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September 28, 2018

The Honorable S. Chris Jones, Chairman, House Appropriations Committee  
The Honorable Thomas K. Norment, Jr., Co-Chairman, Senate Finance Committee  
The Honorable Emmett W. Hanger, Jr., Co-Chairman, Senate Finance Committee

Subject: State Health Plan Request for Proposals (RFP) and Pharmacy Transparency

The attached report is pursuant to Chapter 2, Item 474.G.7 of the 2018 Special Session I, Virginia Acts of Assembly.

Please contact me if there are any questions.

Sincerely,

A handwritten signature in cursive script that reads "Gene Raney".

Gene Raney  
Director, Office of Health Benefits

cc: The Honorable Keyanna Conner, Secretary of Administration  
Emily S. Elliott, Director, Department of Human Resource Management



**VIRGINIA DEPARTMENT OF HUMAN RESOURCE MANAGEMENT**

**2018 Special Session I, Virginia Acts of Assembly, Chapter 2,  
Item 474, G.7**

**State Health Plan Request for Proposals (RFP) and Pharmacy  
Transparency**

**September 28, 2018**

## **Legislative Requirement**

2018 Special Session I, Virginia Acts of Assembly, Chapter 2, Item 474, G.7 requires the Department of Human Resource Management (DHRM) to establish contractual requirements for transparency related to prescription drug services. The specific language states:

*The Department of Human Resource Management shall include language in all contracts, signed on or after July 1, 2018, with third party administrators of the state employee health plan requiring the third party administrators to: 1) maintain policies and procedures for transparency in their pharmacy benefit administration programs; 2) transparently provide information to state employees through an explanation of benefits regarding the cost of drug reimbursement; dispensing fees; copayments; coinsurance; the amount paid to the dispensing pharmacy for the claim; the amount charged to the third party administrator for the claim by the third party administrator's pharmacy benefit manager; and the amount charged by the third party administrator to the Commonwealth; and 3) provide a report to the Department of Human Resource Management of the aggregate difference in amounts between reimbursements made to pharmacies for claims covered by the state employee insurance plan, the amount charged to the third party administrator for the claim by the third party administrator's pharmacy benefit manager, and the amount charged by the third party administrator to the Commonwealth as well as an explanation for any difference. The department shall report to the Governor and the Chairmen of the House Appropriations and Senate Finance Committees on its implementation of this item by October 1, 2018.*

This language aligns with DHRM's current contracts, in which single third party administrators provide a bundled offering for all services, either directly or through subcontractors. For example, Anthem serves as Contractor for self-insured plans under Request for Proposal (RFP) OHB 13-02, and subcontracts with Express Scripts for prescription drug services. This appears to be why the language above requires the Explanation of Benefits (EOB) to include "the amount charged to the third party administrator for the claim by the third party administrator's pharmacy benefit manager."

## **DHRM's Response**

Current contracts elapse at the end of Fiscal Year 2019. Accordingly, DHRM posted a new RFP, OHB 19-01, on August 3, 2018. Unlike OHB 13-02, this RFP breaks out pharmacy benefit management services for the self-insured state plans, meaning that a Contractor will be hired specifically to manage pharmacy services. Each plan option (e.g., COVA Care) may have multiple third party administrators effective July 1, 2019. DHRM and Aon, its benefits consultant, believe that this change will result in greater competition, more efficient service, and relatively lower costs. OHB 19-01 may be found here:

<http://www.dhrm.virginia.gov/docs/default-source/rfp/ohb19-01-rfp-final.pdf?sfvrsn=0>

OHB 19-01 includes, at Section 2.9.3.1, dd; the following language to ensure compliance with Item 474, G.7. Because this RFP establishes a Pharmacy Benefit Manager as a direct third party administrator, it was necessary to amend the language. This language was reviewed with legislative staff to ensure that it was consistent with the original language found in Item 474.G.7.

*The Offeror shall: 1) maintain policies and procedures for transparency in its pharmacy benefit administration programs; 2) transparently provide information to state employees through an explanation of benefits regarding the cost of drug reimbursement, dispensing fees, copayments, coinsurance, the amount paid to the dispensing pharmacy for the claim, and the amount charged for the claim by the pharmacy benefit manager to the state employee health benefits program; and 3) starting in the second year that the contract is in effect, provide an annual report by October 1 of each year to the Department of Human Resource Management, capturing data from the previous fiscal year. Specifically, this report shall include the aggregate difference in amounts between reimbursements made to pharmacies by the pharmacy benefit manager for claims covered by the state employee health benefits program and the amount charged for the claim by the pharmacy benefit manager to the state employee health benefits program, as well as an explanation for any difference.*

### **Conclusion**

DHRM is currently in the process of reviewing offers for OHB 19-01, and contracts are scheduled to be awarded in December 2018. It is DHRM's expectation that these contracts will result in compliance with the legislative mandate found in Item 474, G.7.