



North Dakota
Public Employees Retirement System
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REQUEST FOR PROPOSAL

FOR

North Dakota Public Employees Retirement System

Pharmacy Benefit Manager Audit

September 2009

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- | | | |
|------------------------------------|----------------------------------|-----------------------------------|
| • FlexComp Program | • Retirement Programs | • Retiree Health Insurance Credit |
| • Employee Health & Life Insurance | - Public Employees | • Deferred Compensation Program |
| • Dental/Vision Program | - Highway Patrol | • Long Term Care Program |
| | - National Guard/Law Enforcement | |
| | - Judges | |
| | - Prior Service | |
| | - Job Services | |

SECTION 1 – INTRODUCTION

This Request for Proposal (RFP) is for soliciting services to do a claims and rebate audit of the Pharmacy Benefit Manager (PBM) that provides services to the North Dakota Public Employees Retirement System (NDPERS). NDPERS is a fully insured plan with BCBS but our contract provides for our plan to be accounted for separately. At the end of the contract period if there is surplus in the account each party shares in the gain pursuant to the contract. While BCBS selects the PBM it is in PERS interest to insure that all claims are properly paid by that vendor and all rebates are returned to the PERS account pursuant to the guidelines agreed upon. PERS is seeking a firm to do an audit to insure that these arrangements are proceeding as expected.

Following is a sequence of major activities:

September 2009	RFP is issued
November 2009	Proposals due
December/January 2009	Audit firm selected
January – April 2010	Project work
May 2010	Draft report due
June 2010	Final report

The following is the outline of this proposal:

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SECTION 2 - BACKGROUND

A. The Agency:

The North Dakota Public Employees Retirement System is responsible for the administration of the State's retirement, health, life, dental, deferred compensation, flex comp, retiree health insurance credit, long term care and EAP programs.

PERS is managed by a Board comprised of seven members:

- 1-Chairman appointed by the Governor
- 1-Member appointed by the Attorney General
- 1-Member elected by retirees
- 3-Members elected by active employees
- 1-State Health Officer

PERS is a separate agency created under North Dakota state statute and, while subject to state budgetary controls and procedures as are all state agencies, is not a state agency subject to direct executive control.

B. Group Health:

The Uniform Group Health Insurance Plan is a fully insured plan with BCBSND. All state employees are eligible to be covered under the plan, including the professional staff at colleges and universities. Political subdivisions may participate in the health plan at their option. The following is the plan statistics:

AGENCY	
State	96
Counties	39
School Dist	27
Cities	57
Others	64
	283
EMPLOYEES	
State	13,984
Counties	1,791
School Dist	1,217
Cities	991
Others	511
Legislators	126
Retirees	5,462
COBRA	554
	24,636

SECTION 3 SCOPE OF SERVICES

Scope of Services/Plan Design

North Dakota Public Employees Retirement System (“NDPERS”) is requesting an audit of rebates by conducting an on-site evaluation of certain Prime Therapeutics’ (“Prime”) manufacturer contracts to ensure rebate reimbursement to NDPERS is accurate. NDPERS is also requesting an audit of pharmacy claims to ensure adjudication accuracy and to verify spread pricing is not occurring. Prime provides pharmacy benefit management services for Blue Cross Blue Shield of North Dakota (“BCBSND”). NDPERS is an employer group of BCBSND. See Attachment 1 for a description of the pharmacy benefit.

Timeline

NDPERS anticipates the audit to take place during the month of February of 2010. In February, the most current closed quarter for audit rebates will be the fourth quarter of 2008. Review of the manufacturer contracts must be conducted at Prime’s corporate headquarters in Eagan, MN. The audit of pharmacy claims may or may not be conducted on-site at the time manufacturer contract review takes place.

Audit Agreement

Prime will require the auditor to sign an audit agreement specifying that the information disclosed during the audit is confidential and to be used solely for the purpose of conducting the immediate audit and the information may not be used outside of the immediate audit.

