



Pension and Health Benefits Committee

Agenda Item 7b

June 18, 2019

Item Name: Outpatient Prescription Drug Reference Pricing Program Solicitation Update

Program: Health Benefits

Item Type: Information

Executive Summary

This agenda item provides information to the Pension and Health Benefits Committee on the approach that California Public Employees' Retirement System (CalPERS) is using to solicit proposals from Firms that have experience providing clinical pharmacy expertise, marketing, and educational services to assist in establishing and supporting an Outpatient Prescription Drug Reference Pricing Program for Basic (non-Medicare) members who receive pharmacy benefits administered by the Pharmacy Benefit Manager (PBM).

Strategic Plan

This item supports the 2017-22 Strategic Plan Goal to improve Health Care Affordability by transforming health care purchasing and delivery while providing the best value in health care to our members.

Background

In November 2018, the Committee directed CalPERS team members to move forward with implementing an Outpatient Prescription Drug Reference Pricing Program using an outside Firm to collaborate with the PBM, for CalPERS Preferred Provider Organization and non-Kaiser/Blue Shield of California Basic (non-Medicare) members. As a result, CalPERS is soliciting proposals from qualified Firms who have experience delivering marketing and service support for health plan enrollees, pharmacies, and/or prescribers. The selected Firm will assist CalPERS with the implementation and ongoing support of Reference Pricing beginning August 2019 and ending December 31, 2021.

Reference Pricing for pharmaceutical drugs covered under the PBM provides transparency to members in drug options and pricing by offering members the lower cost therapeutic alternative drug. If a member is taking a targeted drug, he/she has a choice to:

- Switch to the Lowest Cost Alternative drug and pay up to the applicable copay.

- Request medical necessity exception through the established process. With medical necessity exception, members pay up to the applicable copay.
- Pay the full cost of the target drug.

Analysis

In accordance with Government Code section 22850, CalPERS team members, initiated work on the Outpatient Prescription Drug Reference Pricing Program solicitation. On February 26, 2019, a Request for Information (RFI) for Pharmacy Benefit Management – Reference Pricing Program – RFI 2019-001 was released to solicit information from approximately 20 Firms about marketplace trends and best practices related to areas of interest i.e., experience, general education, engagement, and coordination/integration with a PBM. Responses were due on March 12, 2019; CalPERS received five responses.

CalPERS team members worked with Operations Support Services Division and the Legal Office on the approach for Outpatient Prescription Drug Reference Pricing Program – Solicitation No. 2018-8583 which includes a four-phased approach. On April 22, 2019, Phase I was released requiring Firms to meet all the minimum qualifications as follows:

- Firm must demonstrate overall experience in delivering marketing and service support for at least 5,000 health plan enrollees, pharmacies, and/or prescribers;
- Firm must demonstrate at least three years' overall experience conducting outreach to health plan enrollees, pharmacies, and/or prescribers (i.e., marketing materials, pharmacy and prescriber detailing, and support); and,
- Firm must confirm at least three years' overall experience working with public or private agencies, non-profits, and/or managed care organizations.

Phase I was due on May 3, 2019; CalPERS received seven responses. After initial review and evaluation, it was determined that all seven Firms qualified for Phase II.

Phase II requires Firms to submit the technical proposal (700 points) and fee proposal (300 points) worth a maximum of 1,000 points. Phase II was released on May 23, 2019 with a due date of June 26, 2019. The Firm(s) with the highest scores, as determined by CalPERS, will have the opportunity to proceed to Phase III and will be notified in writing by CalPERS in accordance with the Schedule of Events.

Phase III will consist of disseminating the contract and acceptance of the contract. CalPERS may choose to enter competitive negotiations during this Phase. If CalPERS elects to enter competitive negotiations, further details will be sent to the selected Firms. Firm(s) not selected for Phase III will be notified in writing by CalPERS.

In Phase IV, after the completion of Phase III, CalPERS staff may award the contract to the selected Firm.

Budget and Fiscal Impacts

Outpatient prescription drug costs continue to increase. The reasons for the increase include lack of price control in the United States, limited competition, and high-cost generics. The use of

generics, biosimilars, and evidence-based pharmacy benefit management strategies are critical to staying ahead of increasing prescription drug costs. The reference pricing pharmaceuticals by therapeutic class program is expected to mitigate future years' prescription drug costs and is consistent with the CalPERS 2017-2022 Strategic Plan; however, specific budget and fiscal impacts are unknown at this time.

Benefits and Risks

The benefits include:

- Lowers or stabilizes CalPERS prescription drug costs.
- Supports the CalPERS 2017-2022 Strategic Goal to transform health care purchasing and delivery to achieve affordability.
- Provides greater transparency of drug cost to members.
- Supports member savings.
- Implementation timeline is not dependent on rate setting cycle.

The risks include:

- Increase in member complaints and appeals with increased call volume to member services.
- Implementation could be delayed beyond January 1, 2019 depending on implementation option selected.

Attachments

Attachment 1 – Outpatient Prescription Drug Reference Pricing Program PowerPoint

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