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Correspondence Memorandum

Date: October 19, 2017
To: Group Insurance Board
From: Jeff Bogardus, Manager of Pharmacy Benefits
Renee Walk, Strategic Health Policy Advisor
Subject: Pharmacy Benefit Manager Contract Extension

ETF recommends the Group Insurance Board (Board) approve a two-year extension of the contract with Navitus Health Solutions (Navitus), the Board’s pharmacy benefit manager (PBM), from January 1, 2019 through December 31, 2020.

Background


At the August 2017 Board meeting, ETF presented the Board with the results of successful contract negotiations with Navitus for a one-year contract as the Board’s PBM. The current contract will expire December 31, 2018. This recommendation would extend the term of the contract from January 1, 2019 through December 31, 2020.

Rationale for Contract Extension

ETF recommends the extension of the Navitus contract for several reasons. First, ETF was able to negotiate significant savings for 2017 and 2018 in the current contract, and Navitus agreed to maintain current administrative fees for the current selection of services provided to ETF for the duration of the two-year contract extension period. In addition, Navitus has proved an extremely cooperative partner in the negotiations and implementation process.

As noted in an August 2017 memo to the Board ([Ref. GIB | 8.30.17 | Item 6B](#)), Navitus and ETF were able to come to terms on a fully rewritten contract within 45 days of the Board’s issuing a letter of intent to award. Navitus has been a willing partner in discussions and acceptance of newly developed contract requirements that include actively developing a set of pharmacy quality measures, as well as clarifying cybersecurity language in the Department’s Standard Terms and Conditions, which will benefit other contracts as well.

Navitus has also continued to be a valuable partner in program development with ETF. Navitus is an active collaborator in ETF’s Council on Health Program Improvement, has

Reviewed and approved by Lisa Ellinger, Director, Office of Strategic Health Policy
 Electronically Signed 11/2/17

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provided model assistance to the Truven data warehouse project, and has also begun working with staff to develop additional pilot programs to benefit member health.

Through its presentations to the Board Navitus further demonstrates its value as a partner with considerable knowledge of the pharmacy services landscape. Navitus continues to perform well in annual audits of the services provided.

Goals for Contract Extension

ETF has identified key focus areas for improving the contract and continuing to develop the ETF/Navitus relationship. Each of these items will be negotiated with Navitus if the Board approves the recommended extension:

- Continued growth and development of high quality pharmacy management programs;
- Exploration of pilot program development opportunities (high-cost drug communications, provider education partnerships, opioid abuse prevention and management programs);
- Assistance with remediating claims overpayments; and
- Exploration of innovative contracting options (e.g. value-based manufacturer contracting).

See Attachment A for potential contract changes and proposed language.

Staff will update the Board on contract negotiations at a future meeting and will be available at the Board meeting for questions.

Attachment A: Current Contract Clarifications, Proposed Contract Terms, and Clerical Updates

Attachment A

Current Contract Clarifications

The following items numbered 1 through 9 are clarifications to current contract terms that were agreed to by the parties during negotiations of the Contract ETG0013, effective July 18, 2017 through December 31, 2018. These items currently exist as Exhibit A of Contract ETG0013, and will be incorporated into the contract extension, where applicable.

#	Document / Section	Section Description	Current Contract Clarifications Language	Action to be Taken
1	RFP #ETG0013 Section 6.2.3	On-site staff position description	Contractor's onsite staff person will provide support to Department operational staff with regard to eligibility, complex member inquiries, Group Insurance Board reporting, and communications materials. Contractor's onsite staff person will also serve as a liaison between the Contractor and the Department regarding benefit coverage interpretations and appeals. Contractor's onsite staff person is expected to be located at the Department's site on a part-time basis, to be agreed upon by the Contractor and Department. See Exhibit C for position description.	Contractor Staff Position Description will be added to the contract as Exhibit C.
2	Exhibit 1, Section 135	Participant Materials and Marketing, 135A Informational/Marketing Materials, 4)	If the Department requests that the Contractor provide any notifications, which are of a type and level that are different from those provided previously by Contractor and which would result in increased costs to Contractor of \$50,000 or more, then the parties will negotiate in good faith regarding the terms and conditions under which Contractor will provide such notifications, and Contractor will not be obligated to provide such notifications until the parties have agreed on such terms. Increased costs mentioned above do not include prohibited fees as set forth in Section 130B of RFP ETG0013.	Incorporate into Exhibit 1, Section 135

