

# The challenge

## State of New Jersey – by the numbers

- 700,000+ members
- Annual spend of \$2.2b
- 11 million+ claims
- Long-term relationship with incumbent PBM



## Pharmacy benefit plans

- Large plan with many stakeholders
- Multiple, complex plan design and formularies
- Expensive
- Hard to measure and manage
- It's a black box!



# Reverse Auction Legislation

**“We are rooting out PBM profiteering at the expense of New Jersey taxpayers and public employees.”**

**We are achieving enormous savings without any cuts in public employee benefits and no compromises in the quality of health care for hard working public employees and their families.”**



# A fresh approach: The PBM reverse auction

- Innovative, forward-thinking approach
- Scalable reverse auction platform
- Granular analysis of 100% of claims
- Levelled playing field among bidders for objective comparison
- Dynamic, competitive PBM marketplace lowered prices
- Entire process: weeks not months

## The process



# The PBMs are invited to bid



To ensure delivery to your inbox, please add [info@truveris.com](mailto:info@truveris.com) to your address book.

## TruBid®

Hello:

You have been invited to participate in a TruBid RFP for Sample State. Sample State is comprised of approximately 300000 employees and 750000 members. The RFP will be released on 10/07/2019 04:43 PM, and the RFP is for plan year 01/01/2020.

Company Background:

Bidding Information:

The first round is due electronically by 10/28/2019 02:03 PM. Finalists will be selected after being reviewed by the appropriate parties and B & F instructions will be provided to those bidders.

Should the PBMs choose to respond to this RFP, the PBMs will have access to a census and claims data file inside the RFP on the instruction page.

Please let us know if your organization plans to participate in this RFP by 10/15/2019 02:02 PM. We look forward to your response, and should you have any questions, do not hesitate to email: [rfp\\_questions@truveris.com](mailto:rfp_questions@truveris.com).

Please login to TruBid at the link below for further information.

TruBid: [click here](#)

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# Creating a level playing field – terms



Terminology and definitions are set and agreed-to upfront

Helps state conduct side-by-side Contractual comparisons

TruBid®

BID INSTRUCTIONS BID SELECTION TERMS DRUG CLASSIFICATION PRICING PROPOSAL REBATES PHARMACY NETWORK FORMULARY DISRUPTION BID SCENARIOS RFP SUMMARY ?

Sample State (Bid ID: #14799) First Round: 19 DAYS 3 HRS 33 MINS

All terms must be accepted or declined. In some instances, you may be required to upload a document. Any documents uploaded to terms must pertain to the term question only. Supplemental documentation unrelated to requested items will NOT be accepted. If a term is marked "Explanation Required if Declined", you must provide a reason for declining in the text box provided. Please note, if you require a caveat or explanation to a term in order for it to be accepted it should be declined.

DEFINITIONS	INCORPORATION OF BID TERMS	PLAN MANAGEMENT SERVICES	OPERATION SERVICES	AUDIT	PRICING AND GUARANTEES	REBATES
CONTRACT TERM	PERFORMANCE GUARANTEES	CUSTOM TERMS				

1) DEFINITIONS (RELATIVE SCORE: 1)

1.1 "Administrative Fee" means the amount that PBM charges to Plan Sponsor as compensation for PBM to perform Services, based on a per Paid Claim, PEPMP, and/or PMPM basis set forth in the Pricing Proposal.

1.2 "Affiliate" means an entity that directly, indirectly or through one or more intermediaries controls, is controlled by or is under common control with a Party. For purposes of this definition, "control" means the direct or indirect possession of the power to (i) elect at least fifty percent (50%) of the governing board or (ii) direct or play a significant role in the management and policies of the affiliated entity, whether through ownership of voting securities, partnership or limited liability interests, nonprofit membership, contract or otherwise.

1.3 "Agreement" means the final written contract entered into by the PBM and Plan Sponsor based on the terms set forth in this Bid.

1.4 "Authorized Generic" means an approved brand name drug that is marketed without the brand name on its label. It is the exact same drug product as the branded product. Authorized Generics are marketed and/or sold under a generic name by either the innovator or another manufacturer

ACCEPTED DECLINED Set as default

[https://portal.truveris.com/rfp/accept\\_terms/3042?bid\\_id=14799#](https://portal.truveris.com/rfp/accept_terms/3042?bid_id=14799#)

# Ensuring consistent drug classification

The classification of drugs can unnecessarily increase spend and can impact rebate performance



**TruBid®**

BID INSTRUCTIONS BID SELECTION TERMS DRUG CLASSIFICATION PRICING PROPOSAL REBATES PHARMACY NETWORK FORMULARY DISRUPTION BID SCENARIOS RFP SUMMARY ?

