PBM RFP Final Results

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

September 2022

Executive Summary

- The Initial RFP Results were presented to the Board of Trustees on June 10, 2022, during which Confidio's recommendation to solicit best and final offers (BAFOs) from Express Scripts, OptumRx and Navitus was approved.
- Summary of BAFOs – total aggregate cost reduction/savings for the 3-year term:
  - Express Scripts: **$29.1M (26%)**
  - OptumRx: **$29.6M (26.5%)**
  - Navitus: **$26.5M (23.8%)**
- Express Scripts offered early implementation of rates, valued at **$1.6M** for the time period Oct 1, 2022 – Dec 21, 2022.
- Due to time limitations and the need to finalize the PBM selection by August 1, 2022, Fund Chair, Secretary, and Co-Counsel met on July 26, 2022, to review the BAFO results.
- A decision was made to award the business to Express Scripts for the initial term October 1, 2022 – December 31, 2025.

Executive Summary, Cont.

- BAFO pricing improvements resulted in a considerable decrease to the Fund's gross costs for the combined Commercial and EGWP lines of business over the three (3) year contract term.
  - Each PBM included guaranteed savings for their respective Commercial specialty copay card savings programs (not included in Initial Results), plus made improvements to select discount and rebate guarantees.
  - Express Scripts added a $250K per year invoice credit.
  - Estimated value of Manufacturer Admin Fees included with Express Scripts BAFO.

Initial vs BAFO Results 3 Year Gross Costs - Commercial and EGWP Combined					
PBMs listed in Rank Order		3 Year Gross Costs: Initial Offer	*Change from Current Contract*	3-Year Gross Costs: BAFO	*Change from Current Contract*
1	**OptumRx**	**$87,506,282**	*$23,887,152 (21.4%)*	**$81,820,561**	*$29,572,873 (26.5%)*
2	**Express Scripts[1]**	**$95,303,710**	*$16,089,725 (14.4%)*	**$82,386,254**	*$29,007,181 (26%)*
3	**Navitus**	**$95,452,672**	*$15,940,762 (14.3%)*	**$84,849,127**	*$26,544,307 (23.8%)*

[1]Excludes value of early pricing implementation. .

Scorecard and Financial Results

Balanced Scorecard – BAFO

- Confidio adjusted the Scorecard's weighted values, based on feedback during the Board of Trustees meeting:
  - Financial Requirements increased from 40% to 45%
  - Contractual Requirements decreased from 30% to 25%
- BAFO results show improvements in total scores for all 3 PBMs, with Express Scripts making the most significant improvements.

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

BAFO	Weighted Value/ Available Score	Express Scripts	Navitus	OptumRx
Financial Requirements	45%			
Section 1-Weighted Total Points	10.8	9.59	8.89	10.35
Contractual Requirements	25%			
Section 2-Weighted Total Points	5.25	5.00	4.31	4.69
General Requirements	15%			
Section 3-Weighted Total Points	2.7	2.61	2.55	2.40
EGWP Requirements	15%			
Section 4 Weighted Total Points	2.25	2.21	2.14	1.80
TOTAL SCORE WEIGHTED	21	19.41	17.89	19.24
TOTAL SCORE % (WEIGHTED)		92%	85%	92%

3 Year Aggregate Gross Cost Projections

The gap between Express Scripts and OptumRx proposals is $566K for the initial contract term January 1, 2023 – December 31, 2025.

Analysis does not include Navitus BAFO, given their ranking at #3.

Total Gross Costs	Current ESI	Express Scripts	OptumRx
Pricing Model[1]		Comm SP / EGWP PT	Comm SP / EGWP PT
2023	$34,544,322	$27,066,688	$26,396,369
2024	$37,174,225	$27,414,044	$27,412,786
2025	$39,674,887	$27,905,521	$28,011,406
3 Year Totals	$111,393,434	$82,386,254	$81,820,561
$ change from current		$29,007,181	$29,572,873
% change from current		26.0%	26.5%

[1]SP = Spread; PT = Pass Through

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3-Year Aggregate Gross Cost Projections

Top 2 PBMs' pricing detail for combined book of business. Includes future savings for Commercial Specialty Copay Programs.

