

**Responses to Questions
Pharmacy Benefit Management Services for the State Health Plan**

The following questions were submitted in writing by Vendor A.

1. Please confirm the Submission and Opening date of proposals. The cover page states 2/12, and the schedule of key dates states 2/19.

A: Amendment 1 updated the submission opening date to February 19, 2015.

2. Please confirm the number of originals and copies that Vendors are required to submit.

Page 3 of the RFP states: "Please submit the following:

1. One (1) original hardcopy and one redacted hardcopy of the technical response and price proposal response. .PDF format is preferred.
2. Two (2) copies. Please number your copies Copy 1 of 2, 2 of 2, etc."

However, page 43 of the RFP states: "Offerors shall submit:

- a. One (1) original marked "original" and six (6) identical paper copies of your Technical Proposal.
- b. Four (4) labeled CDs containing a copy of the Offeror's Technical Proposal Response (in MS Word, MS Excel and/or PDF format where appropriate).
- c. One (1) original marked "original" and four (4) paper copies of your Financial Proposal.
- d. Four (4) labeled CDs containing a copy of the Offeror's Financial Proposal Response (MS Excel).
- e. One (1) CD labeled "original redacted" containing a redacted version of your original Technical Proposal.
- f. One (1) CD labeled "original redacted" containing a redacted version of your original Financial Proposal.

A: Please submit the following number of copies:

- a. One (1) original marked "original" and six (6) identical paper copies of your Technical Proposal. Please number your copies Copy 1 of 2, 2 of 2, etc.
- b. Four (4) labeled CDs containing a copy of the Offeror's Technical Proposal Response (in MS Word, MS Excel and/or PDF format where appropriate). Please number your copies Copy 1 of 2, 2 of 2, etc.
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- e. One (1) CD labeled "original redacted" containing a redacted version of your original Technical Proposal.
- f. One (1) CD labeled "original redacted" containing a redacted version of your original Financial Proposal.

3. Please provide the total number of calls received by the following for the previous year, 2014:

1. participants
2. pharmacies
3. providers

A: The numbers are:

- | | |
|------------------|---------|
| 1. Participants: | 145,915 |
| 2. Pharmacies: | 19,313 |
| 3. Providers: | 21,500 |

4. Please provide the total number of paper claims processed during the previous year, 2014.

A: 6,084

5. Please provide the total number of prior authorizations received during the previous year, 2014.

A: The total number of Prior Authorizations, 1st level/IRO appeals, and 2nd level appeals was 13,152 in 2014. Please see the chart below for a detailed breakdown of all PAs and appeals.

	Total Number	Approved	Cancelled	Denied
PA Request	12,438	8,547	1,781	2,110
1 st Level Appeals	688	312	52	324
2 nd Level Appeals	26	26	0	0
Total	13,152	8,885	1,833	2,434

6. If prior authorizations are received via fax, please provide the total number of PA fax requests received during the previous year, 2014.

A: There were 4,311 PA requests via fax.

7. Please provide the total number of appeals cases received during the previous year, 2014.

A: See Answer to Question 5 above.

8. Our standard practice is to password protect all removable media, including CDs. Please confirm if it is acceptable to password protect our CD included with our submission.

A: No. It is not acceptable to password protect the CDs.

9. Please estimate the number of annual Prior Authorizations, 1st Level Appeals, and 2nd Level Appeals.

A: See Answer to Question 5 above.

10. Does the State use an external appeals organization?

A: No. The State does not use an external appeals organization.

11. Please list current clinical rules in place today.

A: Please see attached Clinical Benefit Template.

12. Does the current plan administrator mirror the commercial population's "Pay the Difference" and Utilization Management programs on the EGWP and Wrap today?

A: The UM and pay the difference in the EGWP + Wrap should mirror the Commercial Plan as long as the EGWP + Wrap plan is compliant with CMS guidelines

13. Please confirm the percentage of incoming calls that must be answered within the requested average of 30 seconds or less. Would it be acceptable to answer 95% within an average of 30 seconds or less?

A: No. PEBA requires 100% of incoming calls answered within 30 seconds or less.

14. Please confirm that we can assume that the eligibility files furnished by the client will be received no later than October 1st of each year.

A: PEBA can send eligibility files by October 1st. However, the Contractor must understand that Open enrollment changes will not be included in that file and will be sent subsequently. Open enrollment activities are held during the month of October of each calendar year.

15. Can we assume that the May 15, 2015, goal date may change depending on final award date?

A: Dates are subject to change based on final award, however should there be a change the date would be determined and published by PEBA prior to award.

16. In this requirement, who is the word "customer" referring to: members, pharmacies, providers?

A: Customer refers to anyone interacting with the call center.

17. In this requirement, please confirm "Participant" refers to the members.

A: Yes, participant refers to the members.

18. Please confirm the number of DMR's processed monthly for the years 2013 and 2014.

A: Because Catamaran Rx was not the PBM in CY2013, this data is not available. For CY2014, there were 3,546 DMRs for the year.

19. Please provide a copy of the previous year's standards and the results of prior year's performance relating to Participant Overall Satisfaction.

A: This information is not available.

20. Please confirm percentage of protocol prescriptions dispensed with the time frame specified. Is 95% within four business days following receipt acceptable?

A: No. 95% is not acceptable. Please bid as specified.

21. Please confirm that the violation reporting requirement suggested in 6. (b)(2) is no longer required due to the obligation being eliminated with the HIPAA Omnibus ruling.

A: While parties are no longer obligated to report to the Secretary of HHS any breach of a BAA that cannot be cured and termination of BAA is infeasible, they aren't specifically prohibited from it either. The language in the BAA is not mandatory (we may report it but, we aren't required to by law or the BA Agreement).

Confirm that the non-breaching party may terminate immediately if cure is not possible.

A: Confirmed.

22. Please confirm if it is acceptable to submit the revised Cover Page released with Amendment 1 with our final response. Otherwise, confirm if we should submit a red-lined/edited version of the original Cover Page AND the Amendment 1 Cover Page.

A: Please see Acknowledgement of Amendments on page 2 of the cover page.

23. Would PEBA amend certain of the Mandatory Minimum Qualifications (the "Restrictions") set forth in the Solicitation for PBM Services (the "Solicitation")?

In the Solicitation, PEBA was clear that "[t]he State seeks to permit maximum practicable competition" (p.16). As currently drafted the qualifications are so restrictive that they undermine the competitive procurement that PEBA set out to achieve. Accordingly, we respectfully request that PEBA amend certain of the Restrictions to ensure that the Solicitation accomplishes PEBA's stated goal of permitting "maximum practicable competition."

Would it be acceptable that the Mandatory Minimum Qualifications in this Solicitation be amended to eliminate Restrictions f, g, and h, and to revise Restriction d as set forth below?

a. Offeror must have been in the business of providing Pharmacy Benefit Management Services, including administration of a retail pharmacy network, for a minimum of five (5) years.

Suggested Change: None

b. Offeror must be currently providing Pharmacy Benefit Management Services of the type and scope outlined herein (excluding discount card programs) for a minimum of 2,000,000 covered managed lives.

Suggested Change: None

c. Offeror must be currently accredited by URAC

d. Offeror must currently manage the prescription benefit of at least one (1) state government client or, alternatively, public sector employer, of at least 250,000 lives, with membership including both Medicare and non-Medicare eligible participants; and must manage the prescription benefit of at least three (3) additional employer accounts, each including at least 25,000 lives.

Suggested Change: Offeror must currently manage the prescription benefit of at least 300,000 covered lives, including commercial employer and/or public sector business.

e. Offeror must provide proof of an administration of a total drug spend volume (plan payments and patient co-pays and deductibles) of not less than two billion dollars (\$2,000,000,000) in calendar year 2014.

Suggested Change: None.

f. Offeror must have managed, now or in the past, the prescription benefit of at least one (1) state government client or, alternatively, public sector employer, of at least 300,000 lives, (coverage more consistent with the numbers of lives the State Health Plan covers) with membership including both Medicare and non-Medicare eligible participants; and must manage the prescription benefit of at least three (3) additional employer accounts, each including at least 100,000 lives.

Suggested Change: Eliminate. See proposed revision to (d).

- g. Offeror must have filled at least two million (2,000,000) scripts annually in South Carolina any of the last 3 years (2012, 2013, 2014).

Eliminate. Alternatively:

Offeror must have processed at least two million (2,000,000) pharmacy transactions in South Carolina over the last three years (2012, 2013, 2014).

A: Items a-h: PEBA has carefully considered these requirements and finds them to be reasonable for a plan of our size and scope. No amendments to the Minimum Requirements will be made. To clarify, the 2,000,000 filled scripts in item g, refers to prescriptions processed.

The following questions were submitted in writing by Vendor B.

24. Section III

B.6. requires that the Contractor provide a retail maintenance network with the same discounts as mail for both the commercial plan and the EGWP+Wrap. This would require soliciting a custom network after mail discounts are finalized, which means we cannot predict or guarantee any level of access. Also, maintaining two national networks when the vast majority of stores outside South Carolina will never be used by your members adds very large costs for no benefit to PEBA or its members. We currently have 90 day networks for both commercial and Medicare Part D plans that are open to any pharmacy, but do not have the same reimbursement as the mail rates. May we offer these networks, which provide known access to your members, with guaranteed minimum discounts instead of custom networks with mail discounts? If you continue to require that the 90 day networks have the mail discounts, may we contract custom networks for South Carolina, where the vast majority of your claims are and where your provider community is most involved, and provide coverage outside South Carolina through our regular national networks?

