provided by the Key Subcontractor; and
2. provide a description of any current relationships with such Key Subcontractor and the clients/projects that the Offeror and Key Subcontractor are currently servicing under a formal legal agreement or arrangement, the date when such services began and the status of the project.

The Offeror must indicate whether or not, as of the date of the Offeror’s Proposal, a subcontract has been executed between the Offeror and the Key Subcontractor for services to be provided by the Key Subcontractor relating to this RFP. If the Offeror will not be subcontracting with any Key Subcontractor(s) to provide Prescription Drug Program services, the Offeror must provide a statement to that effect.

E. Reference Checks

At this part of its Administrative Proposal, for the purpose of reference checks, the Offeror must provide four (4) references of current clients and one reference of a former client(s) for whom the Offeror has supplied prescription drug services similar to those described in this RFP. The number of covered lives covered by the Offeror for each referenced client must be at least 100,000. For each client reference provided, the Offeror must complete and submit **Exhibit I.V “Program References.”** The Offeror shall be solely responsible for providing contact names, e-mail addresses and phone numbers of client references who are readily available to be contacted by the State.

F. Financial Statements

At this part of its Administrative Proposal, the Offeror must provide a copy of the Offeror's last issued GAAP annual audited financial statement. A complete set of statements, not just excerpts, must be provided. Additionally, for each Key Subcontractor, if any, that provides any of the Prescription Drug Program services; provide the most recent GAAP annual audited statement. If the Offeror, or a Key Subcontractor, is a privately held business and is unwilling to provide copies of their GAAP annual audited financial statements as part of their Proposal, the Offeror/Key

Subcontractor must make arrangements for the procurement evaluation team to review the financial statements.

Note: If financial statements have not been prepared and/or audited, the Offeror /Key Subcontractor must provide the following as part of its Administrative Proposal: a letter from a bank reference attesting to the Offeror/Key Subcontractor's financial viability and creditworthiness. (Note: For purposes of this reference, the Offeror may not give as a reference, a parent or subsidiary company, a partner or an Affiliate organization.) The letter must include the bank's name, address, contact person name and telephone number and it must address, at a minimum, the following items:

1. a brief description of the business relationship between the parties (i.e., the Offeror/Key Subcontractor and the bank), including the duration of the relationship and the Offeror's current standing with the bank. For example: "*The (Offeror/Key Subcontractor's name) is currently and has been for "x" number of years a client in good standing*";
2. a description of any ownership/partner relationship that may exist between the parties, if any. (**Note:** One party cannot be the parent, partner or subsidiary of the other, nor can one party be an affiliate of the other.); and,
3. any other facts or conclusions the bank may deem relevant to the State in regard to the bank's assessment of the Offeror /Key Subcontractor's financial viability and creditworthiness concerning the nature and scope of the Program Services, which are the subject matter of this RFP, and the Parties (i.e., Department or NYSIF, as applicable and the Offeror or the Offeror and Key Subcontractor) contractual obligations should the Offeror be awarded the resultant contract(s).

(Amended March 8, 2012)

G. Request for Data Necessary to Submit a Proposal

Offerors intending to submit a Proposal will require a DCS Program claim data file to be used to re-price claim data required in Section V.C.2. as well as a list of the current DCS Program Retail Network Pharmacies that have submitted claims during the period November 12, 2010 through October 28, 2011 to be used by the Offeror in response to Section IV.B.11. of this RFP, under subheading "Retail Pharmacy Network."

The DCS Program claims data file and Retail Network Pharmacy File can be obtained by sending a letter requesting both files and including a properly executed **Exhibit I.Z, Confidentiality Agreement and Certificate of Non-Disclosure** ~~and Exhibit I.T, Offeror Attestations Form~~, attesting that the prospective Offeror meets the Minimum Mandatory Requirements of Section III.B. of this RFP. The letter must be signed and executed by an individual with the capacity and legal authority to bind the prospective Offeror. The letter and properly executed Confidentiality Agreement and Certificate of Non-Disclosure ~~and Offeror Attestations forms~~ must be sent to:

**Pharmacy Benefit Services Procurement Manager
Employee Benefits Division, Room 641
NYS Department of Civil Service
Alfred E. Smith State Office Building
Albany, New York 12239**

The DCS Program claims data File Retail Network Pharmacy file will only be sent to those prospective Offerors that request said files via submission of the pre-requisite letter referred to above, accompanied by properly executed **Exhibit I.Z** ~~and Exhibit I.T~~, attesting that they meet the Minimum Mandatory Requirements of Section III.B. of this RFP forms.