Audit Scope Methodology

The formulary rebate audit will determine if Prime is complying with the contractual terms related to formulary rebates and that NDPERS has received the rebate amounts. The audit of pharmacy claims will determine if Prime is adjudicating claims accurately and verify that spread pricing is not occurring.

1. REBATE AUDIT

- Request and review a copy of the prescription drug program contract between BCBSND and Prime to confirm the rebate agreement.
- Request and review quarterly rebate reports and the annual reconciliation report for the audit period.
- Use the rebate reports to identify the top 8 manufacturers that were used to fill prescriptions for NDPERS’ membership. Verify with Prime that the manufacturers identified allow Prime to share the terms of the manufacturer agreement with third parties.

- Conduct an on-site rebate audit at Prime's corporate facility to review relevant portions of the selected manufacturer contracts for four to five rebateable drugs and validate the rebates applied and reimbursed to NDPERS were, in fact, consistent with the contract terms.
- Compare audit results with the actual reported results to determine Prime's reimbursement accuracy.

2. PHARMACY CLAIMS AUDIT

- Request and review fourth quarter 2008 NDPERS pharmacy claims to confirm adjudication accuracy and, in the same process, confirm that spread pricing is not occurring.
- A full pharmacy claims data set with all fields required to complete a claims audit will be provided, unless specific data field are requested by the chosen vendor.
- The pharmacy claims portion of the audit may or may not occur on-site at Prime's corporate headquarters in Eagan, MN at the same time the Rebate portion takes place. This decision will be NDPERS to make.

Reports

A draft audit report will be provided to the auditee (Prime) for comments within approximately 30 days of the on-site visit. A final report will be issued approximately 30 days after the draft report has been reviewed by the auditee (Prime).

The resulting audit report will become a matter of public record because NDPERS is a government entity. The final report will include only information needed to communicate the audit results while protecting the confidentiality of the information, Prime and the manufacturers' contracts, as agreed upon in advance by all parties. Please confirm your agreement with this concept.

Data

Per PERS request, Prime has pulled NDPERS Top 10 brands by Ingredient Cost, Top 10 brands by Volume and Top 5 Manufacturers for 4Q2008. NDPERS will choose 4 to 5 drugs to audit.

Due to contractual obligations with pharmaceutical manufactures, Prime will need to obtain manufacturer written permission prior to conducting the rebate audit.

Top 10 brands by Ing Cost	Top 10 brands by Volume	Top 5 Mfgs	Drug
Lipitor	Lipitor	GlaxoSmithKline	Wellbutrin XL
Effexor XR	Effexor XR	Johnson & Johnson	Aciphex
Advair Diskus	Lexapro	Merk & Co. Inc.	Singulair
Copaxone	Singulair	Pfizer Inc.	Lipitor
Enbrel	Advair Diskus	Wyeth Pharmaceuticals	Protonix
Singulair	Synthroid		
Plavix	Crestor		
Lexapro	Proair HFA		
Avonex	Cymbalta		
Aciphex	Plavix		

SECTION 4 – Technical Proposal

Technical Proposal – The proposal shall be formatted as identified in this section and contain specific responses to the information requested. This shall be bound separately and label “**Technical Proposal**”

1. Management Summary. This section should include a brief synopsis of the offeror’s understanding of the Board’s requested services. It should also describe the resources that will be used to fulfill the requirements of this RFP.

2. Technical Approach - Proposed Services. This Section should present a detailed description of the offeror’s services. The sequence should follow the order described in Section 3. This Section must clearly indicate whether the offeror’s proposal satisfies each specification of the RFP. The offeror’s refusal or inability to accept all the terms and conditions of this RFP and meet each requirement must be clearly noted and explained. Offerors are advised, however, that any such exception may result in its proposal being deemed unacceptable. The offeror shall identify in this Section each task that will be performed in response to this RFP and a timeline for each. The detailing of the scope of work by the offeror is critical in demonstrating an understanding of the effort.