Sample State (Bid ID: #14799) First Round: 19 DAYS 3 HRS 32 MINS

Based on the definition provided below please indicate from an adjudication and net effective rate true-up basis how your organization treats each component. Also indicate if there are a minimum number of manufacturers needed for a drug to be considered multi-source for multi-source generic and single-source generic determination. Please note the selections made on this page will serve as your organization's contractual definitions for the terms listed below and shall be used in calculation for pricing guarantees set forth in the Pricing Proposal.

Classification Source: Medi-Span   Set as default

Multi-Source Generics: Generic   Set as default

Single-Source Generics: Generic   Set as default

Minimum Manufacturers for Multi-Source: No  Set as default

Single-Source Brands: Brand   Set as default

Multi-Source Brands (Non-Innovator): Brand   Set as default

Multi-Source Brands (Innovator): Brand   Set as default

Rebate Classification: Brand Classified Scripts   Set as default

**COMPLETE**

**Multi-Source Generics:**  
Indicated when using Medi-Span by a Multi-Source Code 'Y' or when using FDB by a GNI '1' and NDCG1 '1'.

**Single-Source Generics:**  
Indicated when using Medi-Span by a Multi-Source Code 'M' or 'N' with a Brand Name Code 'G' or when using FDB by a GNI '1' and NDCG1 '2'.

**Multi-Source Brands (Non-Innovator):**  
Indicated when using Medi-Span by a Multi-Source Code 'O' with a Brand Name Code not equal to 'T' or when using FDB by a GNI '0' or '2' with an NDCG1 '1' and INNOV of '0'.

**Multi-Source Brands (Innovator):**

# Pricing proposals



PBMs input proposed discounts

This can be analysed on a claim-by-claim basis to give a more accurate proposal

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BID INSTRUCTION > BID SELECTION > TERMS > DRUG CLASSIFICATION > **PRICING PROPOSAL** > REBATES > PHARMACY NETWORK > FORMULARY DISRUPTION > BID SCENARIOS > RFP SUMMARY

Sample State (Bid ID: #14797) First Round: 19 DAYS 3 HRS 26 MINS

Please note: Pricing guarantees input into this section reflect your responses to the qualitative and financial terms section of the RFP.

**PRICING STRUCTURE**

Retail Channel	Traditional
Mail Channel	Traditional

**PRICING SOURCE**

The drug information database used to calculate pricing	AWP	Medi-Span
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**AVERAGE COST GUARANTEES (average across Guarantee Period)**

	YEAR 1	YEAR 2	YEAR 3
	%	%	%
Discounts (Average 12 Month)	17.50	17.50	17.50
Retail Brand			
Retail Generic	72.00	72.00	72.00
Mail Brand (1 to 999 days)	22.00	22.00	22.00
Mail Generic (1 to 999 days)	78.00	78.00	78.00

**Dispensing Fee (Average 12 Month)**

	\$	\$	\$
Retail Brand	1.25	1.25	1.25
Retail Generic	1.25	1.25	1.25
Mail Brand (1 to 999 days)	0.00	0.00	0.00
Mail Generic (1 to 999 days)	0.00	0.00	0.00

**CLAIM ADJUDICATION RATES**

	MIN CLAIM PRICE	YEAR 1	YEAR 2	YEAR 3	
	\$	%	%	%	
Ingredient Cost (Min. Discount per Claim)					
Retail Brand	Lesser of: <input checked="" type="checkbox"/> AWP <input type="checkbox"/> MAC <input type="checkbox"/> U&C	0.00	17.50	17.50	17.50
Retail Generic	Lesser of: <input checked="" type="checkbox"/> AWP <input type="checkbox"/> MAC <input type="checkbox"/> U&C	0.00	72.00	72.00	72.00
Mail Brand (1 to 999 days)	Lesser of: <input checked="" type="checkbox"/> AWP <input type="checkbox"/> MAC <input type="checkbox"/> U&C	0.00	22.00	22.00	22.00

