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Pharmacy solutions you can trust.

PBM RFP Results

Prepared for: Food Employer Labor Relations Association & United Food and Commercial Workers VEBA Fund (‘the Fund’)

June 10th, 2022

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Executive Summary

Background Information

- The Food Employer Labor Relations Association & United Food and Commercial Workers VEBA Fund (‘the Fund’) retained Confidio to manage their Request for Proposal (RFP) for pharmacy benefit management (PBM) services, issued to the marketplace in April 2022 in anticipation of the Fund’s contract with Express Scripts expiring December 31, 2022.
- Five (5) PBMs received/responded to the RFP
  - Elixir, Express Scripts, IngenioRx, Navitus, OptumRx
- The RFP design set the stage for turn-key contract negotiations.
  - Bidders must agree to binding contract terms and conditions.
  - Addresses the highest risk areas of the PBM contract (pricing, claims adjudication and payment; benefit set-up and administration; service level requirements).
  - Ensures contract is fully auditable, transparent.
  - Establishes unilateral rights and remedies.
- Confidio’s RFP analysis and recommendations are summarized on the following pages.

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Executive Summary - RFP Analysis and Results

Approach and Methodology

- To ensure underwriting precision and the PBM's ability to replicate the current program set up:
  - Bidders received the Fund's 2021 de-identified paid claims data, Rx Plan Designs, pharmacy network requirements for both lines of business, and utilization management program detail.
- Two (2) pricing options were requested: spread and pass-through
  - Objective: enable Participating Pharmacies to pass through discounts/U&C pricing vs fixed discounts on brands and generics that may be below acquisition costs.
  - The current contract is based on spread pricing.
- Bidders were evaluated based on qualitative and quantitative measures including:
  - Pricing terms and conditions
  - Technical, service level requirements
  - General contract requirements
  - Transparency, auditability

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Executive Summary – Financial Results Only

- OptumRx's proposal ranks #1 for Commercial and EGWP lines of business.
- Express Scripts' proposal ranks #2 for Commercial and #5 for EGWP.
  - Majority of savings are from rebates.
  - Specialty drug discounts were poor by comparison to peers.
  - Largest volume of claims exclusions decreased the overall value/competitiveness of their proposal.
- Following is a comparison of the Bidder's financial offers, by lines of business.

Commercial – 3 Year Projections		
PBM	Reduction from Current	Rank
OptumRx	$19,855,216	1
Express Scripts	$15,048,727	2
Elixir	$14,392,990	3
Navitus	$13,404,775	4
IngenioRx	$10,022,437	5

EGWP – 3 Year Projections		
PBM	Reduction from Current	Rank
OptumRx	$4,031,936	1
IngenioRx	$3,290,319	2
Navitus	$2,535,987	3
Elixir	$1,869,500	4
Express Scripts	$1,040,997	5

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Quantitative and Qualitative Results

RFP Analysis: Balanced Scorecard

- The Balanced Scorecard was designed to provide consistency and objectivity in the evaluation of Bidders' responses.
- PBM selection criteria is based on our understanding of the Fund's PBM selection criteria, coupled with industry best practices and standards.
- Scoring was based on a scale of 1-3.
- The results of this evaluation are incorporated into the overall ranking of Bidders within this report and will serve as a guide in making recommendations for award of the business.

KEY

3 – Meets Expectations
2 – Partially Meets Expectations
1 – Below Expectations

	Weighted Values
Financial Requirements	**40%**
Commercial and EGWP	
Pricing and Rebate Guarantees	
Specialty Drug Pricing	
Rebates	
Guarantee Calculation Methodology	
Contractual Requirements	**30%**
Terms and Conditions	
Contract Definitions and Methodologies	
Payment Terms	
Market Check	
Compliance with Federal & State Regulations and Laws	
Operational Performance Guarantees	
Audit Services	
General Requirements	**15%**
Network Management	
Mail and Specialty Pharmacy	
Formulary and Clinical Management	
Data Management and Reporting	
Account Services	
Implementation	
EGWP Requirements	**15%**
General Requirements	
Med D Programs and Services and Administration	
Implementation, Member and Account Services	
Network Management	
Formulary and Clinical Management	

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Weighted Scorecard Results

OptumRx achieved the highest composite scorecard rankings.

	Weighted Value / Available Scores	Elixir	Express Scripts	IngenioRx	Navitus	OptumRx
Financial Requirements	40%					
Section 1 Weighted Total Points	9.6	7.90	7.52	6.80	7.68	8.70
Contractual Requirements	30%					
Section 2 Weighted Total Points	6.3	5.48	5.93	4.65	5.18	5.63
General Requirements	15%					
Section 3 Weighted Total Points	2.7	2.44	2.57	2.33	2.59	2.44
EGWP Requirements	15%					
Section 4 Weighted Total Points	2.25	2.20	2.21	1.73	2.03	1.91
TOTAL SCORE (WEIGHTED)	20.85	18.02	18.23	15.51	17.48	18.68
TOTAL SCORE % (WEIGHTED)		86%	87%	74%	84%	90%

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Summary of Financial and Scorecard Results

The following table illustrates the results of the Scorecard evaluation and the total aggregate (*Commercial & EGWP) financial modeling/cost projections by PBM, ranked accordingly. For bidders that proposed two pricing options, the best in class option was used*.