	Current Express Scripts Spread Pricing 2023	2024	2025	Express Scripts BAFO Comm SP / EGWP PT Pricing 2023	2024	2025	OptumRx BAFO Comm SP / EGWP PT Pricing 2023	2024	2025
Total Ingredient Costs	**$42,982,088**	**$45,563,789**	**$48,013,876**	**$42,502,270**	**$44,555,526**	**$46,535,723**	**$40,958,343**	**$43,366,431**	**$45,660,197**
Non-Specialty	$22,086,140	$23,045,786	$23,888,505	$21,526,759	$22,418,479	$23,188,577	$22,296,877	$23,198,455	$23,945,664
Specialty	$13,661,217	$14,785,884	$15,947,496	$19,833,492	$20,916,514	$22,056,249	$17,916,993	$19,372,320	$20,873,007
Claims excluded from Guarantees	$7,234,731	$7,732,119	$8,177,875	$1,142,019	$1,220,533	$1,290,897	$744,473	$795,656	$841,525
Dispensing Fees	**$115,281**	**$116,134**	**$117,005**	**$98,853**	**$99,583**	**$100,329**	**$73,013**	**$73,500**	**$73,996**
Admin Fees	**$253,964**	**$253,964**	**$253,964**	**$305,850**	**$306,342**	**$306,844**	**$402,298**	**$407,025**	**$411,830**
Rebates[1]	**$8,807,011**	**$8,759,661**	**$8,709,958**	**$13,366,201**	**$15,017,378**	**$16,449,141**	**$14,508,001**	**$15,904,887**	**$17,605,333**
MAF Estimate				**$1,385,057**	**$1,441,002**	**$1,499,207**	**$0**	**$0**	**$0**
Invoice Credit				**$250,000**	**$250,000**	**$250,000**	**$0**	**$0**	**$0**
Gtd Savings Specialty Copay Program				**$839,027**	**$839,027**	**$839,027**	**$529,284**	**$529,284**	**$529,284**
ANNUAL NET COSTS	**$34,544,322**	**$37,174,225**	**$39,674,887**	**$27,066,688**	**$27,414,044**	**$27,905,521**	**$26,396,369**	**$27,412,786**	**$28,011,406**
$ reduction, compared to current				**$7,477,633**	**$9,760,181**	**$11,769,366**	**$8,147,953**	**$9,761,439**	**$11,663,481**
% reduction, compared to current				**21.6%**	**26.3%**	**29.7%**	**23.6%**	**26.3%**	**29.4%**

	Current Express Scripts Spread Pricing	Express Scripts BAFO Comm SP / EGWP PT Pricing	OptumRx BAFO Comm SP / EGWP PT Pricing
3 Year CONTRACT NET COSTS	**$111,393,434**	**$82,386,254**	**$81,820,561**
$ reduction, compared to current		**$29,007,181**	**$29,572,873**
% reduction, compared to current		**26.0%**	**26.5%**

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

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Gross Cost Projections by Lines of Business

Express Scripts' Commercial BAFO ranked #1, with aggregate savings of 29.8% compared to current.
OptumRx's EGWP BAFO ranked #1, with aggregate savings of 17.4% compared to current.

COMMERCIAL	ESI Current	ESI BAFO	OptumRx BAFO
2023	$27,160,453	$20,436,184	$20,046,735
2024	$29,285,774	$20,465,925	$20,901,722
2025	$31,311,436	$20,661,224	$21,351,747
3-Year Total	**$87,757,663**	**$61,563,333**	**$62,300,204**

EGWP	ESI Current	ESI BAFO	OptumRx BAFO
2023	$7,383,868	$6,630,505	$6,349,634
2024	$7,888,451	$6,948,119	$6,511,064
2025	$8,363,452	$7,244,297	$6,659,659
3-Year Total	**$23,635,771**	**$20,822,921**	**$19,520,357**

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BAFO Commercial Gross Cost Projections

Includes guaranteed savings from Specialty Copay Programs + Express Scripts invoice credit.

