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Pharmacy Consulting Services Proposal for: Monroe County School Board

October 26, 2018

Proposal Submitted by:

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Insurance | Risk Management | Consulting

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USA

October 26, 2018

Dr. Kathryn Flannery, EdD., SHRMCP
Employee Benefits and Risk Manager
Monroe County School Board
241 Trumbo Rd.
Key West, FL 33040

Dear Kathryn,

On behalf of Arthur J. Gallagher's Pharmacy Practice, I want to thank you for the opportunity to submit this proposal for Pharmacy Consulting Services to Monroe County School Board.

As you review our offering, it will be clear that we are the ideal consultant to support Monroe County School Board with your pharmacy benefit consulting needs. We are excited to engage in this partnership with your organization and we are prepared to begin our work when you are ready to proceed. We look forward to serving your organization with distinction by working on your behalf to advance and protect your interests in the pharmacy benefit market.

Gene Dorr, Area Vice President, Pharmacy Benefit Consulting, will lead the engagement and relationship with your organization.

If you have any questions, please contact me at 609-436-4896 or bill_nulman@ajg.com.

Sincerely,

A handwritten signature in black ink, appearing to read 'Bill Nulman', written over a horizontal line.

Bill Nulman
Area Vice President, Pharmacy Benefit Consulting

TABLE OF CONTENTS

Our Differentiators	1
The Monroe County School Board Pharmacy Account Team	2
Scope of Work	3
Phase I: PBM Procurement and Contract Negotiation.....	3
Phase II: Pharmacy Program Auditing	9
Phase III: Ongoing Consulting Support	11
Consulting Fees	13

OUR DIFFERENTIATORS

Below are several key factors that differentiate Gallagher within the pharmacy consulting industry, making us the best partner to meet your strategic goals:

- **Our People and Experience**—The Gallagher team brings years of results-oriented consulting experience and expertise from every corner of the PBM industry. Given our inside expertise Pharmacy Benefit Managers (PBM), we are especially skilled in PBM contracting, auditing, pricing, underwriting, rebate negotiations, and clinical program development.
- **Our Unique RFP Process**—Gallagher offers an industry-leading RFP process that optimizes financial and qualitative outcomes for our clients. By carefully analyzing the fine print and uncovering potential “pricing optics” up front, we ensure that the selected vendor’s contract is built from a high level of integrity from its inception. Because our client base is so diverse, our RFP tools are designed to be flexible and customizable to support any unique aspect of our clients’ plans, be it consumer-directed health (CDHP) designs, point-of-sale rebates, pass-through financial arrangements, or the carve-out of select PBM services.
- **Our Superior Data Tools** – Gallagher has developed an industry-leading data and analytics tool that allows for Gallagher to receive claims data from our clients’ PBMs in an automated fashion, and then analyze pharmacy data to produce an entire library of key pharmacy management reports to help our clients manage the clinical and financial performance of their programs. Separately, we maintain a database of all key financial parameters from our client’s PBM agreements that, when coupled with our data warehouse, provide the foundation for our advanced auditing capabilities. We regularly make updates to the tool and we employ the highest levels of data security to protect our clients’ data.
- **Our Strong Vendor Relationships**—Gallagher maintains long-standing, cooperative, and professional relationships with all vendors in the marketplace—from the smaller PBMs to the largest—including unique specialty vendors. We take pride in treating vendors fairly while advocating tirelessly for our clients. It is because of this that we are able to establish positive working relationships with C-suite level leaders within every major PBM in the industry. We do not hesitate to leverage these relationships to benefit our clients.

THE MONROE COUNTY SCHOOL BOARD PHARMACY ACCOUNT TEAM

The following Gallagher team members will provide primary support to Monroe County School Board, and the team will coordinate with additional resources to ensure that all needs are met.

Relationship Manager

Jeff Reagan, Area Senior Vice President

Lead Pharmacy Consultant

Gene Dorr, Area Vice President

Clinical Lead:

Brad Daignault, Pharm.D

Gene Dorr – Area Vice President, Pharmacy Benefit Consulting

→ **Lead Pharmacy Consultant:** *Responsible for Monroe County School Board's satisfaction with Gallagher's services, and will provide strategic oversight and guidance throughout the engagement(s) and relationship.*

Gene is an analytically focused Health Plan / Pharmacy Benefit Management (PBM) professional with 25 years of experience. His diverse operational background, client-facing consulting, and technology skills bring a unique perspective and solid value to his clients' projects. Gene's strengths include financial analytics, strategy development, and project management. As a Vice President, Gene is responsible for providing superior pharmacy consultation and the delivery of relevant solutions to pharmacy plan sponsors. Before joining Gallagher, Gene was the Senior Director, Business Operations and Analytics at OptumRx. Over the course of his career, Gene held various roles of continually increasing responsibility and scope, including tenure with BCBS, Accenture, and IMS Health.