\*Sample, deidentified data

# First round results



## FINANCIAL SUMMARY: 3 YEAR

	Current Contract	Market Comp #3 Bid #14801	Market Comp #1 Bid #14802	Market Comp #2 Bid #14797
Status		Submitted	Submitted	Submitted
Ingredient Cost	\$24,950,012	\$22,499,738	\$22,761,668	\$24,200,497
Dispensing Fee	\$161,734	\$106,033	\$118,019	\$148,098
<b>Drug Spend</b>	<b>\$25,111,746</b>	<b>\$22,605,771</b>	<b>\$22,879,687</b>	<b>\$24,348,595</b>
Admin Fees	\$2,700,000	\$0	\$0	\$0
Admin Credits	\$0	\$0	\$0	\$0
Rebates	(\$7,781,327)	(\$6,093,385)	(\$6,655,605)	(\$5,870,187)
Other Financial Considerations	\$0	\$0	\$0	\$0
Projected Bid Cost	\$20,030,419	\$16,512,385	\$16,224,082	\$18,478,409
Proj. Current Plan Cost	N/A	\$20,030,419	\$20,030,419	\$20,030,419
<b>Total Savings \$</b>	<b>N/A</b>	<b>\$3,518,033</b>	<b>\$3,806,337</b>	<b>\$1,552,010</b>
<b>Total Savings %</b>	<b>N/A</b>	<b>17.56%</b>	<b>19.00%</b>	<b>7.75%</b>
Implementation Allowance	\$0	\$0	\$0	\$60,000
Performance Guarantees Risk	\$0	\$0	\$0	\$8

\* Plan & Member spend/savings assume same level of member cost share % as historical claims data

Detailed comparisons by PBM

Forecasted total drug spend for easy side-by-side comparisons

Estimated savings by PBM

Comparisons include readjudication of 100% of historical claim data against each proposed PBM contract