A: Yes, it is permissible to offer existing 90 day networks and the discounts do not have to replicate those at mail.

25. F.7 requests a Monthly Membership Report (MMR) and Plan Payment Report (PPR). The CMS PPR does not have any client or member-specific information on it so we cannot segregate data to provide a report to PEBA. PEBA can verify payments were properly applied through the audit process. Please remove the PPR requirement from this section.

A: While the Contractor may or may not have a separate identifiable PEBA code with payments received, PEBA expects reporting that shows payment amounts requested for PEBA, any adjustments reported by CMS along with accompanying reason codes, Contractor verification of amount of payments received by the Contractor from CMS attributable to PEBA once adjustments taken into account, along with funds potentially pending due to PDE issues. Since the Contractor should receive updates on PDE files, the Contractor should be able to provide PEBA with this information.

26. H.4.a. requires the Contractor to remit subsidy funds to PEBA within 5 days of receipt. Federal subsidy funds are received in payments that are not client-specific. We have built a company-wide process to allocate payments to all clients within 15 days after the end of the month in which the payment was received. Developing a separate process for PEBA is both extremely costly (which would have to be factored into the fees we charge PEBA) and risks non-compliance with the careful controls we have built into the process to meet regulatory requirements. Please change this requirement to allow remitting subsidy payments to PEBA up to 45 days after receipt by the contractor.

A: PEBA will agree to remittance of 30 days from receipt of subsidy funds.

27. I.11. requires notice of system security compromises or breaches to be reported to PEBA within 60 minutes of the event. Most events turn out not to be compromises or breaches. Such events include pings on the firewall, port scans, attempts to log on to a system or enter a database with an invalid password or username; and denial-of-service attacks that do not result in a server being taken. It takes up to 24 hours to verify whether a breach has actually occurred and determine which systems are affected. Please change this notice requirement to "...promptly, but no later than 24 hours following the compromise or breach" to allow us to verify that a compromise or breach has actually occurred.

A: PEBA is concerned with actual compromises or breaches, not with failed attempts. PEBA will change the language to read "...promptly, but not to exceed 24 hours following the compromise or breach."

28. VII. Terms and Conditions – B. Special

Some terms in this section, such as Intellectual Property Infringement part (b) and Lawsuit Notification and Cooperation, contain provisions that require notices that may conflict with our obligations as a publicly held company governed by securities laws a regulations. Please confirm that the all terms in any resulting contract are subject to Contractor's compliance with applicable Federal and State laws and regulations.

A: See Solicitation p. 60: COMPLIANCE WITH LAWS (JAN 2006)

During the term of the contract, contractor shall comply with all applicable provisions of laws, codes, ordinances, rules, regulations, and tariffs.

29. Business Associate Agreement

2(i) requires the Business Associate to notify the Covered Entity within 60 minutes of any breach of PHI. Investigating suspected disclosures requires substantial time to verify if they are in fact substantiated breaches, and to conduct the necessary research to provide you with the information you require for compliance and reporting purposes. HIPAA allows up to 60 days for this and we have developed a company-wide process that requires at least 10 business days to allow us to investigate and report suspected improper disclosures. This section also requires notification of security incidents within 60 minutes. As noted above in relation to Section III.I.11, we need to allow at least 24 hours to verify that a suspected problem results in any unauthorized access. We request that BAA section 2(i) be changed to read, "...(i) Business Associate agrees to notify Covered Entity within two (2) business days of becoming aware of any use or disclosure of PHI not provided for by the Agreement, and within 24 hours of any security incident resulting in the successful unauthorized access...Business Associate will report any Breach of unsecured protected health information without unreasonable delay, but in no event later than ten (10) days after discovery."

A: PEBA declines to revise its Business Associate Agreement to allow for reporting of any breach "without unreasonable delay, but in no event later than ten (10) days after discovery". Alternatively, PEBA is revising Section (j) of its Business Associate Agreement as follows:

(i) Business Associate agrees to notify Covered Entity within two (2) business days of becoming aware of any use or disclosure of PHI not provided for by the Agreement, and within twenty-four (24) hours of any security incident resulting in the successful unauthorized access, use, disclosure, modification or destruction of information or interference with system operations in an information system, or resulting in any "Breach" of "Unsecured Protected Health Information," as these terms are defined by the HITECH Act and any implementing regulations.

30. Not related to specific sections:

In order to provide the most aggressive pricing, please provide a complete list of all utilization management programs, including but not limited to which drugs or classes are subject to step therapy or prior authorization, and other clinical programs such as adherence or care management.

A: Please see attached Clinical Benefit Template.

The following questions were submitted in writing by Vendor C

31. Please clarify if the bidder's offer is to be submitted online. If so, please provide instructions for submitting via the website provided.

A: The offer is not to be submitted online. The offer is to be submitted by the submission date to the address on the final amendment. All changes to the solicitation are listed at: <http://www.mmo.sc.gov/PS/PS-eip-solicitations.phtm>

Submit your offer to: Georgia Gillens, CPPO, CPPB
Solicitation # PEBA00012015
South Carolina Public Employee Benefit Authority
202 Arbor Lake Drive
Columbia, SC 29202

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- b. Four (4) labeled CDs containing a copy of the Offeror's Technical Proposal Response (in MS Word, MS Excel and/or PDF format where appropriate). Please number your copies Copy 1 of 2, 2 of 2, etc.
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- e. One (1) CD labeled "original redacted" containing a redacted version of your original Technical Proposal.
- f. One (1) CD labeled "original redacted" containing a redacted version of your original Financial Proposal.

32. Please provide additional detail or instructions related to the retrieval of the Newsletter and Amendments related to Solicitation Number PEBA0012015.

A: You will find the South Carolina Business Opportunities (SCBO) newsletter at www.procurement.sc.gov. Additionally, all documents for the PBM RFP can be found at www.procurement.sc.gov under the heading Vendor/Contractor, select on Contracting Opportunities, select on Other Solicitations, under the heading State Agencies, select on SC Public Benefit Authority (PEBA). Or, this link will take you directly to the solicitation documents: <http://www.mmo.sc.gov/PS/PS-eip-solicitations.phtm>

33. Please provide clarification regarding the number of original proposals, redacted proposals, and number of copies required, along with the format version of the bidder's proposal (original, redacted, copies). This information on page 3 differs from the information on page 43 and 52.

A: Please submit the following number of copies:

- a. One (1) original marked "original" and six (6) identical paper copies of your Technical Proposal. Please number your copies Copy 1 of 2, 2 of 2, etc.
- b. Four (4) labeled CDs containing a copy of the Offeror's Technical Proposal Response (in MS Word, MS Excel and/or PDF format where appropriate). Please number your copies Copy 1 of 2, 2 of 2, etc.
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- f. One (1) CD labeled "original redacted" containing a redacted version of your original Financial Proposal.

34. Please provide a breakdown of each plan with corresponding total enrolled members.

A: Eligible members as of December 31, 2014

Plan	Members	
	Commercial Pharmacy Plan	EGWP + Wrap Plan
SHP Savings Plan	15,015	N/A
SHP Standard Plan/Supplement Plan	352,854	73,256
MUSC Pilot Plan	17,082	N/A

1,647 Medicare eligible members have opted out of the EGWP + Wrap Plan. These members are included in the Retiree Drug Subsidy (RDS) program.

35. The “pay the difference” policy is incompatible with Medicare benefit guidelines. Is the State willing to remove the “pay the difference” requirement from the EGWP plus Wrap portion or modify the benefit in other ways to be compliant?

A: The pay the difference is only applicable to drugs covered under the Wrap, not those on the Part D formulary.

36. Please outline the frequency in which the current PBM transmits the allowance to the Plans medical claims administrator. Clarify if the bidder’s offer is to be submitted online. If so, please provide instructions for submitting via the website provided.

A: Pharmacy claim data is currently provided to external vendors on behalf of PEBA on a daily and weekly basis. Pharmacy claim data is currently provided directly to PEBA on the 1st and 16th of the month.

37. The “pay the difference” policy is incompatible with Medicare benefit guidelines. Is the state willing to remove the “pay the difference” requirement from the EGWP plus Wrap portion or modify the benefit in other ways to be compliant?

A: The pay the difference is only applicable to drugs covered under the Wrap, not those on the Part D formulary.

38. Please confirm that questions will be accepted between January 26th and the adjournment of the bidder conference.

A: Please see Amendment 1 for deadline for questions. Questions on the RFP were due by January 26, 2015 12:00 PM. E.S.T. Questions on the claims data will be due by February 2, 2015 by 5:00 PM E.S.T.

39. Please confirm that any new question resulting from a response to an original bidder question will be considered.

A: As is the normal practice, questions will be allowed as a follow-up to the Amendment containing PEBA’s answers to questions submitted in writing by the appropriate deadlines. Follow-up questions are limited to the question and answers or changes in the Amendment, not to the original RFP.

40. Please confirm the timeline for submitting new questions that result from a response to an original bidder question.

A: The timeline for follow-up questions to the Amendment will be listed in the Amendment answering the questions.

41. Will PEBA consider rebate amounts being remitted to PEBA within 180 days after each quarter?

A: No. Bid as specified.

42. Please clarify the definition of brand prescriptions. For example, is the expectation that this would include all brand products

A: Brand prescriptions are any brand prescription product that is not an FDA approved generic drug.