- OptumRx ranked #1 in Scorecard Results and #1 in Pricing.
- Elixir ranked #2 in pricing, with Express Scripts a close #3.

Bidder	Pricing Models	Scorecard Results		3-Year Aggregate Cost Impact	
		Rank	Score[1]	Rank	Delta Proposed vs Current Pricing
OptumRx	**Commercial Spread / EGWP Pass Through**	1	18.68	1	$23,887,152
Elixir	**Commercial Spread / EGWP Pass Through**	3	18.01	2	$16,262,489
Express Scripts	**Commercial Spread / EGWP Spread**	2	18.23	3	$16,089,725
Navitus	**Commercial Pass Through / EGWP Pass Through**	4	17.47	4	$15,940,762
IngenioRx	**Commercial Spread / EGWP Pass Through**	5	15.5	5	$13,312,756

[1] Maximum Weighted Score = 20.85 points

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Gross Cost Projections

Annual and 3-Year Total Gross Cost Projections for both Commercial and EGWP lines of businesses.

Total Gross Costs	Current ESI	Express Scripts	OptumRx	Elixir	Navitus	IngenioRx
Model Type[1]			*Comm SP / EGWP PT*	*Comm SP / EGWP PT*	*Comm PT / EGWP PT*	*Comm SP / EGWP PT*
2023	$34,544,322	$30,635,659	$28,338,857	$30,457,914	$30,485,677	$31,629,767
2024	$37,174,225	$31,910,715	$29,196,262	$31,773,813	$31,948,114	$32,620,508
2025	$39,674,887	$32,757,336	$29,971,164	$32,899,218	$33,018,882	$33,830,403
3 Year Totals	$111,393,434	$95,303,710	$87,506,282	$95,130,945	$95,452,672	$98,080,679
$ change from current		$16,089,725	$23,887,152	$16,262,489	$15,940,762	$13,312,756
% change from current		14.4%	21.4%	14.6%	14.3%	12.0%

[1]SP = Spread; PT = Pass Through

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Commercial Financial Model Results

Commercial: Gross Cost Projections

OptumRx's Spread offer for the commercial line of business had the highest estimated cost reductions (22.6%) out of all bidders over the 3 year contract term.

	Current Express Scripts Spread			Express Scripts Spread			OptumRx Spread		
	2023	2024	2025	2023	2024	2025	2023	2024	2025
Total Ingredient Costs	**$34,163,520**	**$36,270,696**	**$38,277,805**	**$34,102,578**	**$36,173,435**	**$38,139,564**	**$32,877,477**	**$34,833,836**	**$36,705,908**
Non-Specialty	$16,007,225	$16,704,876	$17,315,121	$15,807,835	$16,460,192	$17,021,862	$16,995,339	$17,681,464	$18,249,752
Specialty	$11,880,190	$12,858,232	$13,868,404	$11,840,251	$12,815,006	$13,821,781	$15,422,217	$16,660,831	$17,936,277
Claims excluded from Guarantees	$6,276,105	$6,707,588	$7,094,280	$6,454,491	$6,898,238	$7,295,921	$459,922	$491,541	$519,879
Dispensing Fees	**$81,585**	**$82,192**	**$82,813**	**$73,424**	**$73,970**	**$74,528**	**$53,252**	**$53,611**	**$53,977**
Admin Fees	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
Rebates[1]	**$7,084,652**	**$7,067,114**	**$7,049,182**	**$10,676,881**	**$11,883,520**	**$13,368,162**	**$10,972,576**	**$12,230,083**	**$13,472,956**
ANNUAL NET COSTS	**$27,160,453**	**$29,285,774**	**$31,311,436**	**$23,499,121**	**$24,363,885**	**$24,845,931**	**$21,958,154**	**$22,657,364**	**$23,286,930**
$ reduction, compared to current				**$3,661,333**	**$4,921,889**	**$6,465,505**	**$5,202,300**	**$6,628,410**	**$8,024,506**
% reduction, compared to current				**13.5%**	**16.8%**	**20.6%**	**19.2%**	**22.6%**	**25.6%**

	Current Express Scripts Spread	Express Scripts Spread	OptumRx Spread
3 Year CONTRACT NET COSTS	**$87,757,664**	**$72,708,936**	**$67,902,448**
$ reduction, compared to current		**$15,048,727**	**$19,855,216**
% reduction, compared to current		**17.1%**	**22.6%**

[1] *Combined specialty and non-specialty rebates.*

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Commercial: Gross Cost Projections (cont.)

Elixir's spread offer came in third place, followed by Navitus for the commercial line of business.