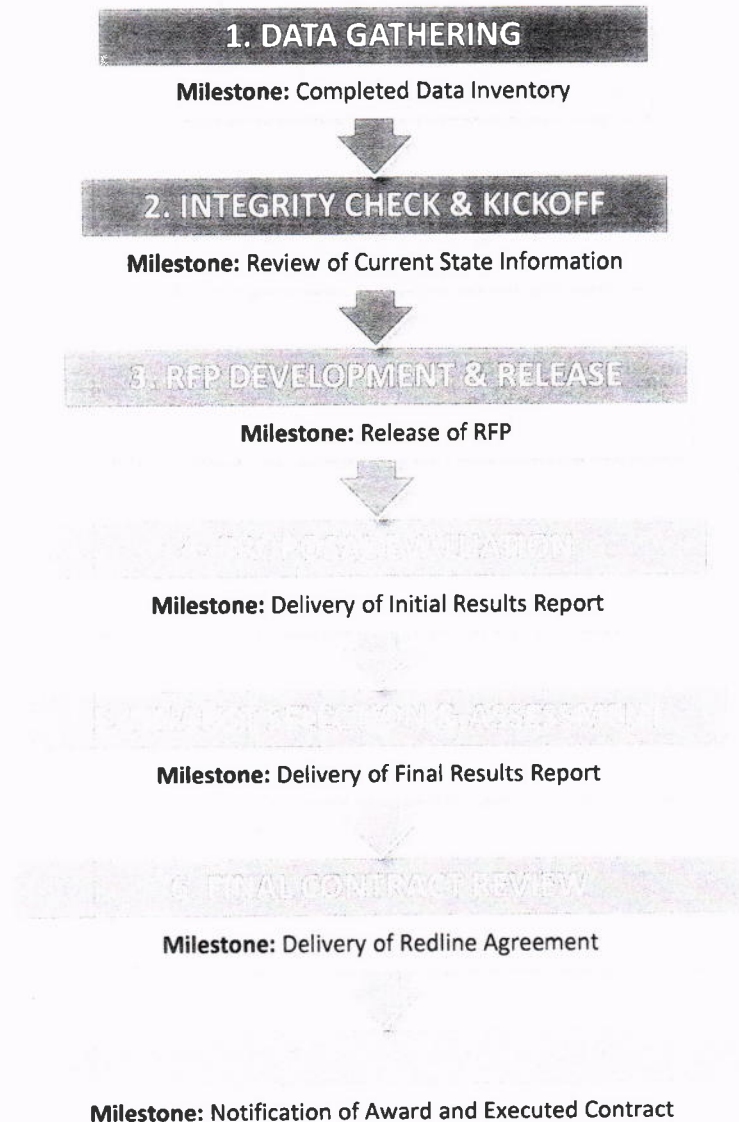
Brad Daignault, Pharm.D – Area Senior Pharmacy Consultant

→ **Clinical Lead:** *Responsible for clinical initiatives and management, and will serve as the primary clinical point of contact for Monroe County School Board during our engagement.*

Brad has 20 years of experience in the healthcare industry and has expertise in managed care pharmacy and pharmacy benefit administration. His focus supports unit cost optimization, utilization management, clinical programs, and clinical analytics. As Senior Pharmacy Consultant, he is responsible for ongoing clinical consultation services which include a broad array of solutions to help clients extract the most value from their PBM relationship. Brad has extensive expertise in the areas of formulary design and management, medication therapy management, pharmacy fraud, waste, and abuse, vendor management and oversight, and pharmacy claims analysis. Prior to joining Gallagher, Brad was the Director of Cost of Care Programs (3 years) and Director of Clinical Pharmacy (6 years) at Anthem Inc. Prior to this, Brad spent 11 years in various roles within the industry including managed Medicaid pharmacy administration, clinical decision support software, drug data compendia, and retail pharmacy.

