

City of North Las Vegas PBM RFP Analysis - BAFO



Gallagher

Insurance | Risk Management | Consulting

Table of Contents

- Summary
- Methodology
- Financial Summary: Year 1 and 3 Year
- Proposal Structure
- Allowances/Credits and Risk Amounts
- Formulary Disruption
- Proposal Notes
- Next Steps

Summary

- Gallagher solicited a Best and Final Offer financial proposal and contract terms for City of North Las Vegas pharmacy benefit services for the period of 1/1/2025-12/31/2027 from the following vendors:
 - MedImpact
- MedImpact came back with increased improvements to reduce the City of North Las Vegas' pharmacy costs vs. current contract terms.
 - MedImpact proposed an additional \$35k in cost avoidance through improved discount and rebate guarantees
- Proposal structure: There were no changes to the requested structure regarding formulary, network and specialty pharmacy.
- MedImpact retained the previous credits/PG amounts at risk they previously offered.
- City of North Las Vegas members will experience minimal disruption moving to MedImpact.
 - Exclusions = 0.80%
 - Switch to non-preferred = 0.01%
 - Total Impact = 0.81%

Methodology

- Gallagher conducted our financial analysis using City of North Las Vegas (NLV)'s actual claims utilization from 01/01/2023 - 12/31/2023.
 - Gross Cost projections were based on drug prices as of the date of adjudication and do not incorporate any potential price reductions or associated rebate impacts.
- Claims were broken out by brand/generic status and delivery channel:
 - Retail 30
 - Mail
 - Specialty Retail
 - Specialty Mail
- Claims and costs were trended for a 3-year period from 1/1/2025 - 12/31/2027.
- For the purposes of this analysis, compound claims, vaccine claims, COVID claims were removed from the data set.
- The Baseline arrangement for comparison purposes was 2024 pricing from City of NLV's current Agreement with UMR.
- Financial analysis was conducted on a gross cost basis (including both plan and member cost share).
- Drug cost projections were based on minimum discounts and maximum dispensing fees, and do not reflect potential over-performance or under-performance against those guarantees.
- Rebates were based on minimum guarantees per brand claim, and do not reflect potential over-performance or under-performance against those guarantees. Rebate values were estimated for the year they are earned, but are typically paid in lag.
- Adjustments were made to proposed guarantees to account for excluded drug categories.
- Financial analysis results are based on data and documents provided by City of NLV's incumbent vendor; savings are estimates and should not be used as projections for budgeting.

Financial Summary: Year 1

Year 1: 1/1/2025 - 12/31/2025		Baseline	UMR Traditional Broad Select PDL	MedImpact Traditional Broad Portfolio	MedImpact BAFO Traditional Broad Portfolio
Drug Costs	Retail	\$943,972	\$929,046	\$955,989	\$953,615
	Mail	\$363,841	\$363,040	\$369,718	\$369,205
	Specialty Retail	\$243,190	\$244,936	\$243,945	\$243,645
	Specialty Mail	\$1,930,177	\$1,938,390	\$1,650,885	\$1,650,885
	Total Drug Costs	\$3,481,179	\$3,475,411	\$3,220,537	\$3,217,349
Total Administrative Fee		\$0	\$0	\$13,537	\$13,537
Total Gross Cost before Rebates		\$3,481,179	\$3,475,411	\$3,234,074	\$3,230,887
Gross Cost before Rebates Savings Over Baseline (\$)			(\$5,767)	(\$247,104)	(\$250,292)
Gross Cost before Rebates Savings Over Baseline (%)			-0.2%	-7.1%	-7.2%
Rebates	Retail	(\$103,847)	(\$224,230)	(\$200,357)	(\$202,361)
	Mail	(\$49,777)	(\$113,373)	(\$85,807)	(\$86,665)
	Specialty Retail	(\$4,950)	(\$14,918)	(\$25,380)	(\$25,634)
	Specialty Mail	(\$78,256)	(\$259,565)	(\$441,612)	(\$446,028)
	Total Rebates	(\$236,829)	(\$612,085)	(\$753,156)	(\$760,688)
Total Gross Cost		\$3,244,349	\$2,863,326	\$2,480,918	\$2,470,199
Gross Cost Savings Over Baseline (\$)			(\$381,023)	(\$763,431)	(\$774,151)
Gross Cost Savings Over Baseline (%)			-11.7%	-23.5%	-23.9%
BAFO Improvement					(\$10,720)