	Current Express Scripts Spread Pricing			Express Scripts BAFO Spread Pricing			OptumRx BAFO Spread Pricing		
	2023	2024	2025	2023	2024	2025	2023	2024	2025
Total Ingredient Costs	**$34,163,520**	**$36,270,696**	**$38,277,805**	**$33,886,098**	**$35,561,491**	**$37,172,429**	**$32,224,717**	**$34,165,105**	**$36,020,162**
Non-Specialty	$16,007,225	$16,704,876	$17,315,121	$15,700,118	$16,361,446	$16,932,519	$16,457,250	$17,124,434	$17,671,096
Specialty	$11,880,190	$12,858,232	$13,868,404	$17,386,553	$18,345,656	$19,336,267	$15,307,545	$16,549,130	$17,829,187
Claims excluded from Guarantees	$6,276,105	$6,707,588	$7,094,280	$799,428	$854,388	$903,644	$459,922	$491,541	$519,879
Dispensing Fees	**$81,585**	**$82,192**	**$82,813**	**$73,425**	**$73,972**	**$74,530**	**$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**	**$11,347,312**	**$12,948,957**	**$14,318,819**	**$11,701,950**	**$12,787,710**	**$14,193,108**
MAF Estimate Credit				**$1,113,826**	**$1,158,379**	**$1,204,714**	**$0**	**$0**	**$0**
Invoice Credit				**$223,175**	**$223,175**	**$223,175**	**$0**	**$0**	**$0**
Specialty Savings Program: Guaranteed Amount				**$839,027**	**$839,027**	**$839,027**	**$529,284**	**$529,284**	**$529,284**
ANNUAL NET COSTS	**$27,160,453**	**$29,285,774**	**$31,311,436**	**$20,436,184**	**$20,465,925**	**$20,661,224**	**$20,046,735**	**$20,901,722**	**$21,351,747**
$ reduction, compared to current				**$6,724,270**	**$8,819,849**	**$10,650,212**	**$7,113,719**	**$8,384,052**	**$9,959,689**
% reduction, compared to current				**24.8%**	**30.1%**	**34.0%**	**26.2%**	**28.6%**	**31.8%**

	Current Express Scripts Spread Pricing	Express Scripts BAFO Spread Pricing	OptumRx BAFO Spread Pricing
3 Year CONTRACT NET COSTS	**$87,757,664**	**$61,563,333**	**$62,300,204**
$ reduction, compared to current		**$26,194,331**	**$25,457,459**
% reduction, compared to current		**29.8%**	**29.0%**

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

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BAFO EGWP Gross Cost Projections

Delta between OptumRx and Express Scripts BAFOs: $1.3M based on PBMs' minimum guarantees.

Express Scripts' overperformance on pricing guarantees accrue to the Fund.

	Current Express Scripts Spread Pricing			Express Scripts BAFO Pass Through Pricing			OptumRx BAFO Pass Through Pricing		
	2023	2024	2025	2023	2024	2025	2023	2024	2025
Total Ingredient Costs	**$8,818,567**	**$9,293,093**	**$9,736,071**	**$8,616,172**	**$8,994,035**	**$9,363,294**	**$8,733,626**	**$9,201,327**	**$9,640,035**
Non-Specialty	$6,078,915	$6,340,910	$6,573,384	$5,826,641	$6,057,033	$6,256,059	$5,839,627	$6,074,022	$6,274,568
Specialty	$1,781,027	$1,927,651	$2,079,092	$2,446,939	$2,570,857	$2,719,983	$2,609,448	$2,823,191	$3,043,821
Claims excluded from Guarantees	$958,625	$1,024,531	$1,083,595	$342,592	$366,145	$387,253	$284,552	$304,114	$321,647
Dispensing Fees	**$33,696**	**$33,942**	**$34,192**	**$25,427**	**$25,611**	**$25,799**	**$19,761**	**$19,889**	**$20,019**
Admin Fees	**$253,964**	**$253,964**	**$253,964**	**$305,850**	**$306,342**	**$306,844**	**$402,298**	**$407,025**	**$411,830**
Rebates[1]	**$1,722,359**	**$1,692,547**	**$1,660,775**	**$2,018,889**	**$2,068,421**	**$2,130,322**	**$2,806,051**	**$3,117,177**	**$3,412,225**
MAF Estimate Credit				**$271,231**	**$282,623**	**$294,493**	**$0**	**$0**	**$0**
Invoice Credit				**$26,825**	**$26,825**	**$26,825**	**$0**	**$0**	**$0**
ANNUAL NET COSTS	**$7,383,868**	**$7,888,451**	**$8,363,452**	**$6,630,505**	**$6,948,119**	**$7,244,297**	**$6,349,634**	**$6,511,064**	**$6,659,659**
$ reduction, compared to current				**$753,364**	**$940,332**	**$1,119,154**	**$1,034,234**	**$1,377,387**	**$1,703,793**
% reduction, compared to current				**10.2%**	**11.9%**	**13.4%**	**14.0%**	**17.5%**	**20.4%**