	Current Express Scripts Spread			Elixir Spread			Navitus Pass Through		
	2023	2024	2025	2023	2024	2025	2023	2024	2025
Total Ingredient Costs	**$34,163,520**	**$36,270,696**	**$38,277,805**	**$31,972,601**	**$33,874,411**	**$35,682,035**	**$31,692,945**	**$33,604,946**	**$35,428,678**
Non-Specialty	$16,007,225	$16,704,876	$17,315,121	$16,313,226	$16,943,202	$17,443,729	$16,589,537	$17,288,746	$17,868,347
Specialty	$11,880,190	$12,858,232	$13,868,404	$15,093,373	$16,326,294	$17,598,517	$14,493,757	$15,664,636	$16,871,203
Claims excluded from Guarantees	$6,276,105	$6,707,588	$7,094,280	$566,002	$604,915	$639,788	$609,651	$651,565	$689,127
Dispensing Fees	**$81,585**	**$82,192**	**$82,813**	**$57,057**	**$57,450**	**$57,850**	**$45,234**	**$43,431**	**$41,605**
Admin Fees	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$507,665**	**$507,665**	**$507,665**
Rebates[1]	**$7,084,652**	**$7,067,114**	**$7,049,182**	**$8,556,254**	**$9,416,198**	**$10,364,278**	**$8,480,125**	**$9,259,634**	**$10,287,186**
ANNUAL NET COSTS	**$27,160,453**	**$29,285,774**	**$31,311,436**	**$23,473,404**	**$24,515,663**	**$25,375,607**	**$23,765,718**	**$24,896,408**	**$25,690,762**
$ reduction, compared to current				**$3,687,049**	**$4,770,112**	**$5,935,829**	**$3,394,735**	**$4,389,367**	**$5,620,674**
% reduction, compared to current				**13.6%**	**16.3%**	**19.0%**	**12.5%**	**15.0%**	**18.0%**

	Current Express Scripts Spread	Elixir Spread	Navitus Pass Through
3 Year CONTRACT NET COSTS	**$87,757,664**	**$73,364,674**	**$74,352,888**
$ reduction, compared to current		**$14,392,990**	**$13,404,775**
% reduction, compared to current		**16.4%**	**15.3%**

[1] *Combined specialty and non-specialty rebates.*

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Commercial: Gross Cost Projections (cont.)

IngenioRx's offer came in last place out of all bidders due to their weaker discount guarantees and high claim type exclusions.

	Current Express Scripts Spread			IngenioRx Spread		
	2023	2024	2025	2023	2024	2025
Total Ingredient Costs	**$34,163,520**	**$36,270,696**	**$38,277,805**	**$32,514,973**	**$34,344,841**	**$36,027,755**
Non-Specialty	$16,007,225	$16,704,876	$17,315,121	$18,647,588	$19,420,238	$20,069,630
Specialty	$11,880,190	$12,858,232	$13,868,404	$7,648,691	$8,278,374	$8,928,741
Claims excluded from Guarantees	$6,276,105	$6,707,588	$7,094,280	$6,218,693	$6,646,229	$7,029,384
Dispensing Fees	**$81,585**	**$82,192**	**$82,813**	**$42,233**	**$42,523**	**$42,819**
Admin Fees	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
Rebates[1]	**$7,084,652**	**$7,067,114**	**$7,049,182**	**$7,516,281**	**$8,558,640**	**$9,204,995**
ANNUAL NET COSTS	**$27,160,453**	**$29,285,774**	**$31,311,436**	**$25,040,925**	**$25,828,724**	**$26,865,578**
$ reduction, compared to current				**$2,119,529**	**$3,457,051**	**$4,445,858**
% reduction, compared to current				**7.8%**	**11.8%**	**14.2%**
3 Year CONTRACT NET COSTS		**$87,757,664**			**$77,735,226**	
$ reduction, compared to current					**$10,022,437**	
% reduction, compared to current					**11.4%**	

[1] *Combined specialty and non-specialty rebates.*

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EGWP Financial Model Results

EGWP: Gross Cost Projections

OptumRx's Pass-Through proposal is projected to yield the greatest savings/cost reductions (17.1%) over the 3 year contract term. Express Script's offer came in last place with 4.4% in estimated cost reductions.

	Current Express Scripts Spread			Express Scripts Spread			OptumRx Pass Through		
	2023	2024	2025	2023	2024	2025	2023	2024	2025
Total Ingredient Costs	**$8,818,567**	**$9,293,093**	**$9,736,071**	**$8,789,357**	**$9,249,186**	**$9,675,597**	**$8,764,695**	**$9,228,084**	**$9,662,504**
Non-Specialty	$6,078,915	$6,340,910	$6,573,384	$5,913,085	$6,150,878	$6,358,172	$5,937,414	$6,175,201	$6,379,690
Specialty	$1,781,027	$1,927,651	$2,079,092	$1,789,369	$1,936,679	$2,088,829	$2,542,729	$2,748,769	$2,961,167
Claims excluded from Guarantees	$958,625	$1,024,531	$1,083,595	$1,086,903	$1,161,628	$1,228,596	$284,552	$304,114	$321,647
Dispensing Fees	**$33,696**	**$33,942**	**$34,192**	**$33,553**	**$33,798**	**$34,047**	**$19,761**	**$19,889**	**$20,019**
Admin Fees	**$253,964**	**$253,964**	**$253,964**	**$264,684**	**$264,684**	**$264,684**	**$402,298**	**$407,025**	**$411,830**
Rebates[1]	**$1,722,359**	**$1,692,547**	**$1,660,775**	**$1,951,056**	**$2,000,837**	**$2,062,923**	**$2,806,051**	**$3,116,101**	**$3,410,118**
ANNUAL NET COSTS	**$7,383,868**	**$7,888,451**	**$8,363,452**	**$7,136,538**	**$7,546,830**	**$7,911,405**	**$6,380,703**	**$6,538,897**	**$6,684,234**
$ reduction, compared to current				**$247,330**	**$341,621**	**$452,046**	**$1,003,165**	**$1,349,553**	**$1,679,217**
% reduction, compared to current				**3.3%**	**4.3%**	**5.4%**	**13.6%**	**17.1%**	**20.1%**