PHASE I: PBM PROCUREMENT AND CONTRACT NEGOTIATION

Gallagher offers an industry-leading PBM procurement process, specifically designed by former PBM underwriters and professionals to optimize RFP outcomes for our clients. The following diagram provides a high-level overview of our market-tested approach for PBM procurement.



1. Data Gathering

Once our engagement is confirmed, Gallagher will begin gathering the client data necessary to support the project work at hand. These data elements may include the following:

- Current PBM service agreement
- Plan design information
- Claims data (most recent 12-24 months)
- Rebate reconciliation report
- Network reconciliation report
- Member/employee headcounts

We have developed a structured information gathering approach that we utilize to obtain the information above. Client involvement in the data gathering process is typically minimal. Gallagher will work closely with your PBM to obtain most of the information and data needed. Please be advised that the delivery of this data may require formal approval and documentation and/or the execution of a Confidentiality Agreement or Non-Disclosure Agreement by one or more of the parties involved in the data exchange.

2. Integrity Check & Kickoff

Once data gathering is complete, Gallagher will perform a detailed review of your current PBM contract and recent program performance (typically the past 12 months). This analysis will provide a baseline of the performance and integrity of your current arrangement with your PBM. The Integrity Check process is a critical first step in the process, prior to embarking on the formal RFP. It will provide Gallagher and Monroe County School Board with a clear view of the current arrangement, and will help us identify the specific areas that may need to be addressed or enhanced through the RFP. These may include:

- Contract language that is no longer market-competitive.
- Desirable contract terms that may be missing (Market Check, Management Credits, etc.).
- Performance of the PBM against existing contractual targets
- Areas for potential audit or deeper analytic review.

Gallagher will conduct a formal kickoff discussion for the RFP process. Key elements of the meeting will include:

- Confirmation of objectives, overall RFP approach, evaluation and selection criteria, proposal scoring methodology for the RFP.
- Discussion of unique business or legal requirements that Monroe County School Board may wish to include in the RFP.
- Review of a detailed project plan and timeline, including responsibilities and milestones.
- Socialization of the RFP process with any other internal Monroe County School Board stakeholders or teams, as needed (i.e. Monroe County School Board Legal, Procurement, or Finance).

- Identification of appropriate bidders for inclusion in the RFP process, based on the unique needs and characteristics of Monroe County School Board.
- Confirmation of protocols for communication between Gallagher, bidders, and Monroe County School Board stakeholders (i.e. Gallagher handles all bidder interaction).

This planning meeting will ensure a thorough understanding of Monroe County School Board's project objectives, constraints, and desired outcomes at the outset of the RFP process.

3. RFP Development & Release

Our RFP tool is industry leading. We begin with a standardized, tested RFP template that represents the culmination of our decades of experience in PBM underwriting and negotiation. We then customize this template to capture Monroe County School Board's unique characteristics as a client, including business requirements, corporate culture, and program objectives.

Our RFP includes a detailed catalogue of specific technical requirements designed to eliminate pricing gameplay and optimize the financial outcome for Monroe County School Board. Our financial and bidding requirements are all structured using "contract-ready" language, allowing us to directly translate and "pull-through" the commitments that bidders make in the RFP to the final service agreement. In addition, Gallagher requires that the PBMs provide an executable contract prior to final vendor selection. This significantly reduces the amount of time and effort required for final review and execution of the resulting agreement.

The RFP is comprehensive, and will address all financial and qualitative aspects of the vendor offerings to Monroe County School Board, including:

- | | |
|-----------------------------------|--------------------------------------|
| ▪ Pricing & Financial Terms | ▪ Account Services |
| ▪ Business Requirements | ▪ Member Services |
| ▪ Legal Requirements | ▪ Plan Management Tools & Innovation |
| ▪ Utilization Management Approach | ▪ Data Security & IT |
| ▪ Specialty Management Strategy | ▪ Audit Rights |
| ▪ CDHP Integration & Support | ▪ Service Performance Guarantees |

Gallagher will manage the release of the RFP using our secure delivery system. We can coordinate with client stakeholders as needed to align with any internal procurement protocols that might be relevant to the PBM RFP process (i.e. use of a specific delivery platform, proposal retention procedures, etc.).

4. Proposal Evaluation

Gallagher will conduct a comprehensive evaluation of the quantitative and qualitative aspects of all RFP responses.