Financial Summary: 3 Years

3-Year: 1/1/2025 - 12/31/2027		Baseline	UMR Traditional Broad Select PDL	MedImpact Traditional Broad Portfolio	MedImpact BAFO Traditional Broad Portfolio
Drug Costs	Retail	\$2,995,587	\$2,937,906	\$3,021,035	\$3,013,571
	Mail	\$1,127,005	\$1,120,095	\$1,141,195	\$1,139,589
	Specialty Retail	\$770,711	\$776,246	\$773,104	\$772,153
	Specialty Mail	\$6,185,075	\$6,209,351	\$5,239,247	\$5,239,247
	Total Drug Costs	\$11,078,378	\$11,043,598	\$10,174,582	\$10,164,560
Total Administrative Fee		\$0	\$0	\$40,612	\$40,612
Total Gross Cost before Rebates		\$11,078,378	\$11,043,598	\$10,215,195	\$10,205,172
Gross Cost before Rebates Savings Over Baseline (\$)			(\$34,780)	(\$863,183)	(\$873,206)
Gross Cost before Rebates Savings Over Baseline (%)			-0.3%	-7.8%	-7.9%
Rebates	Retail	(\$315,398)	(\$749,683)	(\$671,922)	(\$678,638)
	Mail	(\$146,503)	(\$364,631)	(\$278,288)	(\$281,071)
	Specialty Retail	(\$15,687)	(\$52,389)	(\$88,961)	(\$89,850)
	Specialty Mail	(\$247,375)	(\$909,943)	(\$1,545,215)	(\$1,560,667)
	Total Rebates	(\$724,963)	(\$2,076,646)	(\$2,584,386)	(\$2,610,227)
Total Gross Cost		\$10,353,415	\$8,966,952	\$7,630,809	\$7,594,946
Gross Cost Savings Over Baseline (\$)			(\$1,386,463)	(\$2,722,606)	(\$2,758,470)
Gross Cost Savings Over Baseline (%)			-13.4%	-26.3%	-26.6%
BAFO Improvement					(\$35,863)

Manufacturer Coupon Programs:

	UMR	MedImpact
Program Name	Accumulator adjustment solution (CCAA) Variable copayment solution (VCS)	MedImpact Assist®
Fees or Shared Savings	CCAA – No Fee VCS - \$0.20 PMPM	20% of savings
Impact to Rebate Guarantees	No	No
PPO Only claims	Yes	No
Estimated Annual Net Savings (after fees or cost share)	Accumulator Adjustment Savings - \$1,365 Variable Copay Savings - \$29,715	\$843,048.30
Guarantee (Guaranteed \$x or % of Estimated Annual Net Savings)	No Guarantees	ROI guarantee of 4:1
Claims Impacted	42	170

Allowances/Credits & Risk Amounts

	UMR	MedImpact
Client Allowance or Credit (Implementation and/or General)	<p>Implementation: Not Offered (Incumbent)</p> <p>General: Not Offered</p>	<p>Implementation: \$8 per member (~\$10.8K) Year 1</p> <p>General: \$4 per member (~\$5.4K) annually</p>
Ongoing PG Risk Amount	\$5 per member (~\$7K) annually/contract term	\$10 per member (~\$13.6K) annually
Ongoing PG Risk Allocation	20%	20%
Implementation Guarantee	Not Offered (Incumbent)	\$10 per member (~\$13.6K) Year 1

Proposal Structure

	Requested	UMR	MedImpact
Pricing	Traditional	Traditional	Traditional
Network	Broad	Standard (Broad)	Broad (Walgreens excluded from retail specialty)
Formulary	Open	Select PDL (Open)	Portfolio (Open)
Specialty	Exclusive	Exclusive	Exclusive

Proposal Notes:

UMR

- General
 - Pricing may change if there is a decrease of 20% or more in membership.
 - Postage increases won't be passed through to City of NLV.
 - Mail guarantees requires an average days supply of at least 83 days.
 - HIV is not considered specialty.
- Discounts
 - Discount and dispensing fees are reconciled 90 days, and reported no later than 120 days after the end of each contract year.
 - Discount and dispensing fees are reconciled by component.
 - Retail brand guarantees are effective average annual rates.
- Rebates
 - Rebates are fixed per brand claims, and UMR is retaining manufacturer admin fees.
 - Rebate guarantees are reconciled, reported, and paid no later than 180 days after the end of each contract year.
 - Rebates are reconciled in the aggregate.
 - Rebates are contingent upon adoption, without deviation, of OptumRx's formulary, including utilization management, and formulary exclusions.
 - Rebates equivalent to the guarantees are paid no later than 90 days following the end of the quarter.
 - Rebate guarantees may be adjusted if future formulary changes reduce rebates.
 - The Rebate Credit is applied in the event of a change impacting the level of rebates expected as a result of the availability of clinically comparable lower rebate drugs. The Rebate Credit is calculated as the difference in Pharmaceutical Manufacturer revenue between what OptumRx would have invoiced Pharmaceutical Manufacturers if the Client continued to prefer the originator brand product and the actual Pharmaceutical Manufacturer revenue received after favoring the new product .