	Current Express Scripts Spread	Express Scripts Spread	OptumRx Pass Through
3 Year CONTRACT NET COSTS	**$23,635,771**	**$22,594,773**	**$19,603,835**
$ reduction, compared to current		**$1,040,997**	**$4,031,936**
% reduction, compared to current		**4.4%**	**17.1%**

[1] *Combined specialty and non-specialty rebates.*

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EGWP: Gross Cost Projections

IngenioRx came in second place for the EGWP line of business, followed by Navitus.

	Current Express Scripts Spread			IngenioRx Pass Through			Navitus Pass Through		
	2023	2024	2025	2023	2024	2025	2023	2024	2025
Total Ingredient Costs	**$8,818,567**	**$9,293,093**	**$9,736,071**	**$8,520,058**	**$8,924,866**	**$9,285,227**	**$7,959,221**	**$8,382,453**	**$8,772,292**
Non-Specialty	$6,078,915	$6,340,910	$6,573,384	$6,735,038	$7,006,898	$7,239,637	$5,376,831	$5,595,636	$5,777,543
Specialty	$1,781,027	$1,927,651	$2,079,092	$753,355	$815,376	$879,433	$2,297,486	$2,482,326	$2,672,704
Claims excluded from Guarantees	$958,625	$1,024,531	$1,083,595	$1,031,665	$1,102,592	$1,166,156	$284,904	$304,491	$322,045
Dispensing Fees	**$33,696**	**$33,942**	**$34,192**	**$23,739**	**$23,908**	**$24,081**	**$19,647**	**$18,986**	**$18,316**
Admin Fees	**$253,964**	**$253,964**	**$253,964**	**$191,430**	**$191,430**	**$191,430**	**$313,945**	**$313,945**	**$313,945**
Rebates[1]	**$1,722,359**	**$1,692,547**	**$1,660,775**	**$2,146,384**	**$2,348,420**	**$2,535,914**	**$1,572,855**	**$1,663,678**	**$1,776,434**
ANNUAL NET COSTS	**$7,383,868**	**$7,888,451**	**$8,363,452**	**$6,588,843**	**$6,791,785**	**$6,964,825**	**$6,719,958**	**$7,051,706**	**$7,328,120**
$ reduction, compared to current				**$795,026**	**$1,096,666**	**$1,398,627**	**$663,910**	**$836,745**	**$1,035,332**
% reduction, compared to current				**10.8%**	**13.9%**	**16.7%**	**9.0%**	**10.6%**	**12.4%**

	Current Express Scripts Spread	IngenioRx Pass Through	Navitus Pass Through
3 Year CONTRACT NET COSTS	**$23,635,771**	**$20,345,452**	**$21,099,784**
$ reduction, compared to current		**$3,290,319**	**$2,535,987**
% reduction, compared to current		**13.9%**	**10.7%**

[1] *Combined specialty and non-specialty rebates.*

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EGWP: Gross Cost Projections

Elixir had 7.9% in estimated cost reductions over the 3 year contract term.

	Current Express Scripts Spread 2023	Current Express Scripts Spread 2024	Current Express Scripts Spread 2025	Elixir Pass Through 2023	Elixir Pass Through 2024	Elixir Pass Through 2025
Total Ingredient Costs	**$8,818,567**	**$9,293,093**	**$9,736,071**	**$8,306,517**	**$8,737,423**	**$9,137,038**
Non-Specialty	$6,078,915	$6,340,910	$6,573,384	$5,421,025	$5,617,584	$5,777,170
Specialty	$1,781,027	$1,927,651	$2,079,092	$2,675,563	$2,895,477	$3,122,572
Claims excluded from Guarantees	$958,625	$1,024,531	$1,083,595	$209,929	$224,362	$237,296
Dispensing Fees	**$33,696**	**$33,942**	**$34,192**	**$22,733**	**$22,878**	**$23,026**
Admin Fees	**$253,964**	**$253,964**	**$253,964**	**$280,764**	**$288,421**	**$296,334**
Rebates[1]	**$1,722,359**	**$1,692,547**	**$1,660,775**	**$1,625,505**	**$1,790,572**	**$1,932,787**
ANNUAL NET COSTS	**$7,383,868**	**$7,888,451**	**$8,363,452**	**$6,984,510**	**$7,258,151**	**$7,523,611**
$ reduction, compared to current				**$399,359**	**$630,300**	**$839,841**
% reduction, compared to current				**5.4%**	**8.0%**	**10.0%**

	Current Express Scripts Spread	Elixir Pass Through
3 Year CONTRACT NET COSTS	**$23,635,771**	**$21,766,271**
$ reduction, compared to current		**$1,869,500**
% reduction, compared to current		**7.9%**

