

Request for Information (RFI)

December 19, 2013

Instructions for Responses

1. South Carolina Department of Health and Human Services (SCDHHS) would like to receive responses to this RFI by **January 24, 2014**. Please send your response via e-mail to fbo@scdhhs.gov .
2. SCDHHS may copy your response to other storage media to facilitate review by its staff.
3. Vendors may mark portions of their responses as confidential in accordance with South Carolina Code of Laws and Regulations. Guidance on the proper marking of your response can be found at:

http://www.mmo.sc.gov/MMO/webfiles/MMO_Legal/Documents/FOIA_page.pdf .

While the referenced document is intended for vendor bids, the general guidance and references to statutes and rules are relevant to an RFI response. **If you submit a response containing confidential material, please submit a redacted version** that the State can use to respond to Freedom of Information Act requests.

4. This RFI is issued solely for market research, planning, and informational purposes and is not to be construed as a commitment by the State to acquire any product or service or to enter into a contractual agreement.
5. Any costs incurred by a party in preparing or submitting information in response to the RFI are the sole responsibility of the submitting party.

Pharmacy Benefits Administration RFI #1

1 Purpose

The South Carolina Department of Health and Human Services (SCDHHS) is seeking sources for managing pharmacy benefits including both the information technology (IT) and business operations for its Medicaid population. Services to be provided include, but are not limited to, point of sale claims processing, prospective and retrospective drug use review, pharmaceutical prior authorizations, drug rebate management, Preferred Drug List maintenance, and other pharmacy-related functions.

The State encourages vendors and other interested parties to provide feedback in response to this RFI or any part thereof.

This document is not a Request for Proposals (RFP). The State is not seeking proposals at this time.

2 Background

The State currently uses a Pharmacy Benefits Administration (PBA) contract to manage administrative work associated with its pharmacy program. This contract is nearing expiration and needs to be replaced. The State expects that the scope of the replacement contract will be similar in nature to the existing contract; however, the new solution must be compliant with the Seven Conditions and Standards published by the Centers for Medicare and Medicaid Services (CMS) and integrate more cohesively with the State's Medicaid enterprise.

The State is currently replacing its member eligibility system and is in the early stages of replacing its Medicaid Management Information System (MMIS). The legacy technology solutions have driven an enterprise integration approach that is inadequate for future needs. The current pharmacy solution uses non-standard protocols to communicate with the existing MMIS and Medicaid Eligibility Determination System (MEDS) because of these technology limitations. The new PBA solution must use standard interface protocols, be ICD-10 compliant, and it will need to undergo CMS system certification in conjunction with the Replacement MMIS. The State expects that system certification process for the entire enterprise will be incremental in nature and will span a period of years; however, most of the PBA certification efforts should be limited to the point-of-sale requirements and conducted over a shorter period of time.

For more information on the Replacement MMIS project, please see Replacement MMIS RFI#6 located at:

https://www.scdhhs.gov/sites/default/files/SCDHHS_Replacement_MMIS_RFI_6.pdf

While some details in this draft document are out of date, the general strategy and concepts are accurate, and may be useful in providing context to respondents to this RFI.

Consistent with its plans for other claims adjudication systems, the State is planning to perform claims payment and distribution of remittance advices. The PBA contractor will perform the adjudication and pricing function, and send the information to the State, likely via a near real-time Web services. As part of the Replacement MMIS project, the State is considering consolidating fee-for-service claims adjudication processes via a single Administrative Services Organization (ASO). If this occurs, adjudication of pharmacy claims *could* eventually be transferred to the ASO contract, although the remainder of the PBA contractor's duties would likely remain.

Pharmacy Benefits Administration RFI #1

The RFP for the State's current PBA contract can be found at:

<http://webprod.cio.sc.gov/SCSolicitationWeb/contractSearch.do?solicitnumber=5400000468>

While the structure and specific details of an RFP for the PBA project will likely differ (as will the proposal requirements), the State expects that the general scope of the PBA RFP will be reasonably similar to the existing contract.

