



DEPARTMENT OF GENERAL SERVICES
OFFICE OF STATE PROCUREMENT
ACTION AGENDA
July 17, 2024



SUPPLEMENTAL

*Contact: Secretary Helene Grady 410-260-7041
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46-S. SERVICES CONTRACT
Department of Budget and Management

Contract ID: *Pharmacy Benefits Management Services and Purchasing Pool Management BPM039929*

ADPICS No.: F10B4600030, F10B4600031 and F10B4600032

Contract Description: The Department of Budget and Management (DBM) administers the Pharmacy Benefits Plan (the Plan) that covers Active Employees, State Retirees, Satellite Account Employees and Retirees, Direct pay enrollees, and their respective eligible dependents. The plan is self-funded by the State and is an employee-sponsored health plan administered as part of the State Employee and Retiree Health and Welfare Benefits Program.

Awards: MedImpact Healthcare Systems, INC.; San Diego, CA

Contract Term: 1/1/2025 – 12/31/2027 (w/two 2-year renewal options)

Amount: \$1,303,098,566.00 (3 Years, Base Contract)
\$ 683,353,947.00 (2 Years, Renewal Option #1)
\$ 455,728,860.00 (2 Years, Renewal Option #2)
\$2,442,181,373.00 Total (7 Years)

Procurement Method: Multi-Step Invitation for Bids – Competitive Sealed Bidding

Bids:

<i>Bidders</i>	<i>Bids</i>
MedImpact Healthcare Systems, INC.; San Diego, CA	\$2,442,181,373.00
CVS Caremark Advanced Technology Pharmacy, LLC; Mount Prospect, IL	\$2,810,905,541.00

Living Wage Eligible: Yes

MBE/VSBE Participation: 5% / 1% (on the Administrative Fees)

Performance Security: No

Hiring Agreement Eligible: Yes

Incumbents: CVS Caremark LLC, Mount Prospect, IL



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46-S. SERVICES CONTRACT (cont'd)

Requesting Agency Remarks: DBM issued a Multi-Step Invitation for Bids (MS-IFB) for Pharmacy Benefits Plan Management Services and Pharmacy Purchasing Pool Management to procure services for the State of Maryland in connection with the State Employee and Retiree Health and Welfare Benefits Program and the Maryland Rx Program on January 23, 2024 VIA the eMarylandMarketplace (eMMA).

DBM administers the Plan that covers Active Employees, State Retirees, Satellite Account Employees and Retirees, Direct pay enrollees, and their respective eligible dependents. The plan is self-funded by the State and is an employee-sponsored health plan administered as part of the State Employee and Retiree Health and Welfare Benefits Program. The State requested services to be provided in two Functional Areas. Functional Area (FA) 1 – Active Employees, non-Medicare Retirees, and State of Maryland Rx Purchasing pool. Functional Area (FA) 2 – Medicare Eligible Retirees Employer Group Waiver Program (EGWP). In accordance with Chapter 397 of 2011, the State is in the process of transitioning Medicare-eligible retirees to Medicare Part D effective January 1, 2025. However, FA-2 EGWP has been included on a contingent basis. Thus, the Agency does not plan to execute a notice to proceed for FA-2 EGWP at this time.

The State engaged The Segal Group, Inc. (Segal) as the Department's benefits consultants and Milliman as the reverse auction provider. Both teams actively assisted the State in this procurement as consultants and observers. The State also had several observers monitoring the procurement process, including representatives from the American Federation of State, County and Municipal Employees of Maryland and the Maryland Prescription Drug Affordability Board.

The State posted the MS-IFB to eMMA on January 23, 2024, and held a pre-bid conference on January 30, 2024. After the pre-bid conference was held, the potential bidders were offered a period of time to identify their questions, and those were submitted to the State on February 13, 2024. The final set of answers to the questions were posted to eMMA on March 27, 2024. Four amendments were issued regarding timelines throughout the Question-and-Answer period, and one amendment was made to Attachment B. These were all posted to eMMA for bidders and the public to view.

The State conducted this procurement in three phases: Minimum Qualifications (Phase I), Participant Bidding Agreement (PBA) (Phase II), and the Reverse Auction (Phase III), consisting of three rounds. The State utilized Milliman's Secure Transfer Portal RFP360 platform to conduct each round of this procurement and bidding process to ensure the results were safely handled and secured.



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46-S. SERVICES CONTRACT (cont'd)

Requesting Agency Remarks (cont'd):

The final round of bidding closed on May 22, 2024, and results were posted to eMMA, identifying each bidder's identity, on May 28, 2024. MedImpact submitted the lowest total projected cost and is recommended for award. MedImpact's bid over the full seven-year contract term was \$368,724,168.00 lower than CVS's bid, a difference of 15.1%.

Following a thorough review of all information, including consultation with our contractors, the State finds that this is the best outcome, and the results evidence the cost savings contemplated by existing PBM specific legislation. DBM recommends that MedImpact be awarded this contract. On June 4th, 2024, the incumbent Contractor CVS Caremark protested DBM's contract award to MedImpact. DBM denied this protest on June 26th, 2024. An appeal was submitted to the Maryland State Board of Contract Appeals (MSBCA) on July 8, 2024, which is technically late. DBM requests that the BPW approve the contract award notwithstanding appeal in order to protect substantial State interests. The substantial State interests include:

- DBM is statutorily obligated to award this contract via a reverse auction process. There is a statutory requirement to seek savings per Md. State Personnel and Pensions Code Ann. § 2-502.1, and to limit pharmacies from unsustainable reimbursement practices while preventing a reduction in employee benefits to comply with § 2-502.2. A delay in award would frustrate the purpose and intent of the General Assembly in passing these laws.
- Promotes a timely and orderly transition to the new contractor in order to successfully meet Open Enrollment requirements for the Plan Year beginning on January 1, 2025. Transition activities need to begin immediately to avoid increased risks that may be associated with a delay in contract award. An abbreviated implementation could impact eligibility file testing/submission and ID card distribution. DBM cannot accommodate an award later than July due to the time required to finalize operations for Open Enrollment in the fall.
- Cumulative savings on pharmacy and pharmacy benefit management costs over the seven-year full contract period versus the incumbent contract. Compared to the current contract, the new contract is estimated to save \$1.2 million in calendar year 2025, increasing to \$12 million in calendar year 2026 and \$22 million by 2027. These figures are across all funds, with the General Fund comprising about 60 percent of the total. If the new contract is utilized for its maximum seven-year term, the estimated savings approximate \$282 million (total funds) over the course of the Contract when compared to the current contract.



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Requesting Agency Remarks (cont'd):

- The projected savings from the PBM reverse auction procurement is a function of the financial terms achieved through the reverse auction compared to the financial terms in-place today under the current contract. The current contract financial terms have been renegotiated and improved multiple times throughout the life of the contract in order to maintain financial competitiveness. Through this process DBM has maintained a market competitive contract and realized incremental savings beyond the prior procurement process. As a result, the savings from the reverse auction is lower as those savings have been pulled forward and realized sooner.

Per COMAR 21.10.02.11.A(1), the BPW should find that execution of the contract without delay is necessary to protect substantial State interests and authorize the recommended contract notwithstanding protest.

Fund Source: 100% Reimbursable

Approp. Code: F10A0245

Resident Business: No

MD Tax Clearance: 24-2450-0111

BOARD OF PUBLIC WORKS ACTION

THIS ITEM WAS:

APPROVED

DISAPPROVED

DEFERRED

WITHDRAWN

WITH DISCUSSION

WITHOUT DISCUSSION