Bidder financial proposals will be evaluated using our proprietary pricing evaluation model. As part of this process, Gallagher's financial experts will:

- Use Monroe County School Board's historical claims data to develop baseline cost projections under the current financial arrangements.
- Evaluate bottom-line project costs under each bidder's proposed financial offer, using forecasting assumptions recommended by Gallagher.
- Develop a line-items comparison of financial offers by each financial guarantee component.
- Identify all deviations from the financial requirements, and incorporate the financial impact of these deviations into our financial results.
- Quantify and assess any proposed credits, allowances, or other financial incentives offered by each bidder.

In addition to the financial evaluation described above, Gallagher will conduct a detailed qualitative evaluation of bidder proposals. Under our qualitative assessment, Gallagher will:

- Evaluate bidders' compliance with minimum vendor requirements and performance guarantees.
- Evaluate and score the full range of bidders' services and capabilities based on Monroe County School Board's requirements including account service, member service, clinical management, specialty drug management, etc.
- Assess and quantify the member disruption associated with each bidder's proposed formulary strategy, including detail on the most highly-utilized impacted drugs.
- Assess and quantify the member disruption associated with the unique composition of each bidder's proposed retail network.
- Assess each vendor's proposed performance guarantees against best-in-class comparators.

At the completion of this evaluation process, Gallagher will produce and deliver an **INITIAL RESULTS REPORT** to Monroe County School Board via a conference call. Our report will include Executive Summary content, suitable for distributing the initial findings to key stakeholders within your organization.

5. Finalist Selection & Assessment

During the Initial Results Meeting, Gallagher will facilitate the selection of finalist bidders for the remainder of the process. We will work with Monroe County School Board to select finalists that possess the qualifications and capabilities to be a suitable vendor partner for your organization. During this meeting, we will:

- Help Monroe County School Board select two or three finalist bidders for continued negotiation.
- Highlight specific areas that we believe are suitable for further negotiation with finalists.
- Determine appropriate follow-up questions for the finalists.
- Agree on timing and logistics for the scheduling the finalist meetings.
- Confirm next steps for reference checks.

Gallagher will also coordinate and facilitate finalist interview meetings, including the following:

- Develop meeting agendas and schedule meetings.
- Hold calls with each finalist to prepare them for the meeting.
- Solicit and evaluate “Best-and-Final Offers” (BAFOs), including enhancements to financial and qualitative commitments for each finalist proposal.
- Conduct PBM client reference check calls on behalf of Monroe County School Board, and report back on findings (if desired, Gallagher can arrange for Monroe County School Board to conduct these directly).
- Present updated evaluation results to Monroe County School Board in a **FINAL RESULTS REPORT** before finalist meetings.
- Facilitate finalist meetings.
- Debrief with Monroe County School Board to determine follow-up and next steps.
- Support the development of any required management presentations, to facilitate the internal decision-making process within your organization.

6. Final Contract Review

Gallagher will conduct a final contract review of the finalist bidder service agreements, to ensure that all of contractual commitments made during the RFP process are correctly incorporated into the proposed contract draft. We have negotiated many contracts with the PBMs and other ancillary vendors (retail network providers, specialty vendors, claims processors, clinical vendors) and are very familiar with their standard contracts, as well as contracting best practices that will be incorporated into the agreement(s).

During our contract review, Gallagher will provide detailed redline versions of the service agreement to Monroe County School Board, and will meet with Monroe County School Board to review these documents and discuss strategies for final negotiation and resolution of any issues identified in our review. Please note that Gallagher is not a law firm, and as such our review of the service agreement will focus on technical, financial, and operational aspects of the vendor arrangement. We recommend that you have your corporate legal staff (or suitable outside counsel) conduct a parallel review of the agreement to address any legal or business concerns that your organization may have.

7. Award of Business

Once award of business is confirmed by Monroe County School Board, Gallagher will notify all bidders of the award decision, concluding the RFP process. At Monroe County School Board's discretion, Gallagher will conduct bidder debrief discussions with all bidders on Monroe County School Board's behalf, to help each vendor understand the rationale for the final award decision.