3. Ownership/Structure

- What is your company’s legal name including parent/holding company, subsidiaries and affiliates? Include the address and phone number for each listed.
- Please provide an overview of your company with regard to ownership and management structure including key executives and the account management team who will be responsible for the relationship, including qualifications.
- Is your organization independently or publicly owned? If publicly owned, please list the top shareholders and provide the names of shareholders' who own 25% or more of the company. If independently owned, please provide details of funding sources.
- Provide a brief history of your organization and your status with respect to any merger/acquisition activity that your organization has been involved in over the past two years or which may currently be in process.
- Please provide an overview of your company with regard to number of years in business, number of employees, number of locations, number of clients, etc.
- What is your mission statement or main objective?
- Does your company have any operational, financial, regulatory or legal constraints to conduct business in the United States? Please describe.

- Does your company have ownership stake in any health insurance companies, pharmacies, pharmacy benefit managers (PBM), and pharmaceutical manufacturers? If so, please list and provide details.
- Do any pharmacies, pharmacy benefit management companies or pharmaceutical companies have ownership stake with your organization? If so, please list and provide details.

4. Financial Health

- Provide a copy of your firm's audited financial statements for the last 2 years (Income Statement, Statement of Assets and Liabilities, and a Statement of Cash Flow). If you are a publicly traded firm and your annual report is available electronically via your web, please provide the URL to obtain the annual report.
- Provide detailed information about money owed to and the relationship with venture capital organizations at the end of 2007.
- What general and professional liability insurance does your company have in place? Please be prepared to provide a copy or certification of all your insurance in place if requested to do so. Please also state the retention levels of Services / Contracts.
- Provide detail on any current or potential litigation in which your organization is involved that could have a significant impact on finances or operations.
- Detail if your company, its parent, subsidiary, affiliate or any of your employees or subcontractors have been: (i) charged with a criminal offense or had any government or regulatory actions taken against your company, (ii) listed by a federal governmental agency as debarred, (iii) proposed for disbarment or suspension, (iv) fined or sanctioned by a federal, state or local agency, or (v) otherwise excluded from federal program participation.

5. Experience

- What audit areas or industries does your organization focus on?
- Does your organization have experience in auditing pharmacy rebates and pharmacy claims? If so, how many rebate and/or claims audits have been performed in the past three years? For who?
- What differentiates your company and/or your services from your competitor?

6. Standard Vendor Contract

Please provide a copy of your standard contract template and any attachments / schedules.

7. Staffing

This Section should include individual resumes for the personnel who are to be assigned to the project if the offeror is awarded the contract, and should indicate the proposed project role or assignment of each individual. The offeror shall provide a table at the beginning of this Section that shows the number of hours they are assigned to this effort. The project team should include staff with experience in these types of audits. In addition please provide/discuss:

- Staffing requirements for an audit project of this nature.
- Summary of the qualifications of the staff that would perform this audit.
- Former employees of Prime or BCBS will not be allowed to perform this audit. Identify any staff members who have worked at Prime or BCBS.

8. Sample Report

Provide an outline of the final report and a sample report.

SECTION 5 – Cost Proposal - Fees/Hours

The cost proposal shall be bound separately from the technical proposal and labeled “**Cost Proposal**”.

Compensation and Expenses

Based on your experience with similar projects:

- Please confirm the hours estimated in the Project Definition are reasonable given the scope and objectives of the audit.
- Estimate your consulting fee for the proposed audit, as shown below:

<u>Scope of services</u>	<u>Professional Fees</u>
• <u>Manufacturer Rebate Audit</u>	\$ _____
• <u>Pharmacy Claims Audit</u>	\$ _____
• <u>Reimbursable Expenditures</u>	\$ _____
<u>Total Service Fees</u>	\$ _____

- Provide the hourly rates for each proposed staff member assigned and the estimated number of hours they are assigned to each of the above. Please note that the reimbursable expenditures for travel must be approved by the PERS Executive Director prior to being incurred.
- If the scope of services or the assigned staffing or requirements changes, compensation will only be adjusted in advance by mutual agreement.
- Please confirm your understanding that reimbursable expenditures are limited to those that comply with North Dakota state expense policy.