43. Please confirm if the following will be excluded from financial guarantee reconciliation:

Veteran Administration, OTC Claims, compound Claims, paper Claims (DMR), pharmacy submitted paper Claims, discount card programs Claims, Claims processed under state or federal mandated rates, vaccine program Claims, drugs with insufficient supply due to federal or state regulatory actions, generic products in which state regulations prohibit the ability to apply MAC, Subrogation Claims, and Claims submitted by Client-Contracted Participating Pharmacies.

A: Veteran Administration	Excluded
OTC Claims	Excluded
Compound Claims	Excluded
Paper Claims (DMR)	Included
Pharmacy Submitted Paper Claims	Included
Discount Card Programs Claims	Included
Claims Processed Under State or Federal Mandated Rates	Included
Vaccine Program Claims	Included
Drugs With Insufficient Supply Due to Federal or State Regulatory Actions	Included
Generic Products in Which State Regulations Prohibit the Ability to Apply MAC	Excluded
Subrogation Claims	Excluded
Claims Submitted by Client-Contracted Participating Pharmacies.	Excluded

44. Please provide a clarification of the 'select network' that is required per this section. For example, if it is a limited network, please provide the pharmacy list that that participates.

A: The select pharmacies for the ACA mandated services are the MUSC sponsored pharmacies: Ashley River Tower Pharmacy; Hollings Cancer Center Pharmacy; Rutledge Tower Pharmacy; University Hospital Pharmacy; MUSC Mail Order Pharmacy.

45. Please provide the list of pharmacies in the network for each plan

A: Any willing provider that meets all licensing, credentialing, and any other relevant regulatory requirement is allowed to participate in the pharmacy network. Please see attached list of current participating pharmacies.

46. Confirm that the PBM should expect to apply its credentialing standards consistently to the retail pharmacies in and outside of South Carolina?

A: Yes.

47. If the bidder follows the industry standard practice of distributing pharmacy communications including benefit, claim filing procedures and related issues via e-mail to chains and fax to independent pharmacies, while also providing a pharmacy help desk available 24/7 via phone, does this meet the requirement for personal contact with the provider community?

A: No. PEBA is looking for a PBM who will build relationships in the pharmacy community with face to face interaction as well as marketing through the distribution of various communications.

48. Please provide detail regarding the 'Retail Maintenance Network'.

a) Please confirm it is not limited and includes any willing chain, independent pharmacy, or retail pharmacy association.

A: Yes

b) Are there a minimum number of pharmacies that must be in the Retail 90 network? Is Any Willing Provider expected to accept the Retail 90 day supply rate that other retail pharmacies agree to?

A: Yes

c) Please confirm what 'full amount allowed' is referring to under the last sentence. For example is it the full discounted allowed amount or U&C?

A: It is the lesser of U&C or allowed amount.

49. Please verify that PEBA requires a separate PBM ID card versus a combined medical and pharmacy card. If a combined card is anticipated, will it be required for each plan and is the expectation that the medical provider will produce combined cards or the PBM?

A: A separate PBM ID card is required. We currently have two ID cards; a Medical Plan card produced by the medical claims administrator and a Prescription Drug Card produced by the PBM.

50. Can PEBA provide the number or estimated number of expected employer sites statewide that may require training and education sessions?

A: No more than a 100 groups may require training and education sessions.

51. Please provide details of the requirement to continue to process prescription claims for twelve (12) months following termination for claims that were incurred during the term of the contract.

Claims incurred during the contract and processed after, typically are paper claims and direct member reimbursements. If the Plan terminates and is not being billed the all-inclusive administrative fee, confirm a mutually acceptable fee will be agreed upon termination.

A: No fees are paid for claims processed after the contract term. The administration fees charged during the course of the contract should be fully loaded, including the cost of run out claims administration.

52. The bidder has solutions to provide claim accumulator information in both real time and near real time solutions. Additionally the bidder's most common model for reporting claims activity is a nightly batch file which can be provided to the plan and their designated medical processor for the management of integrated accumulators.

Please provide clarification regarding if the Medical Administrator issues payment to the member for over payment by the member; will they need to provide that adjustment back to the PBM to adjust the accumulators.

A: PEBA requires real time. If done in real time there is no overpayment.

53. Should S.C. PEBA require an EOB other than the Standard EOB produced by the PBM, will PEBA agree to customization costs, provided an estimate is outlined to PEBA in advance of any customization or programming work.

A: No. Anticipated costs should be considered in the admin fee.

54. Please confirm coordination indicators will be provided for those members with primary insurance on the eligibility file.

A: Yes. Coordination indicator is provided.

55. Please provide the Accumulator File layout that the Medical Administrator will provide to PBM including the values and data Key.

A: The format accumulator file format, assumptions, and rules will be shared with the successful bidder. The format includes identifiers / keys that identify members (multiple elements such as names, date of birth, relationship to the insured, etc.) and sufficient financial information to accurately adjudicate the prescription drug claim.

56. Confirm the Medical Administrator will accept industry standard file layouts to manage the lifetime maximum for infertility treatment and co-payment maximum under the Standard Plan.

A: No. The current medical administrator uses a proprietary format.

57. Please clarify the intent and requirement of the statement: *'In the Savings Plan, the Contractor shall adjudicate prescription claims and transmit them to the Third Party Administrator for Medical Claims, which in turn either applies deductible credit or issues a check to the patient'*.

a) PBM typically processes the infertility claim for its Clients Savings Plan. Is it correct that the real-time daily submission of prescription claims to the Medical Administrator is what is intended here?

A: It is PEBA's intent to require real-time transmission for the Savings Plan and Infertility claims. Currently for the Savings Plan members, the process for infertility claims is identical to the process for any other prescription drug claim. The PBM will submit daily claim files to the Medical Administrator who will determine the amount of reimbursement that will be made to the member. In any event, the member will pay the pharmacy 100% of covered cost at the point of sale. The Medical Administrator will be responsible for reimbursing the member directly subject to current plan design provisions. Finally, the Medical Administrator transmits an accumulator file of infertility benefits daily to the PBM. The Medical Administrator is the system of record for lifetime accumulated infertility benefits.

For SHP members not enrolled in the Savings Plan, the PBM will be responsible for applying the appropriate plan design parameters based on the covered amount of the prescription being adjudicated and the amount of benefits the member has accumulated at the dispense date.

b) Can you provide insight to how this process currently works when a check is issued to the patient?

A: The PBM will not be responsible for issuing a check to a member under this scenario. Reimbursement to members in the Savings Plan will be made by the Medical Administrator.

c) Please confirm that bidder may be allowed to ask a follow-up question upon receipt of PEBA's response to this item.

A: As is the normal practice, questions will be allowed as a follow-up to the Amendment containing PEBA's answers to questions submitted in writing by the appropriate deadlines. Follow-up questions are limited to the question and answers or changes in the Amendment, not to the original RFP.

58. Please provide additional insight to reporting by location and by status. The bidder is not clear what is meant by "status."

A: Status is used to describe the eligibility type of the member, such as active, retiree (Medicare/Non-Medicare), cobra, and survivor.

59. Please provide information on the number of customized reports that PEBA has required of the incumbent PBM during 2014.

A: Historically these reports have been minimal, however the offeror must have the capacity to provide customized reports.

60. Please provide the number of estimated programming hours that were necessary for the custom reports to be created.

A: Catamaran Rx estimates approximately 100 hours of report programming for 2014.

61. Please provide clarification with regard to the requirements Social Security Numbers. For privacy reasons, typically Social Security Numbers are not transmitted.

A: All data are transmitted in a secure manner.

62. Does the State currently provide a newsletter or other form of communication to participants, or would the bidder be expected to create a separate mailing?

A: We would expect the Contractor to produce and distribute all CMS required disclosures, notifications and letters in accordance with CMS guidelines and with approval from PEBA. PEBA does not currently produce an additional newsletter but would work with Contractor on additional communications.

63. Regarding item (c), PBM submits invoices to all clients consistent with standard accounting practice and policy. PBM shall work with PEBA to reconcile the eligibility to that which is in PBM's system and accept payment based on PEBA's enrollment files.

Please confirm this is acceptable as suppression of invoices does not support PBM's internal finance and auditing policy.

A: If the PBM's internal systems require that an invoice be sent to PEBA, please be aware that PEBA will not use that invoice as the basis for payment. PEBA determines administrative fees payable based on its enrollment files. PEBA can provide contractor a file of eligibility for the contractor's use in reconciling.

64. Please clarify the reference to only the Standard, Savings and MUSC plans. There is no reference to the EGWP or RDS plans.

A: The reference to Standard, Savings and MUSC plans in this context are to identify the current plans offered by PEBA. Within each of those medical plans, members may choose either the commercial pharmacy plan or the EGWP + Wrap plan. Rebates are payable to PEBA for prescription drug utilization regardless of medical or pharmacy plan enrollment. Rebate guarantees will be reconciled based on the prescription drug plan enrollment.

65. Please clarify the Plan's definition of brand prescriptions. For example, is the expectation that this would include all brand products versus brand prescriptions?

A: Brand prescriptions are any brand prescription product that is not an FDA approved generic drug.

66. The bidder completes this report every six (6) months for the periods of January through June and July through December. The report is available 75 days after period ends. Is that acceptable to PEBA?

A: PEBA requires SSAE 16 as part of its financial audit. The report must cover six months of claims processing, and therefore is required by August 15 to comply with the audit timeline. If the report received by August 15 does not cover six months of claims processing, the financial auditor must perform independent claim testing and it will incumbent on the contractor to work with the auditor within the auditor's timeline.