The State's goals for the PBA project are:

- Replace the existing PBA contract and ensure continuity of services to Medicaid providers and members.
- Acquire a combined technology and business solution that is more integrated with the State's Medicaid enterprise in order to provide a complete and coherent view of health trends and costs for individuals and the Medicaid population as a whole.
- Streamline the current pharmacy claims payment workflow and transition to using standard data exchange protocols and a common enterprise approach for claims payment and reporting.
- Implement a combined technology and business solution that is as compliant as practical with CMS' Seven Conditions and Standards, mandated by 42 CFR 433.112 and further described in *Medicaid IT Supplement MITS-11-01-V1.0*.
- Deploy a solution that is ICD-10 compliant. Note that based on the timing of implementation, the State may still be receiving valid claims using ICD-9 coding after implementation of a new PBA solution.

SCDHHS is beginning the planning effort for the PBA procurement at this time. While specific date for RFP publication has not yet been identified, the Department expects it to occur between March 1 and May 15, 2014.

3 Contract Segmentation Approach

The State plans to segment the major operations services in the contract and require that they be separately priced. In most cases, the pricing is also likely to be unit-based (e.g., claims volume, prior authorization volume, etc.). This segmentation and pricing approach serves the following purposes:

- This strategy allows for more fair pricing to both parties. By using unit pricing and accounting for both fixed and variable costs, changes in unit volume driven by Medicaid policy and enrollment population can be handled without requiring post-award change orders in most cases.
- Transferring services between contracts becomes substantially easier.
- The pricing information provided in the Offeror proposals supports the price analysis and justification requirements from the Code of Federal Regulations and the State Medicaid Manual.

The list below shows a notional segmentation approach that is under consideration by the State:

- Claims adjudication (including coordination of benefits and grievance/appeal duties)
- Prior authorization
- Prospective and retrospective drug use review

Pharmacy Benefits Administration RFI #1

- Benefit plan support (including Dose Optimization Program, Quantity Limits Program, Preferred Drug List maintenance, Maximum Allowable Cost program maintenance, and other plan-related functions)
- Drug rebate
- Provider support functions

In order to pursue an activity-based costing approach, the costs for support functions, such as managing communications channels (call center support, Electronic Data Interchange operations, facsimile, etc.) will likely be rolled into the prices for each segment.

The State is sensitive to the potential loss of economies of scale as well as the impacts of fixed costs on the segmentation structure identified above. In Section 4 below, the State seeks feedback from respondents on potential concerns and unintended consequences related to this approach.

4 Submission Request

The State requests that vendors respond to the items below in writing by **January 24, 2014**.

1. Please briefly describe your organization and the products and services you provide.
2. What capabilities and strategies do you employ to provider utilization and clinical management for medications covered through the Medicaid medical benefit?
3. How does your standard PBA solution address the Seven Conditions and Standards?
4. Do your customers typically have access to and approval of all edits and audits used in your system to adjudicate claims? How do you recommend managing the edits, audits, and other business rules for a PBA project throughout the entire term of the contract?
5. Describe your standard timeline and process for making formulary and prior authorization modifications (e.g., changing the preferred/non-preferred status, implementing a prior authorization).
6. Provide an estimate of the implementation timeline for your solution, and describe the factors that might cause this timeline to become longer or shorter.
7. What support would you need from the State, the outgoing PBA contractor, and any other contractors/service providers during the implementation?
8. What information would you need from the State in order to submit a responsive proposal?
9. Please provide feedback on the contract segmentation and pricing approach described in Section 3 of this RFI. Do you have any recommended changes?
10. What is your suggested staffing model for providing the general scope of services described in this document?
11. What lessons learned and recommendations can you provide concerning CMS system certification of pharmacy systems?
12. The State currently plans to perform claims payment and produce remittance advices. What recommendations do you have on the separation of duties and interfaces between the State and the PBA contractor to ensure that this process works well?

Pharmacy Benefits Administration RFI #1

13. What strategies do you recommend for prospective and retrospective drug use review (ProDUR and RetroDUR)?
14. What recommendations do you have for the State to implement the e-prescribing/meaningful use requirements of the Health Information Technology for Economic and Clinical Health (HITECH) Act, to encourage provider participation in e-prescribing, and to enable the use of electronic prior authorization (not required by the HITECH Act)?
15. Please provide any other feedback or recommendations that you have for the State.

Thank you for your interest in the State of South Carolina