Additionally, a data file of NYSIF Program claims for the period November 1, 2010 through November 1, 2011 will also be provided for informational purposes to those Offeror's that request said file via submission of the letter and exhibits noted in the preceding paragraph.

Upon receipt of said letter and forms, the prospective Offerors will be contacted to arrange secure delivery of the Program claim files and DCS Program Network Pharmacy Data file along with the accompanying record layout and instructions for completing the Re-Priced Claims File for submission with the Offeror's Proposal.

Note: ~~Prospective Offerors are solely responsible for the delivery of the pre-requisite letter and properly executed forms by the deadline stated in Section II of this RFP.~~

Prospective Offerors should ensure the data files are provided in a timely manner.

The Procuring Agencies are not responsible for delays attributable to United States mail deliveries or any other means of transmittal, or for delays caused by the prospective Offeror due to their submission of incomplete, inaccurate or incorrect information.

H. Financial Protections and Transparency

It is the goal of the Procuring Agencies to select an Offeror that provides clinically sound Program Services in a manner that aligns the financial interests of the Programs and the Offeror. The Procuring Agencies expect a commitment to full transparency which provides a level of confidence otherwise not present as undisclosed agreements with manufacturers and/or pharmacies can create real or perceived conflicts between the interests of the Programs and the Offeror. The receipt of revenue or other non-revenue considerations not related to the Programs' utilization from pharmaceutical manufacturers or other entities involved in the provision of drugs to Program Enrollees/Claimants is not a disqualifying factor provided the Offeror's business model protects the clinical and financial interests of the Programs and eliminates real or perceived conflicts of interests. Detailed disclosure of such relationships is necessary to fully evaluate the value of the Offeror's Proposal both for 2014 and for the remaining years of the agreement resulting from this RFP.

Note: For the purposes of this Section III.H. **and the information to be provided by Offerors in their Administrative Proposal, in regard to this Section III.H.**, the term "Offeror" shall mean the Offeror, the Offeror's Affiliate(s), Key Subcontractor(s), if any or a Key Subcontractor's Affiliate(s).

The Offeror may be required to submit documentation in support of any attestations made as part of this responsibility determination. The responsibility determination will assess, but not be limited to, the following:

1. Alignment of Financial Interests

The Offeror's business model must align itself with the financial interests of the Programs.

a. Alignment of Financial Interest Questions:

- (1) In detail, please describe how the Offeror's business model aligns itself with the financial interests of the Programs.
- (2) Please list and describe aspects of the Offeror's business model that may be perceived to have a conflict of interest with the Programs. For each conflict of interest identified by the Offeror, please describe what firewalls and/or other controls, policies and procedures which a reasonable person would expect to provide corrective or mitigating action to adequately safeguard or protect the Procuring Agencies against any conflict of interest which have been or will be implemented by the Offeror.

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, 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?

- (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.
- (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?

- (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.
- (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.
- (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.

- (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.
- (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.
- (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.
- (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.
- (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?

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

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?

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.
- (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.
- (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?
- (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?

- (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.
- (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?

4. Drug Pricing

The Contractor must provide the Programs with aggressive drug pricing, including pass-through pricing on all Retail Pharmacy Network prescriptions, subject to a Minimum Guaranteed Discount. One DCS/NYSIF Program MAC list must be used for Generic Drugs dispensed through the Retail Pharmacy Network or at the Mail Service Pharmacy.

a. Drug Pricing Questions

- (1) Please describe in detail how the Offeror's Generic Drug pricing model maximizes Generic Drug utilization and savings accruing to the financial benefit of the Programs.
- (2) Describe in detail the process the Offeror will utilize to set unit pricing for individual Generic Drugs dispensed? Please detail how the Offeror sets and periodically updates MAC pricing, including all factors considered? Please detail any and all exceptions, if any, to the standard Generic Drug pricing process described above? How does this process promote the dispensing of the most cost-effective Generic Drug NDC within a particular GPI/GCN?

