

Provided by: Kristen Williams, MedImpact

Solicitation #S0000000161

Pharmacy Benefits Manager

TSS - Employee Benefits Division

Unfortunately, there have been missteps by multiple parties participating in the Employee Benefits Division (EBD) RFP process including mistakes by bidders and erroneous score awards by EBD. Understandably, the process has had tight timelines with pressure to get to the finish line and save the state money.

There was a protest period related to vendor errors in the original bid response followed by EBD's Request for a Best and Final Offer (BAFO) to "all offerors reasonably susceptible of being awarded a contract." The BAFO process was the process in which there were erroneous score awards. Although, there was a BAFO amendment to correct the score key for one BAFO worksheet, there was a second one that was not corrected. The BAFO scores had two irregularities...one was erroneous scoring and the second was lack of clarity in the request for information resulting in comparison among companies that was erratic at best and made it impossible to make a true determination of what the companies could offer the state.

On two tables, Tables B.1 and B.2, there were errors in scoring. The *lowest rebates* were given the *highest scores*. It appears the *lowest rebate* numbers were confused with *lowest net cost*, and thus awarded the *highest scores*.

Table B.1: Existing Formulary Pricing

Company	Rebate Amount	Score
MedImpact	\$78,082,679.00	105
Navitus	\$86,984,809.00	94.25
Magellan	\$157,716,936.00	51.98

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Table B.2: Proposed Formulary Pricing

Company	Rebate Amount	Score
Navitus	\$83,369,239.00	183.75
MedImpact	\$111,546,684.00	137.78
Magellan	\$157,716,936.00	97.44

All the scores listed above were awarded in reverse order as to what would be correct if the state was awarding highest points for the offerors who provided the lowest cost. Applying the *highest* rebates, not the lowest, would yield the *lowest net cost*, accordingly the highest rebates should have been awarded the highest scores, not the lowest.

All offerors were asked to submit rebate pricing on a list of 25 drugs. Because the list could include significant variations in the strengths and forms available for each drug, subjectivity to determine what to include in the pricing was introduced. The huge differences in rebate pricing numbers submitted by each company indicate that each of the companies interpreted the instructions differently, from as few as one strength and form of each drug that was listed up to thousands of strengths and forms of drugs. This makes is impossible for the state to make a meaningful comparison.

Table C: Rebate Pricing - List of 25 drugs

Company	Rebate Amount
Magellan	\$254,729,280.00
Navitus	\$164,281,344.00
MedImpact	\$6,327,948.00

To demonstrate the wildly erratic results based on the subjectivity required to build the list of drugs, this Table indicates Magellan could save the state almost one hundred million (\$100,000,000) more than Navitus could on just 25 drugs over the course of the three-year contract. At the same time, the rebate pricing on the 25-drug list indicates Magellan would save the state over forty-two times as much as MedImpact would over the course of the contract. When considering how much closer the rebate

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numbers are between companies when pricing both current and proposed formularies, it is obvious there are irregularities and the comparison in Table C is not valid.

Even if you accept the irregularities in Table C and correct the scoring in Table B to assign the highest scores to the *highest* rebates, rather than the *lowest* rebates. The highest total score would belong to Magellan.

Company	Magellan	Navitus	MedImpact
Technical	213.20	324.40	350.20
Table B.1	105	57.91	51.98
Table B.2	183.75	97.44	129.96
Irregular Table C	<u>157.5</u>	<u>102</u>	<u>4</u>
TOTALS	659.45	581.75	536.14

Though this analysis indicates that the outcome would have resulted in a different company being awarded if Tables B.1 and B.2 were scored correctly, the fact remains that Table C also contained an irregularity (lack of clarity in what information should be included) that made it impossible for the state to make a valid comparison between offerors.