PHASE II: PHARMACY PROGRAM AUDITING

Under the hood, the pharmacy program is the most complex benefit arrangement that Monroe County School Board offers to its employees and their dependents. Thorough auditing of your chosen PBM partner is the best way to ensure that financial accuracy is being maintained, plan parameters are being adhered to, and that any errors are caught and corrected. Further, financial recoveries may be owed to Monroe County School Board if pharmacy claims are not adjudicating properly and if financial and/or contractual commitments are not being met. Any such shortfalls must be clearly identified. This is what the highly experienced PBM auditors in Gallagher's National Pharmacy Practice will do for Monroe County School Board. They will also pursue any and all financial recoveries due to Monroe County School Board. The following sections describe our recommended scope for PBM auditing, as well as the different components.

Post-Implementation Audit

The transition of this complicated arrangement from one vendor to another warrants careful oversight and monitoring. In Gallagher's experience, post-implementation audits have been instrumental in ensuring implementation accuracy and a smooth transition to a new PBM vendor.

The primary objective of the post-implementation audit is to confirm that the selected vendor has correctly programmed Monroe County School Board's pharmacy program terms in the adjudication system. This is all completed after the plan goes live, to ensure programming accuracy, and to minimize member or plan disruption if errors are found.

As part of this post-implementation audit process, Gallagher will:

- Confirm that all documented drug coverage was accurately applied, and verify excluded drugs.
- Determine that member cost share was accurately applied.
 - Brand & Generic Copayment/Coinsurance amounts
 - Formulary & Non-Formulary Copayment/Coinsurance amounts
 - Specialty Pharmacy Copayment/Coinsurance amounts
 - Exception Copays (Copoly Drug Lists) amounts
 - Dispense as Written (DAW) Rules
- Assess the accuracy of the AWP Unit Cost, MAC price, and Specialty AWP discounts.
- Confirm that all documented clinical rules were accurately applied to all plans, including:
 - Prior-Authorizations
 - Quantity Limits
 - Step Therapies
 - Day supply limits

Our audit process will conclude with the delivery of a detailed **AUDIT RESULTS REPORT** to Monroe County School Board. The report will clearly identify all findings and deviations, and will recommend a course of action for resolution of all open issues. Gallagher will work closely with the PBM to ensure resolution of all issues to alleviate further errors and inconsistencies.

Annual PBM Auditing

Our audit process will thoroughly review your pharmacy plan's financial and administrative performance and independently verify that all guarantees are being met, including discounts, rebates, and other financial components. Our audit process will also verify that the terms of Monroe County School Board's contract with the PBM are being adhered to and that all plan design components are adjudicating properly. Should we discover that the PBM is falling short of their contractual obligations, we will ensure that all unmet guarantees are directly reimbursed back to Monroe County School Board.

To conduct the audit, our audit team will analyze Monroe County School Board's prescription drug claims paid for the most recent 12-month period. Our auditors will analyze your claims data to calculate effective discounts and dispensing fees achieved during the audit period and identify any paid claims that were not processed accurately. Our analysis will include, but is not limited to, the following:

- Rebate assessment to determine whether the PBM met/exceeded the rebate guarantee
- Aggregate retail and mail order discounts and dispensing fees for the audit period
- Incorrect Average Wholesale Price (AWP) discounts for specialty drugs
- Incorrect AWP and Maximum Allowable Cost (MAC) pricing
- Claims that do not adhere to the plan design parameters:
 - Member cost share (copayments/co-insurance, day supply limits, etc.)
 - Compliance with clinical programs/protocols (e.g., prior authorizations, step therapy, quantity limits, drug exclusions, refill-too-soon)
- Duplicate payments

We recommend two annual audits: the first to be conducted in the second year of the PBM contract (to review first-year claims), the second in the third year (to review second-year claims).

PHASE III: ONGOING PHARMACY CONSULTING SUPPORT

Gallagher's National Pharmacy Practice is comprised of highly experienced consultants, clinical pharmacists, and analysts that will consult with Monroe County School Board on an ongoing basis to identify opportunities to improve the financial and clinical performance of your pharmacy benefit program. Our services focus on clinical savings opportunities and optimal plan design with an emphasis on the following key components:

- Identifying major cost drivers of pharmacy utilization.
- Identifying opportunities that promote utilization of more cost-effective medications.
- Analyzing the effectiveness of formulary and authorization criteria.
- Evaluating enhanced plan design options to drive quality and cost containment.
- Identifying and curtailing fraud, waste, and abuse.