67. Can PEBA clarify the following?

a) Is PEBA requesting that the bidder make group assignment decisions based on the eligibility provided?

A: Yes, the bidder should assign subscribers/dependents to the Commercial Plan or EGWP Plan based on the information on the eligibility provided on the file such as the participant type and the Medicare status.

b) Is PEBA stating they will at least provide a flag to indicate if the member is enrolled in EGWP/Commercial (which commercial plan), etc.?

A: No, PEBA expects the bidder to assign the subscribers/dependents to the right prescription plan. However, PEBA will provide the bidder with a one-time file of participants who have opted out of the EGWP plan or enrolled in another Medicare Part D plan

68. Would PEBA accept the bidder's standard file load log?

A: Yes, that should be acceptable.

69. Is PEBA requesting a custom load log?

A: No.

70. Would PEBA accept the bidder's standard eligibility extract?

A: PEBA may accept bidder's standard eligibility extract as long as it includes the data fields needed for reconciliation.

71. Is PEBA requesting a custom eligibility extract layout? If yes, please provide a copy of the layout including the data key.

A: PEBA may accept bidder's standard eligibility extract as long as it includes the data fields needed for reconciliation.

72. Would PEBA accept the bidder's standard eligibility extract?

A: PEBA may accept bidder's standard eligibility extract as long as it includes the data fields needed for reconciliation.

73. Is PEBA requesting a custom eligibility extract layout showing opt-in and opt-out members? If yes, please provide a copy of the layout including the data key.

A: PEBA may accept bidder's standard eligibility extract as long as it includes the data fields needed for reconciliation.

74. Please provide additional detail in regards to what type of access select employees have today.

A: Some employees have "inquiry only" access. Others have inquiry as well as update capabilities for the Commercial Plan. Some also have override and PA capabilities.

75. PBM prefers ten (10) business days versus 60 minutes. Will PEBA agree to 10 days? (Attachment 2 Business Associate Agreement)

A: No.

76. Would PEBA consider adjusting the language of this requirement to accommodate mutual deadline agreements? For example, if in order for the bidder to meet its deadlines, PEBA needs to provide information in the agreed to time frames; the preference is that the bidder would not be obligated for financial payment if information is not provided to PBM in the agreed upon timeframe.

A: No. PEBA will not agree to adjust its language. There is already sufficient language in the RFP to allow for changes to the timeframe. The contractor simply needs to utilize this language to make a request prior to the due date of any milestone.

77. Please provide clarification as to the work requirements of the PBMs financial analyst.

A: Financial analyst will serve as a resource to PEBA for analysis of State Health Plan pharmacy expenditures and as a resource to propose and/or recommend plan design options to address pharmacy spend. The analyst will also model the financial impact of proposed changes to the pharmacy benefit. The financial analyst should also provide support for trend and claims analysis.

78. Please confirm that on-site support will be a requirement through implementation.

A: Yes.

79. Can PEBA provide additional insight into the program(s) expectations so that the bidder can include these in the all-inclusive administrative fee?

A: This requirement is related to keeping PEBA staff informed of new developments in the pharmacy benefit industry that arise during the course of the contract.

80. For any program that may be developed in the future and that may be elected by PEBA, PBM requests the opportunity to update the administrative fee upon mutual agreement. Is this acceptable?

A: In the event of a material change to the scope of services, PEBA will consider an adjustment to the administrative fee. Any change to the contract will be memorialized in the form of a change order.

81. The bidder will provide information to PEBA that it becomes aware of and that is related to the PBM services being provided to PEBA. The bidder will collaborate with PEBA to address laws, regulations that impact our clients benefit design.

A: This was a statement from the vendor. This was not a question and will not be addressed.

82. This instructions provided here differs from the instructions provided on page 3. Please clarify the number of original proposals (technical and financial), the number of redacted proposals, the number of electronic proposal submissions (CD, email, etc.), and the format versions required for each submission.

A: Please provide the following number of copies:

- a. One (1) original marked "original" and six (6) identical paper copies of your Technical Proposal. Please number your copies Copy 1 of 2, 2 of 2, etc.
- b. Four (4) labeled CDs containing a copy of the Offeror's Technical Proposal Response (in MS Word, MS Excel and/or PDF format where appropriate). Please number your copies Copy 1 of 2, 2 of 2, etc.
- c. One (1) original marked "original" and four (4) paper copies of your Financial Proposal. Please number your copies Copy 1 of 2, 2 of 2, etc.
- d. Four (4) labeled CDs containing a copy of the Offeror's Financial Proposal Response (MS Excel) Please number your copies Copy 1 of 2, 2 of 2, etc..
- e. One (1) CD labeled "original redacted" containing a redacted version of your original Technical Proposal.
- f. One (1) CD labeled "original redacted" containing a redacted version of your original Financial Proposal.

83. Can all copies include notation of confidential information or only the original proposal?

A: Yes, all copies can include notation of confidential information. However, it is still the responsibility of the offeror to submit a redacted copy of its proposal. The State will not assume responsibility for the offeror's failure to do so.

84. Please clarify the exact sections, with corresponding section titles, that PEBA would like bidders to respond to (preferably with page numbers). The information listed here does not cross-reference with the Table of Contents beginning on page 4 of the RFP.

A: Within the offerors Executive Summary, it must confirm that it understands, agrees to and will comply with each of the provisions/requirements in the following portions of the RFP: Part I Instructions to Offerors; Part II Scope of Proposal; Part III Scope of Work; Part VII Terms and Conditions; and Part VIII Contract Term. It is not necessary to restate each component part of these sections in their entirety. Rather, you may reference the entire section.

85. Please provide bidder with the Excel format version of the Technical Proposal.

A: Excel formats have been provided to all who requested.

86. Is PEBA interested in more than one formulary option?

A: No. All covered drugs need to fall into three tiers: generic, preferred brand, or non-preferred brand. No exclusions are allowed to drugs that PEBA covers under the plan.

87. Please provide a copy of the most current formulary for each plan.

A: Attached is the most current formulary for each plan.

88. Please clarify that it may be acceptable for bidder to request slight modifications to the described performance standards under the Performance Guarantees.

A: No. Bidders may not request slight modifications to the Performance Guarantees. However, as described by language on Page 46, A-9 PEBA may modify the schedule of liquidated damages through an agreement between the PEBA and the contractor (the awarded bidder).

89. The bidder is a certified MBE through the Pacific Southwest Minority Supplier Development Council. Would a current certificate showing this be acceptable to PEBA?

A: Please read the specifics of the Minority Participation form, to include checking the list of certified minority firms at the website provided on the form.

90. If a service or programs, not identified in this section which lists all services under the all-inclusive fixed fee are implemented later, PBM requests that a mutually agreed upon adjustment to the original fixed fee be considered. If agreed upon, such adjustment would be documented with an amendment to the contract. Is this PEBA's intent?

A: Any change to the contract will be memorialized in the form of a change order.

91. Tab A-9 refers to Performance Guarantees. Should Performance Guarantees be included in Financial Proposal and not in Technical Proposal?

A: No, the Performance Guarantees should not be referenced in the Financial Proposal. The language beginning on page 50, Section B. Financial Proposal of the RFP should reference Tab A-10.

92. Please provide bidder with the Excel format version of the Financial Proposal.

A: Excel formats have been provided to all who requested.

93. The reference to Tab A-9 in this statement refers to Performance Guarantees in the Technical Proposal. Should this statement refer to Tab A-10 instead?

A: Yes, the language beginning on page 50, Section B. Financial Proposal of the RFP should reference only Tab A-10.

94. On page 43 in Section IV. Information for Offerors to Submit, there is request for Word document. Please clarify if the preferred method is Word or PDF.

A: For the electronic submission of the item 4 of the Technical Proposal (Offeror's Technical Proposal Response.xlsx) and item 2 of the Financial Proposal (Offeror's Financial Proposal Response.xlsx), MS Excel format is required. For the electronic submission of the offerors other submission components, MS Word or PDF is permissible.

95. PBM requests a mutual right to recovery of attorney fees.

A: Denied.

96. Page 59, Changes (JAN 2006), item 1d. The referenced section appears to apply for tangible goods and services. Please confirm agreement to that any changes will be outlined in an amendment to the contract which is mutually agreed upon and executed.

A: Please see clause titled Changes (JAN 2006)

(1) Contract Modification. By a written order, at any time, and without notice to any surety, the Procurement Officer may, subject to all appropriate adjustments, make changes within the general scope of this contract in any one or more of the following:

Any change to the contract will be memorialized in the form of a change order.

97. PBM requests that any adjustment of Price or Services is mutually agreed upon and memorialized with the execution of a contract Amendment.

A: Please see Page, 11, Definitions, Change Order. Any change to the contract will be memorialized in the form of a change order.

98. Please confirm that any contract notification will be mutually agreed upon by the parties including a signed amendment to the contract.

A: No. There are instances where the State may make a unilateral change without mutual agreement. Please refer to clause entitled Contract Modification on page 61.

99. Subcontractor is not a defined term. PBM requests that Participating Pharmacies are not included as a defined subcontractor. Pharmacies are independent contractors and not subcontractors or agents of PBM, and PBM does not exercise any control over the professional judgment of any pharmacist dispensing prescriptions or otherwise providing pharmaceutical related services at a Participating Pharmacy.

A: Please see Page, 11, Definitions, Subcontractor.

100. Please provide detail as what encompasses 'government information'.

A: Please see Page 66, Information Security (2014) wherein 'government information' is defined.