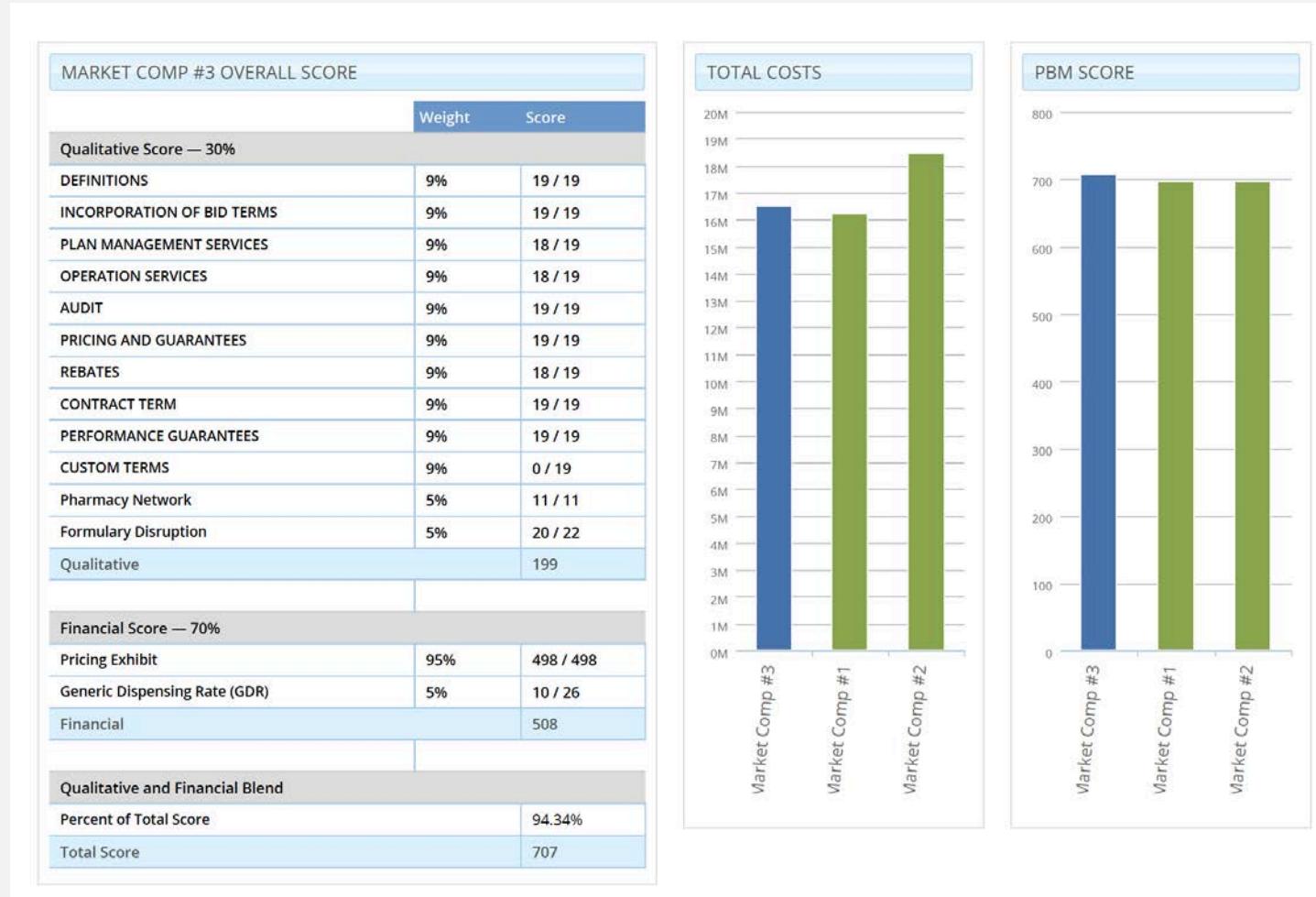
\*Sample, deidentified data

# Round 1 results: PBMs see how their bids compared and improve



Scores weighted by importance to the plan – configurable by plan

Objective, third party scoring – no misaligned incentives



\*Sample, deidentified data

# Second round results



## FINANCIAL SUMMARY: 3 YEAR

	Current Contract	Market Comp #3 Bid #14806	Market Comp #2 Bid #14805	Market Comp #1 Bid #14804
Status		Submitted	Submitted	Submitted
Ingredient Cost	\$24,950,012	\$22,499,738	\$23,817,876	\$22,587,237
Dispensing Fee	\$161,734	\$106,033	\$148,098	\$118,019
<b>Drug Spend</b>	<b>\$25,111,746</b>	<b>\$22,605,771</b>	<b>\$23,965,974</b>	<b>\$22,705,256</b>
Admin Fees	\$2,700,000	\$0	\$0	\$0
Admin Credits	\$0	\$0	\$0	\$0
Rebates	(\$7,781,327)	(\$6,933,001)	(\$5,870,187)	(\$6,715,891)
Other Financial Considerations	\$0	\$0	\$0	\$0
Projected Bid Cost	\$20,030,419	\$15,672,769	\$18,095,788	\$15,989,365
Proj. Current Plan Cost	N/A	\$20,030,419	\$20,030,419	\$20,030,419
Total Savings \$	N/A	\$4,357,649	\$1,934,631	\$4,041,053
Total Savings %	N/A	21.76%	9.66%	20.17%
Implementation Allowance	\$0	\$0	\$60,000	\$0
Performance Guarantees Risk	\$0	\$0	\$8	\$0

Estimated savings by PBMs has improved from first round

# Contract awarded



To ensure delivery to your inbox, please add [info@truperis.com](mailto:info@truperis.com) to your address book.

**TruBid®**

Hello:

Please note that there is a new pending item posted regarding RFP #3042 for Sample State that requires your response by 11/01/2019 11:59 PM.

New Pending Item:

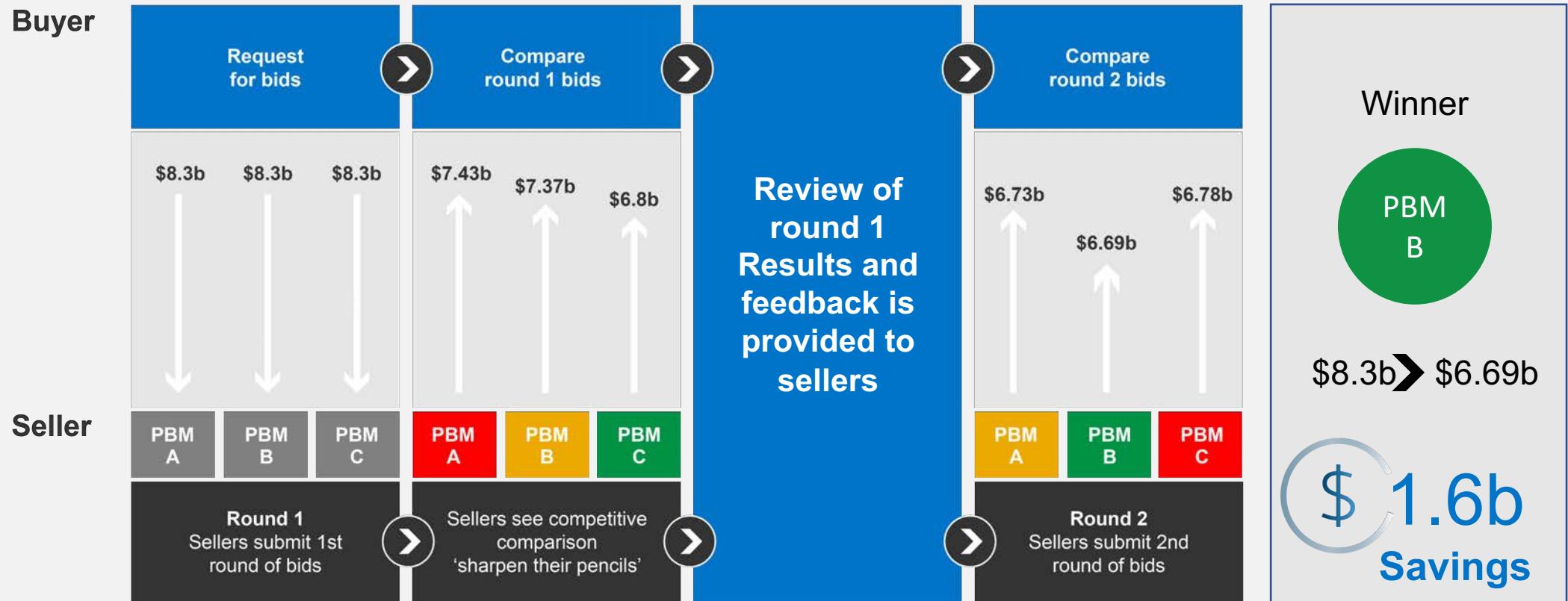
Congratulations!! The Client has awarded their business to Sample PBM and has requested that Sample PBM provide an executable contract based on the final offer submitted in the TruBid platform. Please provide your ETA as we would appreciate a timely response to communicate to the client. Please provide contact information for your Implementation Manager, as well as for your Billing Contact (name, address and e-mail). Thank you for your continued assistance.

Please submit your responses through the portal [here](#). Responses via e-mail will not be considered.

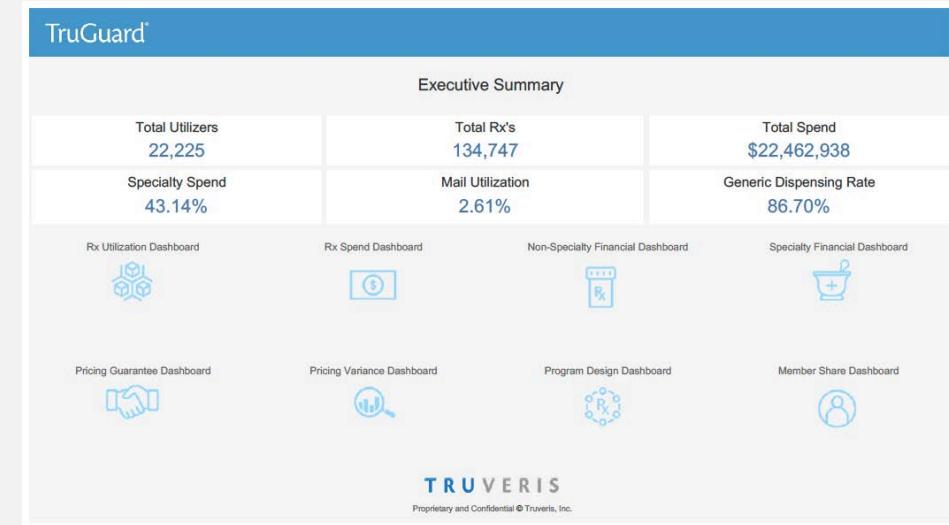
Thank you for your cooperation.

