



## **FELRA and UFCW VEBA FUND**

### Pharmacy Benefits Management Report

December 15, 2021

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# Executive Summary

- On behalf of the FELRA and UFCW VEBA Fund (the 'Fund'), Confidio completed a Market Check to validate the Fund's 2022 pharmacy benefit management ('PBM') pricing from Express Scripts Inc ('ESI') is market-competitive.
- Based on Confidio's assessment, the Fund's current 2022 pricing is below market competitive.
  - Consistent with contractual requirements, a Market Check Report was submitted to ESI, validating Confidio's assessment and requesting an equitable pricing adjustment.
  - ESI responded with a highly competitive pricing offer that aligned with the higher-end pricing benchmarks provided in the Report.
- Financial modeling of the 2022 Market Check offer shows adjusted pricing is projected to yield a **7.9% (\$1.49M)** reduction in the Commercial population's annualized pharmacy costs, and a **5.7% (\$418K)** reduction for the EGWP population, compared to current.
  - Specialty and non-specialty rebates are the primary drivers of savings/cost reduction.
- Financial models for the respective populations are included on pages 4-5.
- ESI's 2022 Market Check pricing offer is included in the Appendix.

# Market Check Results: Commercial Population

## 2022 Cost Projections\*

|                                     |                | 2022 FELRA Commercial |              |
|-------------------------------------|----------------|-----------------------|--------------|
|                                     |                | Current Contract      | Market Check |
|                                     |                | Trended for 2022      |              |
| INGREDIENT COST (Participating)     |                |                       |              |
|                                     | Retail Brand   | \$10,005,447          | \$9,961,361  |
|                                     | Retail Generic | \$4,141,907           | \$3,947,755  |
|                                     | Mail Brand     | \$93,911              | \$93,305     |
|                                     | Mail Generic   | \$0                   | \$0          |
|                                     | Specialty      | \$6,843,394           | \$6,750,163  |
| INGREDIENT COST (Non-Participating) |                |                       |              |
|                                     | Retail Brand   | \$1,282,744           | \$1,277,204  |
|                                     | Retail Generic | \$463,804             | \$442,063    |
|                                     | Specialty      | \$781,735             | \$769,709    |
|                                     | Limited        | \$768,496             | \$768,496    |
| TOTAL INGREDIENT COST               |                | \$24,381,439          | \$24,010,055 |
| TOTAL DISPENSE FEES                 |                | \$85,512              | \$77,739     |
| TOTAL REBATES                       |                | \$5,616,283           | \$6,729,802  |
| Net Cost                            |                | \$18,850,669          | \$17,357,991 |
| \$ difference to Current            |                |                       | \$1,492,677  |
| % difference to Current             |                |                       | 7.9%         |

\*Cost projections are not a guarantee of actual results and should not be used for budgeting purposes.

# Market Check Results: EGWP Population

## 2022 Cost Projections\*

|                                 | 2022 FELRA EGWP                      |                    |
|---------------------------------|--------------------------------------|--------------------|
|                                 | Current Contract<br>Trended for 2022 | Market Check       |
| <b>INGREDIENT COST</b>          |                                      |                    |
| Retail Brand                    | \$4,415,052                          | \$4,321,395        |
| Retail Generic                  | \$1,979,465                          | \$1,886,677        |
| Mail Brand                      | \$49,842                             | \$49,842           |
| Mail Generic                    | \$33,753                             | \$31,342           |
| Specialty                       | \$2,388,695                          | \$2,352,689        |
| <b>TOTAL INGREDIENT COST</b>    | <b>\$8,866,806</b>                   | <b>\$8,641,945</b> |
| <b>DISPENSE FEES</b>            | <b>\$44,671</b>                      | <b>\$34,362</b>    |
| <b>TOTAL REBATES</b>            | <b>\$1,618,530</b>                   | <b>\$1,802,150</b> |
| <b>Net Cost</b>                 | <b>\$7,292,947</b>                   | <b>\$6,874,157</b> |
| <b>\$ difference to Current</b> |                                      | <b>\$418,789</b>   |
| <b>% difference to Current</b>  |                                      | <b>5.7%</b>        |

\*Cost projections are not a guarantee of actual results and should not be used for budgeting purposes.

# Next Steps – Market Check Pricing

- As a standard procedure, ESI requires written approval from the Fund prior to installing any pricing changes.
  - The 2022 Market Check pricing was approved in November 2021
  - New rates will be in effect on January 1, 2022
- ESI will be issuing contract amendments memorializing the new rates within the next 30 days.
- Confidio will work in collaboration with Fund co-counsel to secure signature-ready drafts of the pricing amendments as soon as practicable.