#	Document / Section	Section Description	Current Contract Clarifications Language	Action to be Taken
3	Exhibit 1, Section 150A, 1)	Reporting Requirements and Deliverables	<p>The following reports at a minimum will be provided to the Department by the Contractor monthly:</p> <ol style="list-style-type: none"> 1. Standard Reports – separate reports must be provided for Commercial and Medicare Part D coverage as they are being provided prior to the 2018 Plan Year; reports must also be rolled up quarterly and annually. <ul style="list-style-type: none"> • Drug category Utilization • Drug Utilization by Drug Name • Top Pharmacies by Script Count • Networks (retail; 90-day retail, mail, etc.) • Drug Mix (e.g. Source (brand, generic, specialty, etc.); Tier/Level; etc.) • Client Group Metrics (e.g. State vs. WPE; Annuitant/Continuant vs Active; etc.) 2. Medicare Finance – separate reports must be provided for State and WPE (Local) as they are being provided prior to the 2018 Plan Year; reports must be rolled up quarterly and annually. <ul style="list-style-type: none"> • LIS/LEP Reporting • CMS Payment Reports • Payment schedules (CMS subsidies and Gap Discounts) 3. Grievance & Appeals – reports must be provided to ETF’s Ombudsperson Services as they are being provided prior to the 2018 Plan Year; reports should be rolled up and summarized annually in accordance with Exhibit 1, Section 115 9) c). 	<p>Incorporate into Exhibit 1, Section 305</p> <p>Incorporate into Exhibit 1, Section 305</p> <p>See Exhibit 1, Section 305(17)</p>

#	Document / Section	Section Description	Current Contract Clarifications Language	Action to be Taken
3	<i>Continued</i>		<p>The following reports at minimum will be provided to the Department by the Contractor <u>quarterly</u>:</p> <ol style="list-style-type: none"> 1. <u>Rebate, AWP Discount and Dispensing Fee Guarantees</u> (not provided prior to the 2018 plan year). <ul style="list-style-type: none"> • Separate reports must be provided for Commercial and Medicare Part D coverage. • Reports must also be rolled up quarterly and annually. • Data to be included in the reports and format will be developed and agreed to by both parties 2. <u>Performance Standards and Penalties</u> <ul style="list-style-type: none"> • Reports will be provided to the Department by the Contractor based on the requirements of Exhibit 1, Sections 315C, 315D, 315F and 315G 7) & 8). • Data to be included in the reports and format will be developed and agreed to by both parties. 3. <u>Rebate Allocation Reporting</u> (not provided prior to the 2018 plan year) <ul style="list-style-type: none"> • ETF is requiring reports be provided by the Contractor that will identify where rebates received are applied (e.g. Commercial vs. Medicare Part D; State vs. WPE (Local); Annuitant/Continuant vs. Active Employee). • Data to be included in the reports and format will be developed and agreed to by both parties. 	<p>Add to Exhibit 1, Section 305(6)</p> <p>See Exhibit 1, Section 305(13)</p> <p>Add to Exhibit 1, Section 305(5)</p>
4	Exhibit 1, Section 220	Quality	ETF staff will collaborate with the Contractor to develop a final measure set. Measures agreed upon for the first year of this Contract will not be associated with financial benefits or penalties, but may be subject to such financial penalties or benefits if the Contract is extended.	Incorporate into Exhibit 1, Section 220

#	Document / Section	Section Description	Current Contract Clarifications Language	Action to be Taken
5	Exhibit 1, Section 305 10)	Reporting Requirements – Claims Invoice Reconciliation Report	ETF Staff will collaborate with the Contractor to implement changes to the claims extract reports currently provided by the Contractor for claims invoice reconciliation, within ninety (90) days of the Contract effective date. These claims extract reports will be used until claims invoice reconciliation processes developed within the Department’s data warehouse are functional.	Incorporate into Exhibit 1, Section 305, 10)
6	Exhibit 4, Section 4.0	Department Standard Terms & Conditions Contractor (subcontracting of services)	The Department will only require advance review of subcontracts that have a specific impact to member experience or program cost. The Department may request retrospective review of subcontracts where impact to member experience or program cost were not initially anticipated but ultimately occurred and require advance review and approval of future subcontract renewals and/or new subcontracts that the department finds meet these criteria. The Department does not consider pharmacies or manufacturers to be subcontractors under this agreement, except to the extent expressly required by applicable law or where the terms of this Contract expressly apply to Participating Pharmacies.	No change to Exhibit 4 recommended; maintain as a clarification.
7	Exhibit 4, Section 21.0	Department Standard Terms & Conditions Ownership of Materials	The Department maintains ownership of all documents, and other materials developed as a part of this Contract and solely for use by the Department, <u>except as specifically provided</u> . This excludes any documents, or other materials created by the Contractor for use generally. Notwithstanding this, the Department shall have the right to use all documents, software, and information provided under this Contract. The Department understands no customized software will be created by the Contractor as part of this Contract. Contractor has given the Department assurances that the Department will not require Contractor’s software or any third-party software to view the data upon termination or expiration of this Contract.	No change to Exhibit 4 recommended; maintain as a clarification.