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# PBM reverse auction process: Bid results 2017



# Beyond the RFP: ensuring ongoing PBM accountability and contract oversight



The state employs continual contract performance monitoring for PBM accountability

\*Sample, deidentified data

## Ongoing PBM accountability and oversight: sample results



\$900,000+  
Shortfall  
Impact



\$42 Million



\$2.2 Million



\$800,000

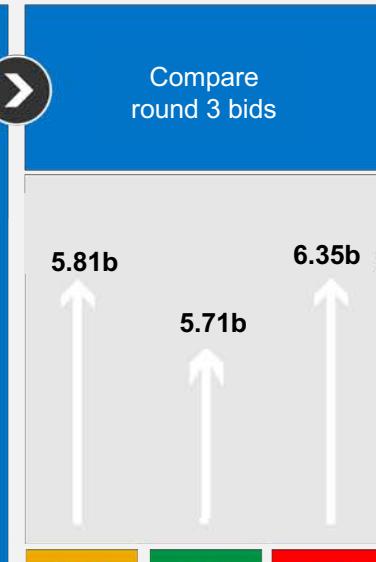
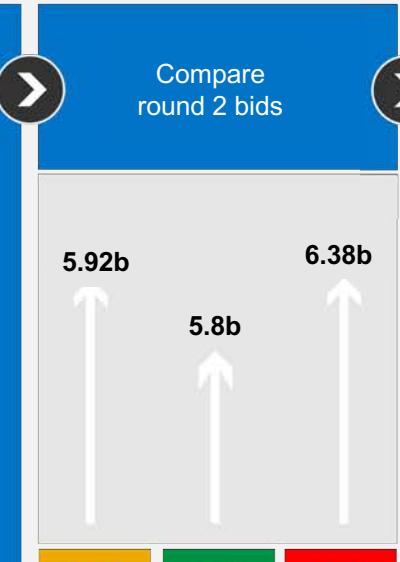
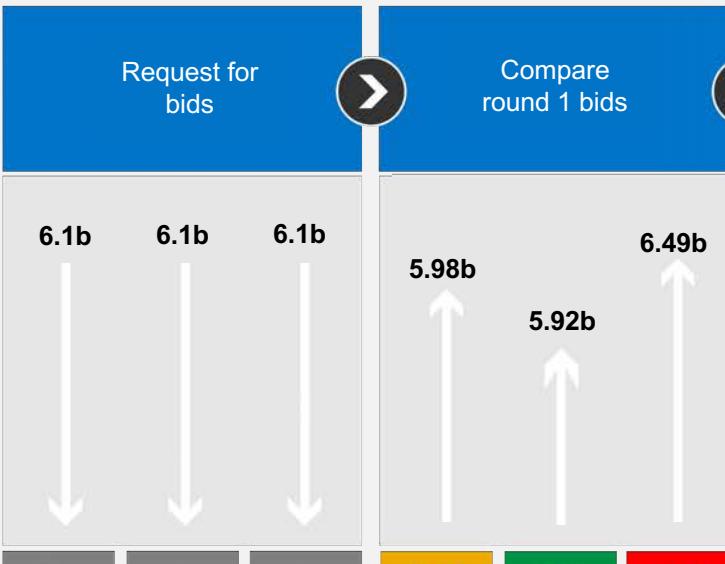
Additional identified savings potential: **\$45.9m**

## Court Ordered Rebid:

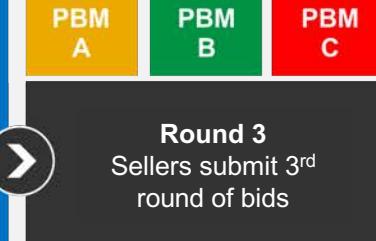
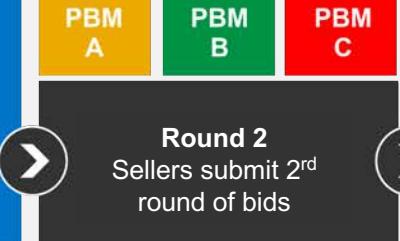


# PBM reverse auction process: Bid results 2019

Buyer



Seller



**Review of round 1  
Results and feedback is provided to sellers**

**Review of round 2  
Results and feedback is provided to sellers**

Winner:

PBM B

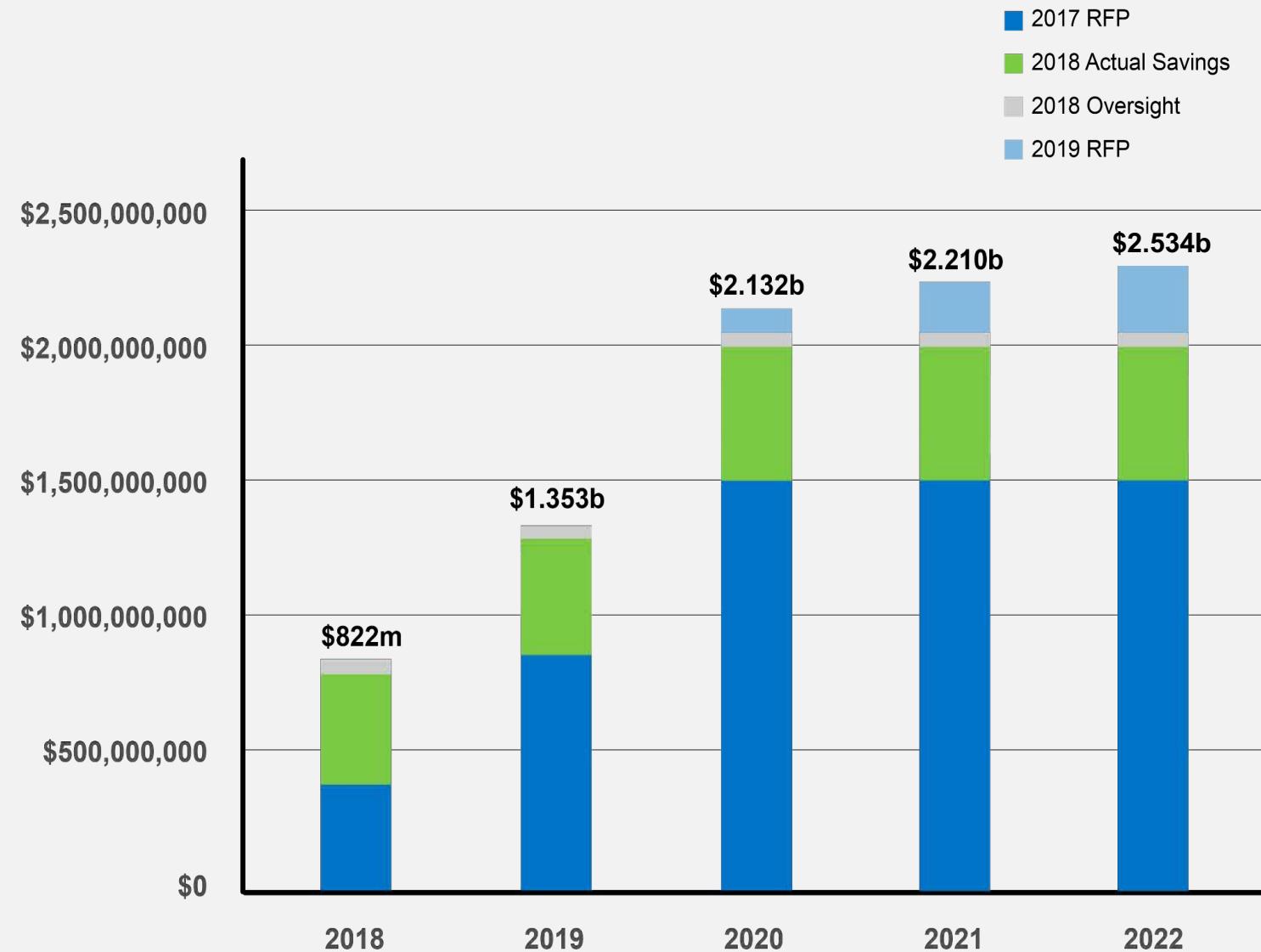
\$6.1b > \$5.7b

\$ 485m  
Savings

# Accrued savings over the life of PBM contract

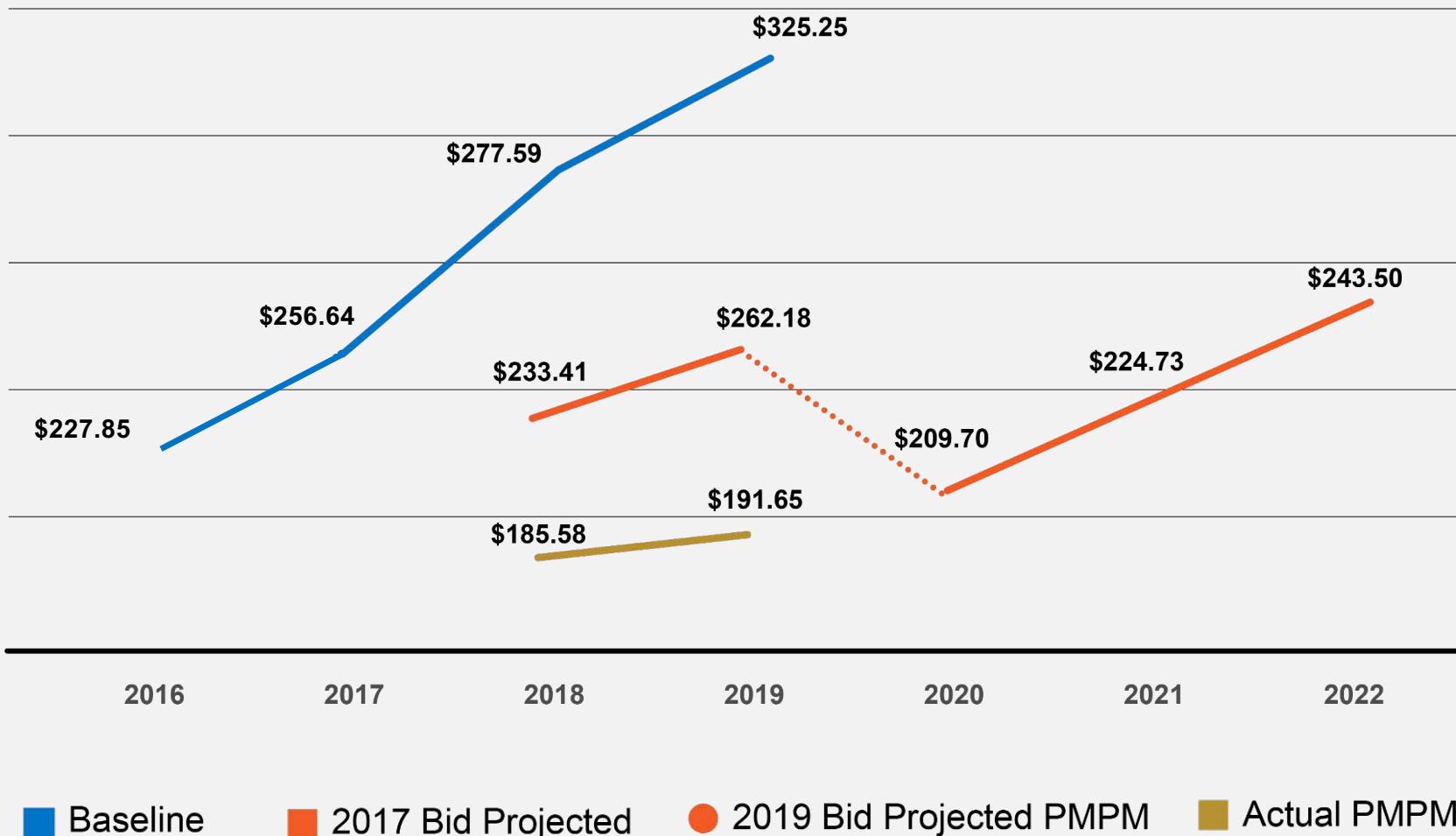
\$1.6 Billion 2017 TruBid® RFP  
\$403 Million 2018 Savings Over Projected  
\$45.9 Million 2018 Identified Potential from Oversight  
\$485 Million 2019 TruBid® RFP

**\$2.53 Billion Total Projected Savings by 2022**



# PMPM 2016 – 2022

## Baseline from incumbent PBM, Truveris Projections, Actuals



### PMPM Savings

**2018**

\$277.59 (Baseline)  
- \$185.58 (Actual)

**\$92.01**

**2018 PMPM Savings**

**2019**

\$325.25 (Baseline)  
- \$191.65 (Actual)

**\$133.60**

**2019 PMPM Savings**

# Cutting Costs Without Cutting Benefits

[truveris.com/NJ](http://truveris.com/NJ)