# 2022 PBM Procurement



# Project Timelines and Bid Solicitation

- Project kickoff in January 2022
- Optimal times for Bid solicitation: March-May
- PBMs to consider:

1. Express Scripts
2. Navitus
3. OptumRx
4. Elixir
5. *DST Health Solutions (former Argus)*  
*CareFirst Carve-In?*  
*MaxorPlus + Labor First?*  
*Other?*

| Pharmacy Benefit Manager RFP Project Plan |                                                  |                 |                |
|-------------------------------------------|--------------------------------------------------|-----------------|----------------|
| Key Milestones                            |                                                  | Est. Start Date | Est. End Date  |
| 1.0                                       | Project Kickoff                                  | Jan 10, 2022    | Jan 28, 2022   |
| 2.0                                       | RFP Development                                  | Jan 24, 2022    | Feb 18, 2022   |
| 3.0                                       | Release RFP to Marketplace (Bidder Solicitation) | Feb 18, 2022    | March 11, 2022 |
| 4.0                                       | RFP Analysis, Present Results                    | March 14, 2022  | April 15, 2022 |
| 5.0                                       | Finalist Meetings/BAFOs                          | April 18, 2022  | May 6, 2022    |
| 6.0                                       | Contingent Award of Business                     | May 9, 2022     | May 13, 2022   |
| 7.0                                       | Contract Negotiations                            | May 27, 2022    | July 7, 2022   |
| 8.0                                       | Implementation Kickoff (as needed)               | July 2022       |                |
| 9.0                                       | Go Live Date                                     | Jan 1, 2023     |                |

# Summary and Next Steps

- Negotiate Market Check pricing amendments
- Target deadline for approving PBM Bidders: February 1, 2022

**Have a Safe and Enjoyable Holiday Season!**

# Appendix

# Market Check Pricing - 2022

|                                                               | FELRA Commercial                                                     | FELRA EGWP                                       |
|---------------------------------------------------------------|----------------------------------------------------------------------|--------------------------------------------------|
| Effective Date                                                | 1/1/2022                                                             | 1/1/2022                                         |
| <b>Offer Background</b>                                       |                                                                      |                                                  |
| PT or Traditional<br>Retail Network<br>Formulary              | Traditional<br>Preferred & Non-Preferred<br>National Preferred (NPF) | Traditional<br>Custom Medicare<br>Premier Access |
| <b>Retail Average Annual Guarantees</b>                       |                                                                      |                                                  |
| Brand Discount - Non-Maintenance Network (1-59 Day Retail)    | Preferred: 19.70%<br>Non-Preferred: 19.30%                           | 19.30%                                           |
| Brand Discount - Maintenance Network (60+ Day Retail)         | Preferred: 23.00%<br>Non-Preferred: 22.50%                           | 22.50%                                           |
| Generic Discount                                              | 84.75%                                                               | 84.75%                                           |
| Dispensing Fee - Non-Maintenance Network (1-59 Day Retail)    | \$0.50                                                               | \$0.50                                           |
| Dispensing Fee - Maintenance Network (60+ Day Retail)         | \$0.50                                                               | \$0.50                                           |
| Admin Fee                                                     | \$0.00                                                               | \$0.00                                           |
| <b>Mail Average Annual Guarantees</b>                         |                                                                      |                                                  |
| Brand Discount                                                | N/A                                                                  | 24.00%                                           |
| Generic Discount                                              | N/A                                                                  | 87.00%                                           |
| Dispensing Fee                                                | N/A                                                                  | \$0.00                                           |
| Admin Fee                                                     | N/A                                                                  | \$0.00                                           |
| <b>Rebates</b>                                                |                                                                      |                                                  |
| Retail Non-Maintenance per Brand Drug Claim NPF (Retail 1-59) | \$260.00                                                             | \$200.00                                         |
| Retail Maintenance per Brand Drug Claim NPF (60+ Day Retail)  | \$450.00                                                             | \$400.00                                         |
| Mail per Brand Drug Claim NPF                                 | N/A                                                                  | \$0.00                                           |
| <b>Specialty</b>                                              |                                                                      |                                                  |
| Specialty Program                                             | Exclusive                                                            | Open                                             |
| Retail NED                                                    | 20.00%                                                               | 17.50%                                           |
| Mail NED                                                      | 20.25%                                                               | 19.50%                                           |
| Retail Specialty/Brand Rx                                     | \$600.00                                                             | \$550.00                                         |
| Accredo/Brand Rx                                              | \$1,700.00                                                           | \$1,400.00                                       |
| <b>Additional Items</b>                                       |                                                                      |                                                  |
| EGWP PMPM Admin Fee                                           | NA                                                                   | \$9.95                                           |

# Methodology and Assumptions

- Analysis is not intended to be used for budgeting purposes but instead is a reflection of our best estimates of the value of ESI's market check pricing offer.
- Results are not a guarantee of performance due to a number of factors outside the control of Confidio.
- All financial projections are estimates, based upon the information available at a point in time, subject to unforeseen and random events.
- Clinical program and miscellaneous administrative fees i.e., shipping or postage, are not included in the baseline, nor in the cost projections.
- Pricing models do not include the effects of member cost share.
  - 3,008 EGWP claims which equate to \$1,664,063 of average wholesale price were excluded from financial modeling
  - 19,216 FELRA claims which equate to \$5,770,090 of average wholesale price were excluded from financial modeling.
  - Excluded claims consist of the claim's sets cited as exclusions in the contract.
  - Analyzed drug mix was developed utilizing the following databases and/or cross references:
    - Channel Source was determined using the pharmacy name and Pharmacy Dispenser Type.
    - Brand/Generic determination was based upon MediSpan's Multisource indicator.
    - Traditional and Specialty drug classification was derived by standard NDC level Specialty and Limited Distribution lists
  - Midpoint to midpoint trend methodology was utilized respectively for Brand / Generic / Specialty:
    - Cost 2.51% / 4.15% / 3.00% and Utilization -4.88% / 1.19% / 3.46%
- The Current pricing scenario reflects 2022 contractual year's discounts and dispensing fees.
- The Market Check pricing scenario reflects 2022 pricing benchmarks proposed by ESI.