**THE COST PROPOSAL SHALL BE UNDER SEPARATE COVER AND NOT PART OF THE
RESPONSES TO THE OTHER INFORMATION REQUESTS.**

SECTION 6 - SUBMISSION OF PROPOSAL

- A. Proposals should be prepared in a straightforward manner to satisfy the requirements of this RFP. Emphasis should be on completeness and clarity of content. Costs for developing proposals are entirely the responsibility of the proposer and shall not be chargeable to PERS.
- B. Address or deliver the RFP to: Mr. Sparb Collins, Executive Director
North Dakota Public Employees Retirement System
400 E. Broadway, Suite 505
PO Box 1657
Bismarck, ND 58501

Questions concerning the RFP shall be directed, in writing to Mr. Collins, or emailed to Ms. Stockert at cstocker@nd.gov by 5:00 p.m. CST on October 23, 2009. Responses will be posted on the PERS web site <http://www.state.nd.us/ndpers/providers-consultants/consultants/rfp-index.html> by November 4, 2009 under "Request for Proposals".

- C. Ten (10) copies of the proposal must be received at the above listed location by **5:00 p.m. CST on November 20, 2009**. The package the proposal is delivered in must be plainly marked "PROPOSAL TO PROVIDE AUDIT SERVICES". In addition, we would request an electronic version of your proposal

A proposal shall be considered late if received at any time after the exact time specified for return of proposals.

- D. The policy of the PERS Board is to solicit proposals with a bona fide intent to award a contract. This policy will not affect the right of the PERS Board to reject any or all proposals.
- E. The PERS Board may request that representatives of your organization appear before them for interviewing purposes. Travel expenses and related costs will be the responsibility of the organization being interviewed.
- F. The PERS Board will award the contract for services no later than the end of January, 2010.
- G. In evaluating the proposals, price will not be the sole factor. The Board may consider any factors it deems necessary and proper, including but not limited to: price, quality of service, response to this request, experience, staffing and general reputation.
- H. The failure to meet all procurement policy requirements shall not automatically invalidate a proposal or procurement. The final decision rests with the Board.

SECTION 7 - REVIEW PROCESS

Proposals will be evaluated in a three-step approach. The first step will be done by a review team composed of PERS staff and will be an initial screening of each proposal to determine if it is sufficiently responsive to the RFP to permit a valid comparison and meets the minimum qualifications of having completed past projects similar to the efforts requested herein. The qualifying factor will be on a Yes/No basis. The proposal will be dropped from consideration if a majority of viewers respond "No".

The proposals that pass the initial screening will then be reviewed by the same review team. Each individual will review the proposal for all areas but price. Every proposal will be awarded points for specified areas by the reviewers. Points for price are awarded automatically. Following is the weighting factor for each area:

- | | |
|-------------------------------------|-----------|
| • Technical Approach (Section 4.2) | 30 Point |
| • Prior Experience (Section 4.5) | 10 points |
| • Staffing (Section 4.7) | 10 Points |
| • Sample product (Section 4.8) | 5 points |
| • Organization (Sections 4.3, 4.4) | 10 points |
| • Pricing (Section 5) | 35 points |

The NDPERS Attorney will also review Section 4.6, the proposed contract. The offeror shall provide a contact person for the NDPERS attorney to contact to discuss proposed contract language. This step will be going on concurrently with the review and will be separate report to the board which they will consider as well as the above ratings. The final step will be a review by the PERS Board. The PERS Board will use any and all information in making its determination and will use the staff's review and the attorney's review as a guide in making its decision.