[1] *Combined specialty and non-specialty rebates.*

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Material Differences in Combined Cost Proposals

Y = Included in Guarantees; N = Excluded from Guarantees

	Express Scripts	OptumRx	Navitus	Elixir	IngenioRx
AWP Discount Guarantees					
New to Market Specialty Drugs	Y	N	Y	Y	Y
Biosimilars (specialty)	N	Y	Y	Y	Y
Biosimilars (non-specialty)	N	Y	Y	Y	Y
Limited Distribution Drugs	Y	N	Y	N	Y
Limited Distribution Drugs - no access	Y	N	Y	N	Y
Rebates					
New to Market Drugs Brand Drugs	Y	N	Y	N	Y
Biosimilars (specialty)	N	Y	Y	N	Y
Biosimilars (non-specialty)	N	Y	Y	N	Y
Limited Distribution Drugs	Y	N	Y	N	Y
Limited Distribution Drugs - no access	Y	N	Y	N	Y
Exclusions Year 1					
Ingredient Cost Exclusions	$7,234,730	$744,473	$ 894,555	$775,931	$ 7,250,358

Credits and Performance Guarantees

Credits and Allowances

Bidders listed in alphabetical order

	Elixir	Express Scripts	IngenioRx	Navitus	OptumRx
Implementation Credit 1-time credit	$-	N/A	Commercial: **$212,412** EGWP: **$21,270**	**$47,587**	**$99,140**
Pre-Implementation Audit 1- time allowance	$-	N/A	Commercial: **$25,000**	**$23,793**	$-
Pharmacy Management Fund 3-year contract term	**$158,624**	**$396,560**	**$254,952**	$-	**$297,420**

*Per member calculations are based on an estimated Commercial total lives of 17,701 and EGWP total lives of 2,127.
**Credits and allowances are not included in the overall financial models.

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Performance Guarantees

Bidders listed in alphabetical order

Guarantee	Elixir	Express Scripts	IngenioRx	Navitus	OptumRx
Implementation 1-time guarantee	Commercial**: $180,000** EGWP**: $25,000**	N/A	Commercial**:$212,412** EGWP**: $21,270**	Commercial: **$42,483** EGWP: **$5,105**	Commercial**: $88,509** EGWP: **$10,635**
Annual Performance	Commercial**: $70,000** EGWP**: $10,000**	Commercial**: $354,020** EGWP**: $42,500**	Commercial**: $106,206** EGWP**: $21,270**	Commercial**: $126,916** EGWP**: $78,486**	Commercial: **$177,010** EGWP: **$21,270**

*Per member calculations are based on an estimated Commercial total lives of 17,701 and EGWP total lives of 2,127.
**Performance Guarantees are not included in the overall financial models.

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Summary, Recommendations and Next Steps

Summary of Proposal Strength and Weaknesses

	Elixir	Express Scripts	IngenioRx
Strengths	• Flexible plan administration and contract terms. • Eager to bring on new clients. • 100% compliant - RFP requirements for contract, financial transparency. • Strong relationship with retail pharmacies, including Med D Providers. • Heightened interest in creating centers of excellence within retail pharmacy networks.	• Incumbent – least disruptive option. • Extensive experience administering Med D (legacy Medco clients). • Very eager to retain FELRA. • Specialty drug Stop-Loss products offered through Evernorth. • Access to specialty drugs administered in medical can be leveraged to the benefit of FELRA. • Dedicated market segment for Labor Clients.	• Zip Drug - matches patient with low adherence rates to pharmacies that excel in patient care • Comprehensive cyber security policies, training in place. • Robust disaster recovery plan. • Trend management programs focus more on network performance, by comparison to other Bidders. • Experience using integrated medical & Rx claims to better manage costs.
Weaknesses	• Owned by Rite Aid Corporation. • Shift from private to public ownership has been disruptive. • High turnover in account management teams in past 2 years. • Changing claims platforms in 2023. • Reporting is unsophisticated, sometimes manual. • Conservative underwriting approach.	• EGWP financial offer ranks 5th. • Large number of claims exclusions had material effect on total savings (likely negotiable). • Unilateral rights to make pricing changes poses a risk. • Corporate strategy, resources focused on strategic partnerships vs investing in service infrastructure.	• Confused identity; Anthem, CVS • Restrictive contract audit terms. • Inconsistent RFP responses call into question quality control/mgt. • Rigid, dated contracting approach. • Majority of Med D experience comes from Anthem carve-in/MAPD clients.

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Summary of Proposal Strength and Weaknesses

	Navitus	OptumRx
Strengths	• Flexible plan administration and contract terms. • Consistently high client satisfaction. • Willing to guarantee drug trend. • High rankings on 'Net Effective Value' of formulary and clinical programs. • Strategic acquisitions, partnerships (Costco Health; EpiphanyRx) expand trend mgt capabilities. • Excellent relationship with retail pharmacies, Med D providers.	• Offered best pricing for both lines of business. • Extensive experience managing Med D programs. • Exceptional negotiating skills with supply chain. • Cutting edge use of artificial intelligence, digital health solutions, personalized medicine. • Member communication tools. • Access to specialty drugs administered in medical can be leveraged to the benefit of FELRA.
Weaknesses	• Limited experience managing EGWP + WRAP; bulk of experience – Med D Plans. • Limitations to contract audit scope (likely negotiable). • Conservative underwriting approach. • Absolute pass-through underwriting model includes pass-through of operational guarantees and Pharmacy Management Fund to clients (negotiable).	• Residual operational issues from multiple PBM acquisitions (reporting, client-set up). • Formulary mgt strategy relies heavily on member POS programs (similar to ESI). • Rigid audit policies. • Limited integration between PBM and medical, external vendors.