101. Please provide the definition and what encompasses 'Government Unit'?

A: Please see Page, 11, Definitions, Using Governmental Unit.

102. Can PBM submit any clarification to the response that may result to the response of these questions?

A: As is the normal practice, questions will be allowed as a follow-up to the Amendment containing PEBA's answers to questions submitted in writing by the appropriate deadlines. Follow-up questions are limited to the question and answers or changes in the Amendment, not to the original RFP.

103. PBM requests that this provision be mutual, Page 72, Termination for Cause.

A: Denied.

104. Please clarify what they mean by "all participants information received during the term of the contract."

A: The reference in this clause speaks to all participants of the plan for which the contractor may have information. In essence the contractor, as described in the clause Duties Upon Termination, should return to the State, "any and all materials, data, records, databases, software and all other things in the Contractor's possession to the State or the successor Contractor at no additional cost to the State. Return all information to the State created for or exchanged under this contract by the contractor or any subcontractor.

105. PBM shall provide PEBA all transition data/files in standard formats at no charge. Please confirm standard file layouts are acceptable.

A: PBM should be flexible regarding file layouts as there may be instances where PEBA needs some data in another layout.

106. Please provide clarification regarding this item on the checklist. In the Technical Proposal, item Q-16 b there is a request for a sample contract.

A: Please note the disclaimer on the bottom of the Offeror's Checklist. This checklist is provided as a tool to assist, the requirements of the RFP is what an offeror will be evaluated against. If the RFP requests a sample contract, it must be provided.

107. The bidder does not provide information directly to an individual. Will PEBA consider revising this statement to read "...shall make information available to Covered Entity..."? (Ref. Attachment 2 Business Associate Agreement, pg. 83)

A: No.

108. PBM prefers ten (10) business days versus two (2) business days. Will PEBA agree to 10 days?

A: No.

109. PBM prefers ten (10) business days versus 60 minutes. Will PEBA agree to 10 days?

A: No, PEBA is revising Section (j) of its Business Associate Agreement as follows:

- (i) Business Associate agrees to notify Covered Entity within two (2) business days of becoming aware of any use or disclosure of PHI not provided for by the Agreement, and within ~~sixty (60) minutes~~ twenty-four (24) hours of any security incident resulting in the successful unauthorized access, use, disclosure, modification or destruction of information or interference with system operations in an information system, or resulting in any "Breach" of "Unsecured Protected Health Information," as these terms are defined by the HITECH Act and any implementing regulations.

110. Please provide detail on the current Clinical Rules mentioned in Q-117 of the Technical Proposal.

A: Please see attached Clinical Benefit Template.

111. Is PEBA open to the PBM providing an annual maximum cap for each performance guarantee?

A: Each Performance Guarantee will be measured, reported, and liquidated damages assessed quarterly unless stated otherwise. The liquidated damages assessed will be the amount at risk per measured period as proposed by the contractor for each performance guarantee.

112. Regarding the Answer Speed of Answer (B) PG, the PBM monitors all the call types in multiple ways, including the IVR cross selection made by the callers. There are various ways resolution can be reached without the caller opting for a live customer service representative. Can PEBA encourage their member to listen to all the options in the IVR?

A: The majority of our subscribers prefer speaking to a live person.

113. Regarding the Paper Claims PG, will PEBA consider increasing the paper claims turnaround time? The PBM recommends a 14 business day Part D turnaround time and a 15 business day Commercial turnaround time to process all types of paper claims.

A: PEBA agrees to a 14 business day Part D turnaround time and a 15 business day Commercial turnaround time to process all types of paper claims.

114. Regarding the Participant Overall Satisfaction Rate (A) PG, the PBM contact center include the ability for the caller to participate in a post-call satisfaction survey. Will PEBA accept the survey results as part of the participation satisfaction rate?

A: No. Please bid as specified.

115. Regarding the Automated Claim System Availability Rate PG, does the standard/goal exclude scheduled downtime for maintenance?

A: No. Please bid as specified.

116. Regarding the ID Card for the Indirect EGWP + Wrap participants PG, will PEBA clarify that the 4 business day turnaround time begins after CMS approves the member's eligibility in the EGWP plan?

A: Yes. That is acceptable.

117. Regarding the Decline in Participating Pharmacies PG, would PEBA consider adding the following language to PG14? "Unless Bidder and Client mutually agree to limit the retail network in order to meet cost or quality objectives during the contract period".

A: Yes, this is acceptable.

118. Regarding the Final Reconciliation PG, is PEBA open to increasing the final reconciliation turnaround time? The PBM requires 3 weeks from date of notification to provide the final cost reports. This ensures the PBM has adequate time to run and to thoroughly quality check the report.

A: PEBA is subject to the deadline requirements set forth by RDS for final reconciliation activities. PEBA staff will work with the contractor to develop an internal timeline for each of the 12 steps recommended by CMS such that the final deadline set by CMS is met.

This Performance Guarantee requires that Step 6 Submission of Cost Reports is completed within 10 days of completion of Step 5 Open Cost Reporting. PEBA expects that the PBM will begin preparing the final cost report as soon as the Covered Retiree List (CRL) is finalized (Step 4).

119. Regarding the Notices of Creditable and Non-Creditable Coverage PG, is PEBA open to dismissing this PG? The PBM does not support this type of mailing service.

A: No.

120. Regarding the Monthly Cost Reports PG, is PEBA open to increasing the monthly cost reporting turnaround time? The PBM submits the monthly cost reports by the 20th of the month following the report period (e.g., January reports will be delivered by February 20th).

A: The PBM must submit the monthly cost reports no later than the 21st of the month following the report period as long as the PBM complies with the annual CMS reconciliation deadline.

121. Is the MUSC Health Plan Pilot carved in today?

A: Yes.

122. Bidder understands that PEBA's current 90 day supply is defined as 63-90 days. Would PEBA consider 90 day supply having a minimum of 84 days?

A: No.

123. Please provide a detailed list of each Step Therapy edit, Quantity Limit Edit, Prior Authorization and all other utilization by Plan.

A: Please see attached Clinical Benefit Template.

124. Please provide a complete formulary listing for each plan.

A: Attached is the most current formulary for each plan.

125. Will PEBA accept the bidder's standard formularies for the State Health Plan, HSA-qualified HDHP, MUSC Pilot Plan, RDS and Indirect EGWP with Wrap?

A: No, it is PEBA's understanding that some PBMs "standard" formularies now exclude some brand drugs. PEBA is procuring a formulary that does not exclude specific drugs from being covered. The PBMs proposed formulary should include all FDA approved drugs as being covered as a generic, preferred brand or non-preferred brand drug.

126. Please provide the number of Prior Authorizations that were handled in the calendar year 2014.

A: See Answer to Question 5 above.

127. Please provide the number of appeals (level 1 & 2) that were handled in the calendar year 2014?

A: See Answer to Question 5 above.

128. Please confirm that the rebates requested per brand Rx are not based upon

1) minimum or minimum average days supply

A: Confirmed. Rebate guarantees should be quoted on a per brand script basis.

2) exclusion of claims where member pay 50% or more of the drug cost for an individual claim or minimum plan pay percentage of the aggregate drug cost established by the PBM

A: Confirmed. Rebates are paid on brand prescriptions regardless of the member's portion of cost.

3) net paid claims only i.e. excludes Zero Balance Claims

A: Confirmed. Rebates received by the PBM as a result of PEBA's utilization should be passed through to PEBA regardless of the member and plan cost share. Zero Balance Claims are included in the reconciliation of rebate guarantees.

4) participation in mandatory maintenance program through the PBM mail order

A: Confirmed. PEBA does not participate in a mandatory mail order program for maintenance drugs. Rebates should be paid for all brand drugs regardless of the dispensing pharmacy type (retail or mail order).

5) PBM defined brand generic algorithm

A: Confirmed. Rebates received by the PBM as a result of PEBA's utilization should be passed through to PEBA regardless of how a PBM's brand-generic algorithm may alter the drug type.

6) acceptance of formulary compliance percentage determined by the PBM.

A: Confirmed. Rebates are not based on acceptance of formulary compliance percentage.

129. Can PEBA confirm rebates will not be based on a minimum or minimum average day supply?

A: Confirmed. Rebate guarantees should be quoted on a per brand script basis.

130. Can PEBA confirm rebates will not be based on net paid claims meaning claims at or below copay would be excluded?

A: Confirmed. Rebates are paid on brand prescriptions regardless of the member's portion of cost.

131. Can PEBA confirm rebates will not be based on the plan paying a minimum percentage of the total claim cost?

A: Confirmed. Rebates received by the PBM as a result of PEBA's utilization should be passed through to PEBA regardless of the member and plan cost share. Zero Balance Claims are included in the reconciliation of rebate guarantees.

132. Will census data be provided to bidders in order to accurately analyze geo access?

A: Census data was provided to offeror's who submitted a signed Non-disclosure Agreement on or before the Bidder's Conference. Please note that offerors need not submit a GeoAccess report with their proposal.

133. Please provide the number of calls answered in 2014 by the incumbent's customer/member service call center by call type and by Plan.

A: See answer 3 above.

134. Does SCPEBA have expectations of the bidder to provide materials in languages other than English? If so, please provide details regarding the type of communication and approximate volume.

A: No. Please note that offerors are asked to list the languages it is able to support in Q-63 of Tab A-2 Questionnaire.