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8	Exhibit 4, Section 28.0	Department Standard Terms & Conditions (j) Notification of Correspondence Concerning Confidential Information, (k) Breaches of Confidential Information	The enhanced notification procedures under subsections (j) and (k) of Section 28 of the Department Terms and Conditions attached as Exhibit 4 will only apply to a suspected breach, impermissible use, or impermissible disclosure of ETF's Confidential Information and does not include: (a) general, daily traffic on Navitus' system firewall, or (b) disclosures that are reasonably identified as such by Contractor as "low risk" consistent with past practices. Section 28 will not be deemed to supersede Section 22 of Exhibit 4, which functions as the Business Associate Agreement between the parties.	No change to Exhibit 4 recommended; maintain as a clarification.
9	Exhibit 1, Section 255I	Subrogation and Other Payers	The Contractor's subrogation obligations are limited to situations where, at the Contractor's discretion, the circumstances in a particular subrogation matter warrant such a decision. This means that if the Contractor determines that the dollar amount of a subrogation lien is so low as to make recovery cost prohibitive, the Contractor is not obligated to pursue the Board's subrogated interest.	Incorporate into Exhibit 1, Section 255I

Proposed Contract Terms

The following items numbered 10 through 20 are changes to the current contract terms and language, proposed by ETF staff, that will need to be agreed to by the parties during negotiations of a contract extension.

#	Document / Section	Section Description	Proposed Contract Terms: Clarification Language / Reasoning
10	Exhibit 1, Section 130C	Recovery of Overpayments	Pending completion of the Prescription Drug Claims Overpayment process flow to streamline Department processes and more efficiently recover overpaid claims.
11	Exhibit 1, Section 145B c)	Eligibility/834 File Requirements	Pending completion of Full File Comparison process development for monthly eligibility audits.

#	Document / Section	Section Description	Proposed Contract Terms: Clarification Language / Reasoning
12	Exhibit 1, Section 210	Added Section 210B	The Contractor will pursue value-based contracting arrangements with pharmaceutical manufacturers for high-cost medications. The Contractor may use the Department's data warehouse to assist in proving effectiveness of medications included in such contracting arrangements, and is encouraged to partner with health plans to evaluate effectiveness. The Contractor will include in annual reporting to the Department the impact of such contracts on program costs.
13	Exhibit 1, Section 220	Quality	The Department will establish baselines and targets for the quality measures that are developed by the Department and the Contractor. The Contractor must meet the targets set for each quality measure, or will forfeit a portion of the administrative fee, with total forfeitures not to exceed 10%. The measures used and the baselines and targets set for each measure will be reviewed annually by the Department and the Contractor and adjusted as appropriate.
14	Exhibit 1, Section 220 (3)	Pilot Program Design	The Contractor shall partner with the Department to develop and administer no less than three (3) pharmacoadherence programs and no less than two (2) pilot programs identified and developed by the Contractor and the Department. Programs and pilots will be developed in each year of the contract, and existing programs and pilots will be reviewed annually by the Contractor and the Department. Pilot programs will be designed to address the population health needs of the Department's membership and the Contractor must be able to identify and report specifically on Participants. Pilot programs must be designed with both process and outcomes reporting, so that the Contractor and the Department can evaluate the implementation, outcomes, and scalability of the pilot. Pilot programming and associated materials may be used for the Contractor's entire book of business, particularly if it would benefit the ability of the Contractor and the Department to evaluate the pilot's outcomes.
15	Exhibit 1, Section 240A	Implementation	Suggest removing, or modifying to only refer to new programs/products during the course of the contract.
16	Exhibit 1, Section 305(18)	Reporting Requirements and Deliverables	The following reports will be provided to the Department <u>semi-annually</u> : 1. <u>Population Health Management Opportunity Reporting</u> These reports combine the expertise of Navitus analytics and disease managers to look at ETF data trends to identify areas of utilization (or lack thereof) that would benefit from targeted intervention.

#	Document / Section	Section Description	Proposed Contract Terms: Clarification Language / Reasoning
17	Exhibit 1, Section 310A	Deliverables to the Department	Modified implementation plan to reflect this applies to specific programs or major provider changes that may happen throughout the contract. Updated remaining provisions to reflect renewal, and that deliverables should be updates or verifications of processes.
18	Exhibit 1, Section 315A	Performance Standards, Implementation	Removed Informational Mailing as agreed to by the Contractor and the Department.
19	Exhibit 1, Section 400	Uniform Pharmacy Benefits	Modified to reflect the Contractor's obligation to provide pharmacy benefits as well as the changes made during the 2018 contract year for certain benefits.
20	Exhibit 4, Section (28)(o)	Computer System Security Requirements	Per ETF Security Team, the password security requirement pertains only to the Contractor's staff or internal computer systems, not to member portal login or other external-facing, password-protected accounts.

Clerical Updates

#	Document / Section	Section Description	Clerical Updates: Reasoning
21	Exhibit 1, Section 255	Updates to Section 240 throughout	Several sections in final contract were deleted and/or left intentionally blank; sections were removed in the updated contract.
22	Exhibit 1, Section 400	Carved out Pharmacy benefits	Simplify administration and updates to the Pharmacy Benefit Program, as well as update language to mirror medical Uniform Benefits language.