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Summary of Results and Recommendations

- For the combined books of business, OptumRx ranks #1, Elixir and Express Scripts rank #2 and #3, and Navitus is ranked #4.
- Confidio recommends the following approach:
- Request updated financial offers from:
  - Express Scripts (incumbent), OptumRx, and Navitus.
    - Elixir’s and Express Scripts pricing yields very similar results.
    - Elixir’s organizational instability resulting from sale to Rite Aid may be a deterrent to continuing discussions at this time.
  - Require Express Scripts to submit a pass-through proposal for EGWP.
  - Initiate a formulary disruption analysis and comparison of formulary effectiveness.
- Based on the results, narrow the finalists to 2 PBMs.
  - Finalist presentations, if required, can take place in July (virtual).
  - Initiate contract negotiations with the PBM that provides the best overall value in cost savings, program administration, contract flexibility and transparency, contingent upon successful contract negotiations.

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Critical Timelines to Consider

- Implementation of the EGWP requires at least 120 days. Provisional award of the contract must be completed by August 10th, 2022.
- Timeline:
  - 6/13/22 – 7/7/22: Secure Improved Pricing from 3 PBMs
  - Week of 7/11/22: Present results and recommendations to the Fund
  - Week of 7/18/22: Virtual finalist presentations, if required
  - 8/10/22: Contingent award of the contract. Contract negotiations begin.
  - 8/15/22: Implementation Kickoff (as needed or required)
  - 1/1/23: Go Live Date

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Appendix

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 provided by each benchmarked option. Analysis results are not a guarantee of performance due to a number of factors outside the control of Confidio Consulting Services.
- 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. Step Therapy programs, commissions, shipping costs, postage) are not included in the baseline nor in the cost projections unless proposals were underwritten assuming such and reflective in discounts, dispense fees, PEPM/PMPM/PerRx administrative fees and/or rebates.
- Analysis based on unaudited claims file provided, 01/01/2021-12/31/2021.
- Excluded claims varied by bidder. Exclusions that could be identified for discount and/or rebate purposes included compounds, powders, 340B, vaccines, direct member submit, COB, OTC drugs, Limited Distribution Drugs, infusion, tribal, long term care, military and VA pharmacies, single source generics, authorized generics, multisource brands, biosimilars, claims from pharmacies located in HI/MA/AK and all US territories, Usual & Customary, supplies, COVID related, claims through sponsor-owned pharmacies, University pharmacies, appliances, devices, bandages, heat lamps, braces, splints, artificial appliances, claims with invalid identifiers.
- Excluded claim ingredient cost totals for all PBMs were added back into the analysis to provide a complete picture as bidder exclusions varied.
- Analyzed drug mix was developed utilizing the following databases and/or cross references:
  - Channel Source was determined upon the pharmacy name and Pharmacy Dispenser Type.
  - Brand/Generic determination was based upon MediSpan's Multisource indicator in tandem with any relevant contract language surrounding DAW codes and/or Single Source Generic Status.
  - Traditional and Specialty drug classification was derived by NDC level Specialty and Limited Distribution lists as provided for in market responses
- Midpoint to midpoint trend methodology for projection was utilized respectively for Brand / Generic / Specialty:
  - Cost 2.51% / 4.15% / 3.00% and Utilization -4.88% / 1.19% / 3.46%
- The CURRENT scenario reflects 2022 contractual year's discounts and dispensing fees trended for the projected period.
- The PROPOSED scenarios reflect market's offers of discounts and dispensing fees.
- Analysis does not reflect member cost share.

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Gross Cost Projections – Both Pricing Options

Annual and 3-Year Total Gross Cost Projections for both Commercial and EGWP lines of businesses.

Total Gross Costs	Current ESI	Express Scripts	OptumRx	OptumRx	Navitus	Elixir	Elixir	IngenioRx	IngenioRx
Model Type[1]	Comm SP /EGWP SP	Comm SP /EGWP SP	*Comm SP / EGWP PT*	*Comm PT/ EGWP PT*	*Comm PT/ EGWP PT*	*Comm SP / EGWP PT*	*Comm PT/ EGWP PT*	*Comm SP / EGWP PT*	*Comm PT/ EGWP PT*
2023	$34,544,322	$30,635,659	$28,338,857	$28,757,870	$30,485,677	$30,457,914	$31,321,031	$31,629,767	$31,728,821
2024	$37,174,225	$31,910,715	$29,196,262	$29,632,992	$31,948,114	$31,773,813	$32,708,103	$32,620,508	$32,715,074
2025	$39,674,887	$32,757,336	$29,971,164	$30,426,442	$33,018,882	$32,899,218	$33,910,644	$33,830,403	$33,920,772
3 Year Totals	$111,393,434	$95,303,710	$87,506,282	$88,817,304	$95,452,672	$95,130,945	$97,939,779	$98,080,679	$98,364,667
$ change from current		$16,089,725	$23,887,152	$22,576,130	$15,940,762	$16,262,489	$13,453,656	$13,312,756	$13,028,768
% change from current		14.4%	21.4%	20.3%	14.3%	14.6%	12.1%	12.0%	11.7%

[1] TR = Spread; PT = Pass Through

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Commercial: Gross Cost Projections

All pricing options

OptumRx's Spread offer for the commercial line of business had the highest estimated cost reductions (22.6%) out of all bidders over the 3 year contract term.