135. In the event original work requirements and scope of information in the original RFP (life count, benefit structure, etc.) change significantly, will PEBA allow for a mutually agreed upon adjustment to the all-inclusive administrative fee?

A: No. PEBA does not anticipate any significant changes in the Scope of Work required for CY2016.

The following questions were submitted in writing by Vendor D

136. Please confirm the award date is 3/17 as noted in the Schedule of Key Dates provided on page 11 of the RFP. A discrepancy is noted on the Cover Page (3/12).

A: Please see update to Amendment 2 Schedule of Key Events.

137. Please clarify the number of original and redacted copies of the proposal that are required, either in hard copy or CD format. Discrepancies are noted on page 3 of the RFP (Number of Copies) and page 43 (Information for Offerors to Submit). Please also confirm if the Financial Proposal should be submitted separate from the Technical Proposal.

A: Please submit the following number of copies:

- a. One (1) original marked "original" and six (6) identical paper copies of your Technical Proposal. Please number your copies Copy 1 of 2, 2 of 2, etc.
- b. Four (4) labeled CDs containing a copy of the Offeror's Technical Proposal Response (in MS Word, MS Excel and/or PDF format where appropriate). Please number your copies Copy 1 of 2, 2 of 2, etc.
- c. One (1) original marked "original" and four (4) paper copies of your Financial Proposal. Please number your copies Copy 1 of 2, 2 of 2, etc.
- d. Four (4) labeled CDs containing a copy of the Offeror's Financial Proposal Response (MS Excel) Please number your copies Copy 1 of 2, 2 of 2, etc..
- e. One (1) CD labeled "original redacted" containing a redacted version of your original Technical Proposal.
- f. One (1) CD labeled "original redacted" containing a redacted version of your original Financial Proposal.

138. Section V – Qualifications - Please indicate in which section of the Technical Proposal responses to this section should be included as applicable to the Offeror’s proposal.

A: The Offeror should complete Tab A-1: Background and Qualifications and Tab A-3: Subcontractor Questionnaire of the Offeror’s Technical Proposal Response.xlsm. In this tab, the Offeror is able to address mandatory minimum qualifications, financial statements, references and subcontractors.

139. Scope of Work, Question A.4. –

a.) Can PEBA confirm that the locally-owned pharmacies will not be included in the overall brand and generic discount guarantees provided by Contractor?

A: Confirmed. Please see the footnote to Tables II and III in Tab A-10: Financial Proposal.

b.) Can PEBA please define “locally-owned pharmacies”? Additionally, can PEBA provide NABP or NCPDP numbers for these specific pharmacies?

A: Please see Page, 11, Definitions, Locally Owned Pharmacy. PEBA can provide NABDP OR NCPDP numbers for these specific pharmacies and such records are flagged with local pharmacy indicator on the claims data provided to bidders.

140. Tab A-8: Formulary Analysis – Will PEBA provide more than one Tab A-8 should Offerors wish to show a second formulary option?

A: The offeror need only propose a single formulary in its response to this RFP. PEBA is not seeking a formulary that excludes certain drugs or brands of drugs from being covered drugs under the plan. PEBA will not accept a closed formulary at this time.

141. How does PEBA plan to handle CMS required language within the agreement?

A: See clause titled, COMPLIANCE WITH LAWS (JAN 2006).

142. Would PEBA consider allowing the right to suspend services under the contract should PEBA fail to pay two or more invoices during the term of the contract?

A: No.

143. Scope of Work / Question H.1.c: Is PEBA open to adding “mutually agreeable” for the eligibility file that will determine the monthly administrative fee?

A: No.

144. Terms and Conditions / Pg. 60 – Contract Interpretation: In the event there is a disagreement between the parties regarding interpretation of a contract term, would PEBA be willing to submit to executive dispute resolution?

A: No.

145. Terms and Conditions / Pg. 65 – Indemnification: Please confirm that Contractor is only obligated to indemnify PEBA for Contractor’s actions or the actions of its subcontractors, employees, workmen, servants, agents or anyone directly or indirectly employed by Contractor.

A: No.

146. Terms and Conditions / Pg. 69 – Ownership of Material: Should Offeror Assume PEBA intends to limit this language to Intellectual Property developed specifically for or with PEBA regarding the work of the contract and not Intellectual Property proprietary to Offeror and not related to the PEBA program?

A: The Ownership of Material section relates to “All data, material and documentation shared by the State with the Contractor, or generated by the Contract or State pursuant to this contract.

147. As Contractor is complying with PEBA’s plan design document and administering PEBA’s plan as directed by PEBA, in the event PEBA denies a member’s medical appeal will PEBA pay for legal fees resulting from that denial?

A: No, see page 31 of the Solicitation.

148. Would PEBA be willing to extend the notification period for security breaches in Section 11 of the Scope of Work from sixty minutes to 24 hours?

A: PEBA is concerned with actual compromises or breaches, not with failed attempts. PEBA will change the language to read “...promptly, but not to exceed 24 hours following the compromise or breach.”

149. Can PEBA’s review of pharmacy contracts take place on-site at Contractor?

A: Yes.

150. Attachment Two (2) – Business Associate Contract; Section 2 – Obligations and Activities of Business Associate/item “i”: Would PEBA be willing to extend the notification for security incidents from sixty minutes to 24 hours?

A: PEBA is revising Section (j) of its Business Associate Agreement as follows:

(i) Business Associate agrees to notify Covered Entity within two (2) business days of becoming aware of any use or disclosure of PHI not provided for by the Agreement, and within sixty (60) minutes twenty-four (24) hours of any security incident resulting in the successful unauthorized access, use, disclosure, modification or destruction of information or interference with system operations in an information system, or resulting in any “Breach” of “Unsecured Protected Health Information,” as these terms are defined by the HITECH Act and any implementing regulations.

The following questions were submitted in writing by Vendor E

151. Page 48- Minority Participation Forms-

a. Are these forms to be filled out only if the criteria on Page 47 are met?

A: Yes.

b) Are there any points in the scoring associated with utilization of Minority businesses or is this section solely related to sub-contractor disclosure?

A:No, there are no points associated with MBE utilization.

152. Plan Design- Are there any Step Therapy or Quantity Limits in place? If so, can PEBA clarify which drugs are targeted by Step Therapy and if existing users of these medications were grandfathered in to be exempt from Step Therapy?

A: Yes, step therapies and quantity limits can be found in the Clinical Benefits Template. We would expect that existing PAs would transfer over to the new contractor through the expiration date. Upon expiration of the PA, new clinical Benefits Criteria (if any), would be applied.

153. Formulary- Does PEBA's current formulary contain any exclusions (which may be subject to an appeal) of certain brand medications that have alternatives available in the class? Would PEBA accept a Formulary offering by a PBM that incorporates certain drugs which have alternatives being excluded?

A: The current formulary does not contain any exclusions. PEBA is not requesting a formulary that excludes certain drugs from coverage.

154. Specialty Pharmacy- Are members required to use the existing PBM's Mail Order Step Therapy program or are members allowed to get unlimited fills of Specialty medications at a Retail pharmacy of choice?

A: Currently, PEBA has an open specialty pharmacy benefit.

155. Retirees- Can PEBA quantify how many Post-65 Retirees elect RDS versus how many elect EGWP?

A: There are approximately 1,647 members who have opted out of the EGWP + Wrap plan. Currently there are 73,256 members enrolled in the EGWP + Wrap plan.

156. Page 22, Pricing Requirements, question #4- Will the claims at locally-owned pharmacies where PEBA dictates the reimbursement rates to be charged to the locally-owned pharmacies be excluded from the PBM's pricing guarantees?

A: Confirmed. Please see the footnote to Tables II and III in Tab A-10: Financial Proposal.

157. Page 22, Pricing Requirements, Question #4 – Is it acceptable for Vendor E to manage the contract where PEBA dictates the reimbursement rates?

A: PEBA will only dictate the reimbursement rates for specific locally-owned independent pharmacies. It is PEBA's intent to utilize the contractor's retail and mail order pharmacy network.

158. Page 23, Items included in Admin Fee- Can PEBA provide the number of Prior authorizations and 1st/ 2nd/ IRO Appeals handled by the incumbent vendor over the most recent 12 months in order to incorporate into the All Inclusive Admin Fee?

A: Please see the response to question #5.

159. Page 27, Section C, question #1- Please clarify the meaning of the term dedicated as it pertains to Customer Service- is it meant to imply that the Customer Service Representatives are truly 100% exclusive to and only work on the PEBA account and no others? Or is it meant that the PBM should have a designated team of representatives that are specifically trained on PEBA and are the primary call-takers however will also be available to handle calls for other clients if no calls from PEBA are taking place. This same clarification also applies to Page 42, Section K, question #1 as it relates to the Customer Service Manager.

A: PEBA requires that the Customer Service Representatives in the contractor's call center be "dedicated" 100% to SC PEBA. This means that the customer service representatives be trained specifically on the PEBA plan of benefits; They may not take calls from other client groups. A customer service representative who has not been trained specifically on PEBA's benefit plans will not handle any calls from PEBA membership.

The Customer Service Manager, who is on the Account Management Team and oversees the customer service representatives described above, will be 100% exclusive to PEBA.

160. If the Customer Service team is to be dedicated and Exclusive to PEBA, please provide the number of manned customer service calls handled by existing PBM for PEBA in calendar year 2014 so as to determine appropriate staffing models.