Your lead pharmacy consultant, in tandem with support from a clinical pharmacist (Pharm.D.), will provide the following services to Monroe County School Board, depending on your specific needs:

- **Continual consultation and support** – We will assist Monroe County School Board with pharmacy strategy reviews and evaluations as offered by your PBM based on your needs, drug utilization data, and market dynamics. This will include the evaluation of formulary and utilization management programs relative to:
 - Trends and approaches in the marketplace.
 - Third party, objective feedback when your PBM proposes new coverage rules or other formulary/clinical changes.
 - Review of available solutions and options jointly with PBM (or other third party) partner.
 - Support additional assessments as mutually agreed upon.
- **Financial and clinical review of PBM performance** – Both your lead consultant and clinical pharmacist will review performance reports provided by your PBM to analyze trends in drug utilization, identify issues, and provide actionable information in terms of custom solutions to meet pharmacy challenges and improve program performance.
- **Participation in PBM performance meetings** – We will participate by phone in quarterly performance meetings and attend, in-person, one annual performance review meeting with Monroe County School Board and the PBM. Your Gallagher pharmacy consultant will be there as an advocate to pre-view meeting materials, provide guidance, and bring support that ensures financial and quality objectives are being met by your PBM.

- **Bi-annual Pharmacy Performance Executive Report (PPER)** – We will provide Monroe County School Board with our proprietary reporting twice per year which analyzes pharmacy claims data. This presentation-style report provides clinical and financial insight and details the most influential drivers of drug costs. It will also identify opportunities for improved cost containment. The PPER is designed in a “dashboard” format so that the complex information that is issued by the PBM is interpreted and then translated into clear, understandable, actionable information.
- **Drug Industry and Marketplace Perspectives** – We will provide industry news updates, whitepapers, and perspectives on key medications, drug pipeline, and insights on utilization management strategies in the current marketplace.
- **Educational Webinars** – We will invite staff members designated by Monroe County School Board to participate in educational webinars hosted by Gallagher’s National Pharmacy Practice. These sessions are designed to highlight timely and relevant topics within the pharmacy benefits industry to equip your own benefits staff to better understand pharmacy benefits so that they can optimally support Monroe County School Board’s plan participants.

CONSULTING FEES

Service Component	Consulting Fee
PBM Procurement and Contract Negotiation <i>Includes up to five (5) RFP respondents and three (3) finalists. <u>Any additional respondents are \$5,000 per vendor.</u> Includes one onsite visit for finalist meetings.</i>	\$38,500 (plus \$5,000 per vendor > 5)
Pharmacy Program Auditing (Optional) <i>Includes one post-implementation audit and two annual pharmacy program audits. May choose 1, 2, or 3 audits.</i>	\$105,000 (\$35,000 per audit)
Ongoing Pharmacy Consulting Support (Optional)	\$10,000 per quarter

Project Change Control

In the process of engagement, additional work may be required based upon discovery or changes requested by Monroe County School Board. If variations from the original Scope of Work are deemed necessary and material, a mutually agreed-upon change request addendum will be created. Gallagher will provide a change request addendum for Monroe County School Board to review and sign before any work outside the original scope is performed or additional expenses are incurred or invoiced to Monroe County School Board.

Confidentiality

Gallagher agrees to maintain, as strictly confidential, all information relating to Monroe County School Board. Monroe County School Board's information is proprietary to Monroe County School Board and shall be used solely by Gallagher in connection with the services set forth in Agreement. Gallagher will execute the appropriate Confidentiality/Non-Disclosure Agreements deemed necessary to complete the project.

Liability

Under no circumstance will Gallagher be liable to Monroe County School Board for costs of procurement of substitute goods or services; lost profits; lost sales or business expenditures; investments; or commitments in connection with any business, loss of any goodwill, or for any indirect, special, incidental, or consequential damages arising out of or related to this agreement or use of Gallagher's services, however caused, on any theory of liability, and whether or not Gallagher has been advised of the potential of such damage.


Services selected (check):

- ☐ **PBM Procurement and Contract Negotiation**
- ☐ **Pharmacy Program Auditing**
 - **Post-Implementation Audit**
 - **Year 1 Financial Reconciliation Audit**
 - **Year 2 Financial Reconciliation Audit**
- ☐ **Ongoing Pharmacy Consulting Support**

Agreed to by:

Mark T. Porter
Printed name

Monroe County School District
Company


Signature

February 27, 2019
Date