Proposal Notes: UMR

- Market Check
 - One market check allowed during the contract term.
 - Requires at least 4 “substantially similar” comparators.
 - Within 10% membership, line of business, +/- 5 years of member age, geographic region, etc.
 - Requires 1% savings threshold.
 - Responses provided within 10 business days.
- Termination
 - Termination allowed after the first contract year.
 - Penalty of \$3 per member, per remaining months in the contract. If this is not paid within 30 days, OptumRx will retain outstanding rebate payments.
- Key Exclusions
 - Discount Exclusions: OTCs (not including test strips and insulin)
 - Rebate Exclusions: 340B Eligible Claims, and Discount Cards

Proposal Notes: MedImpact

- General:
 - MedImpact bases pricing upon the eligible members provided at the time of the proposal. If the number of eligible members changes by 30% or more after the term's first month, or any subsequent month, resulting in a material impact on the ability to achieve financial guarantees, pricing is subject to change.
 - Financial proposal is based on the adoption of the standard formulary and clinical edit package.
 - Medium Clinical Edit Package: \$0.79 PMPM.
 - HIV is not considered specialty.
- Discounts:
 - Discount and dispensing fee guarantees will be reconciled annually in aggregate within 90 days of contract year end.
 - The mail order pricing, in aggregate, will be more aggressive than retail. MedImpact uses the same MAC product list across all channels; individual MAC prices may vary by pharmacy in accordance with our financial offer and/or due to low cost generic programs available at retail pharmacy. Therefore, pricing for the same ingredient, dosage form, and dose through retail may, or may not, exceed the individual price at mail.
 - Brands guarantees are minimum fixed discounts.
- Rebates:
 - City of NLV will receive the guaranteed rebate amounts , and MedImpact will retain any rebate overage.
 - Rebates will be reported within 100 days after each quarter end, paid within 150 days after quarter end, and reconciled in aggregate within 180 days after contract year end.
 - In the event market factors outside of MedImpact's control cause brand name medications to unexpectedly become available as a generic, authorized generic, or biosimilar, or cause a significant price decline of a brand name medication, or City of NLV prefers a generic at a higher net cost than the brand, MedImpact may adjust the Rebate guarantees.
 - MedImpact's policy on grandfathering allows a member a 1-time (retail, retail 90, and mail order) courtesy fill during the first 90 days.

Proposal Notes: MedImpact

- Market Check:
 - One market check allowed during contract term.
 - Requires 1% savings.
 - Market Check response will be provided within 10 days.
- Termination:
 - In the event of termination without cause, for any reason, in the first 12-months of the contract, the liquidated damage amount is to be equivalent to the implementation costs and any portion of the implementation credit, pharmacy management fund, or other allowances provided for in the contract used, as applicable.
- Key Exclusions:
 - Discounts: OTCs, Biosimilars, 340B Eligible Claims, ITU, LTC, HI and VA claims, and Repackaged NDC, claims filled outside the Pharmacy Network, Drugs not approved by the FDA, **Claims with State determined rates (West Virginia and Arkansas), and Pricing assumes no more than 5% of claims are filled in MA, HI, AK, & PR.**
 - Rebates: Insulins, Diabetic Supplies, OTCs, Medical Devices and Supplies, 340B Eligible Claims, Discount Cards, ITU, LTC, HI and VA claims, Claims for the detection, Claims in which City of NLV implements any exception logic allowing non-preferred claims to process, Repackaged NDCs, claims older than (180) days, claims filled outside the Pharmacy Network, Brand Thyroid agents, and Drugs not approved by the FDA (Food and Drug Administration)

Next Steps

- City of North Las Vegas to review results
- Gallagher to notify designated finalists and will request best and final offers (BAFO) from each
- Gallagher to review and value revised submissions and present to City of North Las Vegas
- Finalist interviews with each remaining vendor (optional – in person or virtual)
- Award of bid contingent on negotiation of contract terms
- If new vendor is awarded business:
 - Contract negotiations will begin immediately after award is announced
 - Implementation activities to be kicked off within one week of announcement
 - Go Live with new vendor 1/1/2025

Disclaimer-GBS

Consulting and insurance brokerage services to be provided by Gallagher Benefit Services, Inc. and/or its affiliate Gallagher Benefit Services (Canada) Group Inc. Gallagher Benefit Services, Inc., a non-investment firm and subsidiary of Arthur J. Gallagher & Co., is a licensed insurance agency that does business in California as “Gallagher Benefit Services of California Insurance Services” and in Massachusetts as “Gallagher Benefit Insurance Services.” Investment advisory services and corresponding named fiduciary services may be offered through Gallagher Fiduciary Advisors, LLC, a Registered Investment Adviser. Gallagher Fiduciary Advisors, LLC is a single-member, limited-liability company, with Gallagher Benefit Services, Inc. as its single member. Certain appropriately licensed individuals of Arthur J. Gallagher & Co. subsidiaries or affiliates, excluding Gallagher Fiduciary Advisors, LLC, offer securities through Kestra Investment Services (Kestra IS), member FINRA/SIPC and or investment advisory services through Kestra Advisory Services (Kestra AS), an affiliate of Kestra IS. Neither Kestra IS nor Kestra AS is affiliated with Arthur J. Gallagher & Co., Gallagher Benefit Services, Inc. or Gallagher Fiduciary Advisors, LLC. Neither Kestra AS, Kestra IS, Arthur J. Gallagher & Co., nor their affiliates provide accounting, legal, or tax advice.



Gallagher

Insurance | Risk Management | Consulting