	Current ESI Spread			ESI Proposed Spread			OptumRx Proposed Spread		
	2023	2024	2025	2023	2024	2025	2023	2024	2025
Total Ingredient Costs	**$34,163,520**	**$36,270,696**	**$38,277,805**	**$34,102,578**	**$36,173,435**	**$38,139,564**	**$32,877,477**	**$34,833,836**	**$36,705,908**
Non-Specialty	$16,007,225	$16,704,876	$17,315,121	$15,807,835	$16,460,192	$17,021,862	$16,995,339	$17,681,464	$18,249,752
Specialty	$11,880,190	$12,858,232	$13,868,404	$11,840,251	$12,815,006	$13,821,781	$15,422,217	$16,660,831	$17,936,277
Claims excluded from Guarantees	$6,276,105	$6,707,588	$7,094,280	$6,454,491	$6,898,238	$7,295,921	$459,922	$491,541	$519,879
Dispensing Fees	**$81,585**	**$82,192**	**$82,813**	**$73,424**	**$73,970**	**$74,528**	**$53,252**	**$53,611**	**$53,977**
Admin Fees	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
Rebates[1]	**$7,084,652**	**$7,067,114**	**$7,049,182**	**$10,676,881**	**$11,883,520**	**$13,368,162**	**$10,972,576**	**$12,230,083**	**$13,472,956**
ANNUAL NET COSTS	**$27,160,453**	**$29,285,774**	**$31,311,436**	**$23,499,121**	**$24,363,885**	**$24,845,931**	**$21,958,154**	**$22,657,364**	**$23,286,930**
$ reduction, compared to current				**$3,661,333**	**$4,921,889**	**$6,465,505**	**$5,202,300**	**$6,628,410**	**$8,024,506**
% reduction, compared to current				**13.5%**	**16.8%**	**20.6%**	**19.2%**	**22.6%**	**25.6%**

	Current ESI Spread	ESI Proposed Spread	OptumRx Proposed Spread
3 Year CONTRACT NET COSTS	**$87,757,664**	**$72,708,936**	**$67,902,448**
$ reduction, compared to current		**$15,048,727**	**$19,855,216**
% reduction, compared to current		**17.1%**	**22.6%**

[1] *Combined specialty and non-specialty rebates.*

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Commercial: Gross Cost Projections (cont.)

All pricing options

OptumRx's pass through offer was more competitive than Navitus due to their stronger rebate guarantees and lower administrative fees.

	Current ESI Spread			OptumRx Proposed Pass Through			Navitus Pass Through		
	2023	2024	2025	2023	2024	2025	2023	2024	2025
Total Ingredient Costs	**$34,163,520**	**$36,270,696**	**$38,277,805**	**$33,084,296**	**$35,048,230**	**$36,928,541**	**$31,692,945**	**$33,604,946**	**$35,428,678**
Non-Specialty	$16,007,225	$16,704,876	$17,315,121	$17,202,157	$17,895,857	$18,472,385	$16,589,537	$17,288,746	$17,868,347
Specialty	$11,880,190	$12,858,232	$13,868,404	$15,422,217	$16,660,831	$17,936,277	$14,493,757	$15,664,636	$16,871,203
Claims excluded from Guarantees	$6,276,105	$6,707,588	$7,094,280	$459,922	$491,541	$519,879	$609,651	$651,565	$689,127
Dispensing Fees	**$81,585**	**$82,192**	**$82,813**	**$53,252**	**$53,611**	**$53,977**	**$45,234**	**$43,431**	**$41,605**
Admin Fees	**$0**	**$0**	**$0**	**$212,195**	**$222,336**	**$232,646**	**$507,665**	**$507,665**	**$507,665**
Rebates[1]	**$7,084,652**	**$7,067,114**	**$7,049,182**	**$10,972,576**	**$12,230,083**	**$13,472,956**	**$8,480,125**	**$9,259,634**	**$10,287,186**
ANNUAL NET COSTS	**$27,160,453**	**$29,285,774**	**$31,311,436**	**$22,377,167**	**$23,094,095**	**$23,742,208**	**$23,765,718**	**$24,896,408**	**$25,690,762**
$ reduction, compared to current				**$4,783,287**	**$6,191,680**	**$7,569,228**	**$3,394,735**	**$4,389,367**	**$5,620,674**
% reduction, compared to current				**17.6%**	**21.1%**	**24.2%**	**12.5%**	**15.0%**	**18.0%**

	Current ESI Spread	OptumRx Proposed Pass Through	Navitus Pass Through
3 Year CONTRACT NET COSTS	**$87,757,664**	**$69,213,469**	**$74,352,888**
$ reduction, compared to current		**$18,544,194**	**$13,404,775**
% reduction, compared to current		**21.1%**	**15.3%**

[1] *Combined specialty and non-specialty rebates.*

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Commercial: Gross Cost Projections (cont.)