- (3) How are “non-MAC’d” Generic Drugs priced under the Network Pharmacy agreements that are applicable to the Programs?
- (4) Is the Offeror’s Generic Drug pricing process described above incorporated in formally adopted corporate policies and procedures? Please explain.
- (5) Does the Offeror maintain more than one pricing list (whether referred to as a MAC list or by some other name) for purposes of billing clients? If so, please indicate the number of pricing lists maintained for client billing purposes?
- (6) Does the Offeror maintain one or more pricing lists (whether referred to as a MAC list or by some other name) for purposes of reimbursing Network Pharmacies? Does the Offeror have single reimbursement arrangements, utilizing a single consistent pricing list, with individual Network Pharmacies? Or, does the Offeror have multiple reimbursement agreements with individual Network Pharmacies that are assigned and utilized based on the client?
- (7) If the Offeror maintains more than one list for either clients or pharmacies please describe the purpose and rationale for maintaining multiple lists.
- (8) Does the Offeror manage the Offeror’s MAC list pricing to a specific overall discount target or is pricing set on a drug by drug basis without a pre-determined discount target? Describe the process that is utilized to update the Offeror’s MAC list including timelines.
- (9) Will the Programs’ MAC list be managed as or entirely unique and independent MAC list or will it be managed based on an existing MAC list? If the Programs MAC list is to be managed based on an existing MAC list, please identify that MAC list.
- (10) In what regard, if any, will the pricing on the Programs MAC list differ from the Offeror’s existing MAC list and for what reasons. Is that MAC list managed to an aggregate discount target? If it is managed to an aggregate discount target, what is that target? Is that discount target based on a discount off of all MAC’d drugs or all Generic Drugs dispensed (including non-MAC’d drugs dispensed)? Is that target

based on weighted or non-weighted utilization? Is the existing MAC list the most aggressively discounted MAC list the Offeror maintains?

- (11) If the Programs MAC list is to be managed as an entirely independent list, please detail the price setting rules that will be applied? Please confirm that The Programs' MAC list will be managed to achieve discounts on an aggregate basis that both exceed the Guaranteed Minimum Discounts off of the aggregate AWP for Generic Drugs and exceed the most aggressively discounted MAC list in the Offeror's book of business.
- (12) The Programs require that pricing be based on discounts off of Average Wholesale Price (AWP) as reported by the Medi-Span field coded R028 entitled "AWP unit price" or Red Book as proposed by the Offeror. Are the Offeror's Network Pharmacy agreements based on AWP? Is the AWP price the Offeror uses to calculate the price to the Programs the exact same AWP price the Offeror uses to calculate payments to Network Pharmacies for each individual Prescription?
- (13) Is the Offeror's pricing (including AWP discounts, MAC and dispensing fees) equal to or better than all other clients of the Offeror? If it is not, please detail the reason for the Programs not being offered the equivalent or better pricing. If it is not the Offeror's best pricing in the Offeror's book of business, please identify any chain Network Pharmacy the Offeror will be earning positive spread on for each Brand Drug script dispensed to an Enrollee/Claimant of the Programs.
- (14) Many pharmacies, in particular major chain pharmacies, have the capacity to purchase and fill Prescriptions from bulk stock. If a Network Pharmacy does not dispense a Prescription drug in the original manufacturer packaging, what criteria does the Offeror apply regarding the submission of a particular NDC for reimbursement purposes? Does the Offeror always bill clients and reimburse pharmacies based on the same AWP for the same NDC? If not please explain.
- (15) Please detail all steps and requirements in the Offeror's process for pricing Compound Drugs as set forth in the Offeror's standard Network Pharmacy contract as well as

any expected modifications to the current process as a result of implementation of NCPDP D.0. Is this pricing formula consistently applied to reimburse pharmacies for Compound Drug claims in the Offeror's entire book of business?