	Current Express Scripts Spread Pricing	Express Scripts BAFO Pass Through Pricing	OptumRx BAFO Pass Through Pricing
3 Year CONTRACT NET COSTS	**$23,635,771**	**$20,822,921**	**$19,520,357**
$ reduction, compared to current		**$2,812,850**	**$4,115,414**
% reduction, compared to current		**11.9%**	**17.4%**

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

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BAFO Credits and Performance Guarantees

Credits and Allowances

Express Scripts proposed $250K in annual invoice credits.

	Express Scripts	Navitus	OptumRx
Implementation Credit 1-time credit	N/A	**$47,587**	**$99,140**
Pre-Implementation Audit 1- time allowance	N/A	**$23,793**	N/A
Pharmacy Management Fund 3-year contract term	**$396,560**	N/A	**$297,420**
Invoice Credit 3-year contract term	**$750,000**	N/A	N/A

*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.

Performance Guarantees

OptumRx BAFO PGs increased significantly from their Initial Offer.

Guarantee	Express Scripts	Navitus	OptumRx
Implementation 1-time guarantee	N/A	Commercial: **$42,483** EGWP: **$5,105**	Commercial**: $177,010** EGWP: **$21,270**
Annual Performance	Commercial**: $354,020** EGWP**: $42,500**	Commercial**: $126,916** EGWP**: $78,486**	Commercial: **$265,515** EGWP: **$31,905**

*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.

Summary and Recommendations

Recommendations and Next Steps

- BAFO's results for top 2 PBMs:

Scorecard Results		Total Weighted Score
1	Express Scripts	19.32
2	OptumRx	19.13

Financial Only	3-Year Cost Reduction[1]
OptumRx	$29,572,873 (26.5%)
Express Scripts	$29,007,181 (26%)

[1]Compared to current.

- Based on these results, coupled with Express Scripts' early pricing offer, Confidio recommended the Fund award the business to Express Scripts for the initial contract term October 1, 2022 – December 31, 2025, with a mid-contract market check.
- Chair, Secretary approved contract award to Express Scripts on July 26, 2022.
- Confidio will facilitate negotiation of the new PBM contract, working in collaboration with Fund Co-Counsel.

Appendix

Methodology and Assumptions – BAFO

- 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 (e.g., UM programs, shipping costs, postage) are not included in the baseline nor in the cost projections.
- Cost projections are based on unaudited claims for the time period of 01/01/2021-12/31/2021, trended forward to the projection period.
- 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 the PBMs guaranteed discounts and dispensing fees, savings guarantees for specialty copay card programs, invoice credits and the estimated value of manufacturer administrative fees (MAFs), e.g. 4% of aggregate brand wholesale acquisition costs (WAC).
- Analysis does not reflect member cost share.

Cost Projections - Express Script Early Implementation

Implementation of proposed pricing for the **10/1/2022 - 12/31/2022** projection period is expected to save the Fund $1.6M. Projections include the adjusted specialty OED.

	Current Express Scripts Spread Pricing 10/1/2022 – 12/31/2022	Express Scripts Early Imp. Comm SP / EGWP PT Pricing 10/1/2022 – 12/31/2022
Total Ingredient Costs	**$10,333,593**	**$10,200,348**
Non-Specialty	$5,525,784	$5,393,522
Specialty	$3,072,192	$4,532,855
Claims excluded from Guarantees	$1,735,617	$273,971
Dispensing Fees	**$22,276**	**$19,746**
Admin Fees	**$63,491**	**$63,917**
Rebates[1]	**$2,299,013**	**$3,436,288**
MAF Estimate		**$346,264**
Invoice Credit		**$0**
Gtd Savings Specialty Copay Program		**$0**
ANNUAL NET COSTS	**$8,120,347**	**$6,501,460**
$ reduction, compared to current		**$1,618,887**
% reduction, compared to current		**19.9%**

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

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