All pricing options

Elixir's Spread offer ranked fourth overall for the commercial population compared to all other bidders across the three year term.

	Current ESI Spread			Elixir Proposed Spread			Elixir Proposed Pass Through		
	2023	2024	2025	2023	2024	2025	2023	2024	2025
Total Ingredient Costs	**$34,163,520**	**$36,270,696**	**$38,277,805**	**$31,972,601**	**$33,874,411**	**$35,682,035**	**$31,972,601**	**$33,874,411**	**$35,682,035**
Non-Specialty	$16,007,225	$16,704,876	$17,315,121	$16,313,226	$16,943,202	$17,443,729	$16,313,226	$16,943,202	$17,443,729
Specialty	$11,880,190	$12,858,232	$13,868,404	$15,093,373	$16,326,294	$17,598,517	$15,093,373	$16,326,294	$17,598,517
Claims excluded from Guarantees	$6,276,105	$6,707,588	$7,094,280	$566,002	$604,915	$639,788	$566,002	$604,915	$639,788
Dispensing Fees	**$81,585**	**$82,192**	**$82,813**	**$57,057**	**$57,450**	**$57,850**	**$57,057**	**$57,450**	**$57,850**
Admin Fees	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$290,288**	**$304,184**	**$318,311**
Rebates[1]	**$7,084,652**	**$7,067,114**	**$7,049,182**	**$8,556,254**	**$9,416,198**	**$10,364,278**	**$7,983,426**	**$8,786,092**	**$9,671,163**
ANNUAL NET COSTS	**$27,160,453**	**$29,285,774**	**$31,311,436**	**$23,473,404**	**$24,515,663**	**$25,375,607**	**$24,336,521**	**$25,449,953**	**$26,387,033**
$ reduction, compared to current				**$3,687,049**	**$4,770,112**	**$5,935,829**	**$2,823,932**	**$3,835,822**	**$4,924,402**
% reduction, compared to current				**13.6%**	**16.3%**	**19.0%**	**10.4%**	**13.1%**	**15.7%**

	Current ESI Spread	Elixir Proposed Spread	Elixir Proposed Pass Through
3 Year CONTRACT NET COSTS	**$87,757,664**	**$73,364,674**	**$76,173,507**
$ reduction, compared to current		**$14,392,990**	**$11,584,156**
% reduction, compared to current		**16.4%**	**13.2%**

[1] *Combined specialty and non-specialty rebates.*

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Commercial: Gross Cost Projections (cont.)

All pricing options

IngenioRx's offer came in last place out of all bidders due to their weaker discount guarantees and high claim type exclusions.

	Current ESI			IngenioRx Proposed Spread			IngenioRx Proposed Pass Through		
	2023	2024	2025	2023	2024	2025	2023	2024	2025
Total Ingredient Costs	**$34,163,520**	**$36,270,696**	**$38,277,805**	**$32,514,973**	**$34,344,841**	**$36,027,755**	**$32,356,986**	**$34,180,462**	**$35,857,231**
Non-Specialty	$16,007,225	$16,704,876	$17,315,121	$18,647,588	$19,420,238	$20,069,630	$18,489,601	$19,255,859	$19,899,106
Specialty	$11,880,190	$12,858,232	$13,868,404	$7,648,691	$8,278,374	$8,928,741	$7,648,691	$8,278,374	$8,928,741
Claims excluded from Guarantees	$6,276,105	$6,707,588	$7,094,280	$6,218,693	$6,646,229	$7,029,384	$6,218,693	$6,646,229	$7,029,384
Dispensing Fees	**$81,585**	**$82,192**	**$82,813**	**$42,233**	**$42,523**	**$42,819**	**$21,116**	**$21,262**	**$21,409**
Admin Fees	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$278,157**	**$280,207**	**$282,301**
Rebates[1]	**$7,084,652**	**$7,067,114**	**$7,049,182**	**$7,516,281**	**$8,558,640**	**$9,204,995**	**$7,516,281**	**$8,558,640**	**$9,204,995**
ANNUAL NET COSTS	**$27,160,453**	**$29,285,774**	**$31,311,436**	**$25,040,925**	**$25,828,724**	**$26,865,578**	**$25,139,978**	**$25,923,290**	**$26,955,947**
$ reduction, compared to current				**$2,119,529**	**$3,457,051**	**$4,445,858**	**$2,020,475**	**$3,362,485**	**$4,355,489**
% reduction, compared to current				**7.8%**	**11.8%**	**14.2%**	**7.4%**	**11.5%**	**13.9%**

	Current ESI	IngenioRx Proposed Spread	IngenioRx Proposed Pass Through
3 Year CONTRACT NET COSTS	**$87,757,664**	**$77,735,226**	**$78,019,214**
$ reduction, compared to current		**$10,022,437**	**$9,738,449**
% reduction, compared to current		**11.4%**	**11.1%**

[1] *Combined specialty and non-specialty rebates.*

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