- (16) Does the Offeror's claims processing system have the capacity to collect and report information on more than one component of the Compound Drug?
- (17) How will the Offeror's process ensure that a Prescription submitted falls within the Programs' definition of a Compound Drug set forth in the Contract Provisions, Section VII, (see Article I, entitled "Definition of Terms") of this RFP and should be subject to Compound Drug pricing? Does the Offeror have the right under its Network Pharmacy contracts to request submission of copies of Compound Drug Prescriptions to confirm that the Prescription was filled based on the Physician's "recipe" for the particular patient?
- (18) If the Offeror does not have the current capacity to confirm that the script is, in fact, for a Compound Drug within the definition of Compound Drug set forth in the Contract Provisions, Section VII, (see Article I, entitled "Definition of Terms") of this RFP, what process will the Offeror institute to protect the financial interests of the Programs?
- (19) The Programs' Lesser of Logic pricing provisions apply to all claims submitted, including claims for Compound Drugs. For the Offeror's book of business, please detail the percentage of Compound Drug claims being paid pursuant to the Offeror's standard pricing formula; and the percentage of claims being paid at the Pharmacy submitted cost.
- (20) The Programs are concerned that certain Compound Drug pricing formulas can result in an inflated AWP for individual Compound Drug Prescriptions. Will the Offeror agree to a mutually acceptable alternative pricing formula for Compound Drug claims? Please detail a potential alternative basis for pricing Compound Drug claims.

5. Transparency of Financial Interests

a. Post Contract Award Requirements

The Contractor must agree to be open and forthright in all matters related to the clinical management and cost management of the Programs. The State has strict standard audit provisions, subject to confidentiality requirements. Disclosure obligations include, but are not limited to:

- (1) Providing full access to all subcontractor, manufacturer and Network Pharmacy agreements related to the Programs under strict confidentiality provisions including rebate and other Pharma Revenue on a per unit NDC basis;
- (2) Agreeing to the standard audit provisions set forth in Contract Provisions, Section VII of this RFP (see Article XIX entitled “Audit Authority”), and Appendices A and B; and
- (3) Agreement that the Offeror will disclose all agreements related to the provision, servicing and administration of Programs’ Services in effect during the term of the Agreements resulting from this RFP. This includes all relationships between or among the Offeror, and relevant third parties including but not limited to, pharmaceutical manufacturers, chain and independent pharmacies, and any other entity from which the Offeror receives any form of compensation or any other consideration as a consequence of Prescription drugs purchased and reimbursed under the Programs.

b. During the Procurement Process

Offerors must provide all information the Procuring Agencies deem necessary to support the Proposal. This includes but is not limited to adequate information on the Proposal relative to Pharma Revenue; access to the MAC lists; AWP calculations; the Preferred Drug List and Flexible Formulary financial models, or to assure alignment with the financial interests of the Programs and other information as the Department/NYSIF determines is necessary to address any perceived or actual conflicts between the Offeror’s business model and the financial interests of the Programs.

Notwithstanding the full transparency required in Appendices A and B of the Agreement resulting from this RFP, if the Offeror cannot or will not agree to complete transparency during this procurement process, please detail any limitations on disclosure of the above requested information. Please include in the Offeror's answer whether it is the Offeror's standard policy applicable to all clients or if the Offeror provides different levels of access depending on the client. Is the Offeror proposing the Programs receive access to relevant business agreements related to Pharma Revenue streams and Retail Pharmacy Network pricing agreements that is equal to or exceeds the level of disclosure provided to any existing client of the Offeror?

6. Financial Protections

The Contractor must have adequate financial protections in place to protect the State's financial interests.

a. Financial Protection Questions

- (1) Explain the contractual and financial relationships among or between the Offeror manufacturers, and network chain and independent pharmacies. Please describe how the Offeror's proposed business model eliminates any real or potential conflicts with the clinical and financial interests of the Programs so as to comply with the intent of the Procuring Agencies and the requirements of the RFP.
- (2) The State recognizes that the Offeror's business model may present potential conflicts between the financial interests of the Programs and the Offeror. List any potential conflicts in alignment of interests which would result from the Offeror's Proposal and list additional financial guarantees the Offeror proposes to address such conflicts so as to comply with the intent of the State and the requirements of the RFP.