A: The numbers are:

- | | |
|------------------|---------|
| 1. Participants: | 145,915 |
| 2. Pharmacies: | 19,313 |
| 3. Providers: | 21,500 |

161. Page 28, Section C, question 5- Does PEBA currently have Rx-only ID cards or integrated Medical/Rx ID cards?

A: A separate PBM ID card is required. We currently have two ID cards; a Medical Plan card produced by the medical claims administrator and a Prescription Drug Card produced by the PBM.

162. Page 28, Section C, question 6- Is PEBA's intent that the web site be password-protected such that the password-protection is for general PEBA information presented prior to the January 1, 2016 effective date such as co-pay, pharmacy location, etc? Or is the password protection for any member-specific information that would be tied to claims filled after 1/1/2016? Typically, information presented prior to the effective date is general in nature and does not contain any member-specific information

A: Members must be able to access the password protected website between October 1 and December 31, 2015 in order to retrieve State-specific information (i.e. plan design, network pharmacy listing, etc). Beginning January 1, 2016, members must be able to access both State-specific and member-specific information as outlined in the Request for Proposal, Part III, Scope of Work, Section C. Customer Service, Communications, and Training Requirements, item number five (5).

163. Page 10, b) - What method will be used to submit emergency eligibility changes?

A: PEBA staff with update access should be able to make emergency eligibility changes to subscribers/dependents enrolled in the Commercial Plan. PEBA staff should have a vendor contact to expedite emergency eligibility changes for EGWP subscribers/dependents

164. Section II, Instructions to Offerors; Submitting Confidential Information (page 18): This instruction states that “any prices, commissions, discounts, or other financial figures used to determine the award, as well as the final contract amount, are subject to public disclosure.” Bidder understands the need for public transparency in contracting and for the total amount PEBA would pay under one proposal, compared to others, to be available to the public. However, the RFP calls for several specific financial guarantees to be provided. Any PBM could utilize the financial guarantees of another to reconstruct many details of a PBM’s highly confidential and proprietary underwriting model to the great detriment of that PBM in future procurements. Therefore, these individual financial guarantees, access to which is narrowly restricted by Bidder, constitute trade secret information under South Carolina law. Therefore, we request that PEBA permit bidders to identify individual financial guarantees that constitute trade secrets as such in their proposals. Given that the RFP mandates that bidders hold the State harmless for any damages it incurs for withholding any information identified as trade secret, the State should be protected in the event that a bidder cannot justify such markings if challenged.

A: No.

165. Section III, Scope of Work/Specifications; Paragraph A.3 (page 22): The RFP asks for a bidder’s most aggressive and broadest MAC pricing. New generics on the market generally have less competition and therefore a PBM cannot obtain pricing on such generics that is as aggressive as that it can obtain on generics that have more competition. Therefore, the broadest list of drugs will inherently not have the most aggressive overall discount rates. What aspect is most important to PEBA, having the broadest list or a list with the most aggressive pricing?

A: PEBA is most interested in the overall financial impact of each bidder’s proposed generic arrangement. While each bidder is to supply the proposed MAC (including NDC 11 code and discounted price per unit of metric quantity) with their pricing proposal, the net cost produced by each bidder’s total package of terms and conditions will be considered in the financial evaluation.

166. Section III, Scope of Work/Specifications; Paragraph A.5 (page 22): The RFP requires the PBM to apply the same MAC list and pricing at mail that is applied to retail. Given that mail generic discounts are generally deeper than those at retail, can PEBA please confirm that the MAC list of drugs must be the same at mail and retail, but that the pricing at mail should be the same or lower at mail?

A: Confirmed: MAC lists should be the same at mail and retail. However, bidders are free to propose different contractual terms at each type of pharmacy.

167. Section III, Scope of Work/Specifications; Paragraph B.9 (page 26): PEBA states that it requires the right to obtain copies of all contracts between the PBM and the network pharmacies. These contracts are highly confidential. If other pharmacies or other PBMs obtained copies of these agreements, Bidder would be at a tremendous disadvantage in negotiating with pharmacies and in competitively bidding against other PBMs (because these entities would understand what arrangement the PBM currently has in place). Accordingly, Bidder cannot agree to permit a client that is subject to public records laws to hold copies of such contracts. However, Bidder can agree to permit an independent third party to review and audit such contracts for PEBA to ensure the Bidder is operating in accordance with its contractual obligations to PEBA. Would this be acceptable to PEBA?

A: PEBA will change the language to reflect that the State or its authorized agent shall have the right to review copies of the contract between the Pharmacies and the PBMs.

168. Section III, Scope of Work/Specifications; Paragraph C.2 (page 27): The RFP requires dedicated representatives to take calls from PEBA customer service representatives and managers. Does PEBA expect this team to be different from those that assist PEBA members, or may the group overlap?

A: Yes, we expect for the customer service representatives dedicated to PEBA to be different from those that assist PEBA subscribers. Also, we would like to have direct contact to the dedicated representatives.

169. Section III, Scope of Work/Specifications; Paragraph D.12 (page 31): This section requires the PBM to provide a legal defense of any member lawsuits challenging an adverse appeal decision. Because the PBM may have a potential conflict of interest in providing legal counsel to PEBA, it would be necessary for the PBM to hire independent legal counsel in such matters. The frequency and costs of such engagements is very difficult to predict. If Bidder must arrange such counsel at no costs to PEBA, it must attempt to estimate such costs and include them in the underwriting calculations it performs in generating its pricing offer to PEBA. This may significantly decrease the competitiveness of the terms Bidder would otherwise be able to offer to PEBA. Accordingly, please advise if the costs for such legal counsel may be passed through to PEBA (with no increases), so that Bidder's proposal may be as competitive as possible and reflect the provision of PBM services only and not legal services? We believe this would better serve PEBA so that Bidder is not acting as a sort of professional liability insurer of PEBA. If PEBA will not agree to this, please advise how many member lawsuits challenging adverse appeal decisions have occurred in the last three years and, if known, the approximate costs that were incurred in defending such actions.

A: No, the costs for such legal counsel may not be passed through to PEBA.

During the years 2012-2014, one (1) adverse decision was appealed from PEBA to the South Carolina Administrative Law Court.

170. Section III, Scope of Work/Specifications; Paragraph H.2.d (page 38): This section requires that "Contractor shall not hold PEBA funds, such that interest accrues to the Contractor's benefit." Bidder will reimburse all retail pharmacies in accordance with applicable prompt pay law and if none is applicable, in accordance with its contractual commitments to the pharmacies. In addition, Bidder will reimburse these pharmacies on periodic remittances that include payments related to all Bidder's clients whose member have used the pharmacy or chain. Accordingly, the timing of remittances will not necessarily align precisely with the timing of PEBA's payments to the PBM. This means that the funds paid by PEBA will likely be in the PBM's account(s) for some amount of time before being disbursed to the pharmacies. Is PEBA mandating that the PBM not hold funds in an interest bearing account, as doing this may be very disruptive to a bidder's business operations?

A: PEBA intends for the contractor to pay pharmacy claims and receive reimbursement from PEBA in a routine manner (weekly, bi-weekly, monthly, bi-monthly). To the extent that contractor finds this arrangement unavoidable, and interest accrues to the contractor on funds held on behalf of PEBA, such interest should be remitted to PEBA monthly.

171. Section III, Scope of Work/Specifications; Paragraph H.3.a (page 38): Can PEBA please confirm that the rebates/manufacture revenue discussed in this section is all intended to be revenue directly attributable to the claims of PEBA's members that are processed by the PBM? Also, please confirm that, consistent with Section A.10 on page 24 of the RFP, fees from manufacturers that offset costs associated with required clinical applications or services do not need to be passed to the State?

A: Confirmed.

172. Section III, Scope of Work/Specifications; Paragraph H.4.a (page 39): This section requires that, presumably with respect to subsidies received from CMS, Contractor shall not hold PEBA funds, such that interest accrues to the Contractor's benefit. It is not feasible for Bidder to remit CMS funds to PEBA immediately upon receipt. This means that the funds paid by CMS will likely be in the PBM's account(s) for some amount of time before being disbursed to PEBA. Is PEBA mandating that the PBM not hold funds in an interest bearing account, as doing this may be very disruptive to a bidder's business operations?

A: PEBA intends for the contractor to pay pharmacy claims and receive reimbursement from PEBA in a routine manner (weekly, bi-weekly, monthly, bi-monthly). To the extent that contractor finds this arrangement unavoidable, and interest accrues to the contractor on funds held on behalf of PEBA, such interest should be remitted to PEBA monthly.

173. Section IV, Information for Offerors to Submit; Paragraph A.2 (page 44): The details for the "Statement of Acceptance" do not appear to match up to the sections of the current RFP. Can PEBA please review and advise if any of these details should be adjusted at all to match the RFP?

A: Statement of Acceptance: Offerors shall reply to Part I Scope of Proposal, Part II Instructions to Offerors, Part III Scope of Work, Part IV Information for Offerors to Submit, Part V, Qualifications, Part VI Award Criteria, Part VII Terms and Conditions, Part VIII Bidding Schedule/Price-Business Proposal, and Part IX Attachments, by declaring that the Offeror fully understands, agrees to, and will comply with all of the provisions/requirements/terms in each of these Parts. Offerors shall include this statement of acceptance in their Executive Summary. Please note that the State considers any proposal containing deviations, exceptions or caveats to the Request for Proposal that have not been submitted for consideration during the question and answer phase and adopted by the South Carolina Public Employee Benefit Authority as unacceptable.

174. Section IV, Information for Offerors to Submit; "Tab A-3" (page 45): Please confirm that (consistent with the definitions on page 12, the definition of Subcontractor is intended to apply to any person retained by the PBM to provide services to PEBA pursuant to/arising from this solicitation.

A: On page 12 of the RFP, the term "subcontractor" is defined as any person having a contract to perform work or render services to the Contractor as a part of the Contractor's agreement arising out of this solicitation. The intent of Tab A-3: Subcontractor Questionnaire is to gather information regarding the subcontractors that will be performing at least one of the services required of this contract and/or who may have direct contact with members.

For example, if the offeror proposes to use a subcontractor to construct and issue ID cards directly to subscribers, then that subcontractor would need to be identified. However, PEBA would not necessarily want information regarding the offeror's subcontractor responsible for maintaining the offeror's office complex (e.g. cleaning, maintenance, etc).

175. Section VII, Terms and Conditions; Change Order (page 60): With regard to this section, Bidder understands that it is obligated to inspect and inquire regarding all aspects of the RFP and, if a requirement is presently known but will not be effective until some later time during the contract, it should be reflected in Bidder's proposal price. Bidder further understands that if there is a new and necessary requirement, not reasonably within the scope of the specifications, and not known to Bidder prior to the date the notice of the intent to award is issued, then Bidder must submit a change order request to PEBA, as set forth in the RFP, if it seeks any modification to the terms of the contract as a result of the change. However, this paragraph also states that Offerors have a duty to inform PEBA of any possible item that may affect cost in the RFP and that the failure to do so will result in the Contractor being responsible for any additional costs during the term of the contract due to the failure to inspect and advise.

Therefore, out of an abundance of caution, Bidder advises that it is aware of the following possible items/events that may affect its costs related to the proposal to be submitted pursuant to the RFP, however the exact effect of these events/items, if any, is not known at this time and, should they occur, Bidder may request a change order:

- A change in the scope of services to be performed by Bidder;

- Any government imposed or industry wide change that would impede Bidder's ability to provide the pricing described in this proposal, including any prohibition or restriction on the ability to receive rebates or discounts for pharmaceutical products;
- A change in PEBA's alignment with Bidder's proposed formulary; or
- The withdrawal of a rebated brand drug from the marketplace, or the introduction of a generic equivalent of a rebated brand drug, the timing of which could have been reasonably anticipated at the time of the pricing proposal was submitted.

A: Please submit any such required disclosures in your proposal.

176. Section VII, Terms and Conditions; Contract Modification (page 61): Can PEBA please confirm that any unilateral changes would be made consistent with the terms of paragraph (2) of the "Changes" subsection on page 59 of the RFP?

A: PEBA will comply with the terms and conditions of any contract resulting from this Request for Proposal (PEBA0012015).

177. Section VII, Terms and Conditions; Contractor's Liability Insurance (pages 61-63): Bidder's current insurance program only mandates that carriers maintain an AM Best rating of at least "A-/VII". In addition, although all subcontractors of Bidder are obligated to maintain commercially appropriate amounts of insurance, and Bidder periodically confirms such insurance is in force, Bidder's policies do not cover the acts and omission of subcontractors. Finally, our policies are written with relatively significant self-insured retentions, reflective of the strength of our balance sheet. It would be prohibitively expensive for Bidder to obtain new insurance policies to support a single client relationship. Therefore, if the above matters would disqualify Bidder, we will not likely be able to submit a proposal. Will PEBA permit a proposal that deviates in these respects, with the understanding that any final acceptance of such deviations will be conditioned upon PEBA's review of all relevant details and PEBA's overall satisfaction that Bidder's insurance coverages do not represent an unreasonable risk for PEBA?

A: No changes will be made to Section VII, Terms and Conditions; Contractor's Liability Insurance.

178. Section VII, Terms and Conditions; Contractor's Liability Insurance (pages 61-63): Bidder insures against certain information security risks through its E&O/ Professional Liability policies. Under those policies, no additional insured can be named, however, PEBA can be named as an additional insured on our Privacy/Network Security Liability policy.

A: No changes will be made to Section VII, Terms and Conditions; Contractor's Liability Insurance.

179. Section VII, Terms and Conditions; Contractor's Liability Insurance (pages 61-63): Bidder negotiates a number of customized provisions with its insurance carriers, and these policies require such provisions to remain confidential. Although Bidder cannot, pursuant to these provisions, provide a client with a full copy of its insurance policy to retain, Bidder can make such policies available for PEBA's review. Please confirm that this would be satisfactory. Certificates will be provided as stipulated in the RFP.

A: PEBA will change Section VII, Terms and Conditions; Contractor's Liability to read as follows:

Contractor shall furnish the State with signed original certificates of liability insurance and amendatory endorsements or copies of the applicable policy language effecting coverage required by this section. All certificates are to be received and approved by the State before work commences. However, failure to obtain the required documents prior to the work beginning shall not waive the Contractor's obligation to provide them. The State reserves the right to require inspect complete, certified copies of all required insurance policies, including endorsements required by this section, at any time

180. Section VII, Terms and Conditions; Default (page 63): Can PEBA confirm that, in the case of any default that can reasonably be cured, it will provide the PBM an opportunity to cure such default, consistent with subpart (a)(2) of this paragraph?

A: PEBA will comply with the terms and conditions of any contract resulting from this Request for Proposal (PEBA0012015).

181. Section VII, Terms and Conditions; Default (page 63): In the unlikely event that PEBA were to feel it necessary to obtain substitute services pursuant to subpart (b) of this paragraph, can PEBA confirm that such substitute services would be procured through an appropriate open competitive process?

A: PEBA will comply with the terms and conditions of any contract resulting from this Request for Proposal (PEBA0012015). Additionally, PEBA complies with the SC Consolidated Procurement Code.

182. Section VII, Terms and Conditions; HIPAA Compliance/Confidentiality (page 64): In order for Bidder to be able to remain in full compliance with the proposed BAA at all times, Bidder requests the following modifications be considered by PEBA:

a) As Bidder owns its own mail and specialty service pharmacies, it functions as a health care provider and covered entity with respect to dispensing drugs through these pharmacies. Accordingly, could we insert the clause, "in its capacity as a business associate (and not a pharmacy or other health care provider)" into the definition of Protected Health Information after the words, "created or received by Business Associate"?

A: No.

b) May we add the clause, "in accordance with, and subject to the exceptions in, 45 CFR 164.502(b)" to the end of the last sentence in Section 2(a) of the BAA?

A: Yes.

c) To ensure timely responses within the requirements of HIPAA, can we modify the relevant clauses of Section 2(e) and 2(f) to specify that requests submitted directly by Individuals should be submitted directly to Bidder's Privacy Officer at a domestic address specified by Bidder?

A: Yes, this procedure could be addressed during the implementation stage. It does not warrant a change to the Business Associate Agreement.

d) May we insert the clarifying phrase, "and required by the Privacy Rule" to the end of the following sentence in Section 2(e): "Such information shall be made available in an electronic format where directed by Covered Entity"?

A: Yes.

e) Understanding that Bidder's Privacy Officer and staff investigate all HIPAA Security Incidents that present a material risk of a PHI Breach, and further understanding that many common events that do not pose a meaningful risk of a PHI Breach fall within the HIPAA definition of a "Security Incident" (e.g., firewall pings, port scans, unsuccessful log-ins, etc.), would PEBA be willing to restate Section 2(i) as follows (consistent with its previous bidder question responses):

Business Associate agrees to notify Covered Entity within three (3) business days of becoming aware of any use or disclosure of PHI not provided for by the Agreement, or any security incident resulting in the successful unauthorized access, use, disclosure, modification or destruction of information electronic PHI or interference with system operations in an information system resulting in the unauthorized access, use, disclosure,

modification or destruction of electronic PHI, or resulting in any “Breach” of “Unsecured Protected Health Information,” as these terms are defined by the HITECH Act and any implementing regulations.”

A: Yes.

- f) May Bidder modify Section 2(u) to read as follows:

“(u) Business Associate agrees to retain the documentation required by the Privacy Rule with respect to the obligations undertaken in this agreement for six years from the date of its creation or the date when it last was in effect, whichever is later.”

A: No.

- g) As 45 C.F.R. § 164.504(e)(4)(ii) expressly applies to disclosures of PHI for a business associate’s proper management and administration or to carry out its legal responsibilities, may we clarify Section 3(c) to state, “or to carry out its legal responsibilities” before the words, “if the disclosures are Required by Law...”?

A: Yes.

- h) Similarly, may Sections 3(d) and 3(e) be modified to expressly refer to both use and disclosure of PHI?

A: Yes.

- i) May we modify Section 3 to add new subsection (f) to the end as follows, to incorporate additional perfunctory bases to use or disclose PHI as permitted by HIPAA:

“(f) Business Associate may also use and disclose PHI: (i) to respond to requests for PHI either accompanied by an authorization that meets the requirements of 45 CFR 164.508 or from a covered entity or health care provider in accordance with 45 CFR 164.506(c); (ii) to de-identify the information or create a limited data set in accordance with 45 CFR §164.514, which de-identified information or limited data set may be used and disclosed by Business Associate as permitted by law, including HIPAA; and (iii) as authorized in writing by Covered Entity.”

A: Yes.

- j) May we modify Section 4 to add new subsection (d) to the end as follows, to incorporate a process for addressing changes in authorizations:

“Notwithstanding the foregoing, Covered Entity agrees that, except as Required by Law, it shall not (a) make any changes to its Notice of Privacy Practices that would limit the uses and disclosures of PHI by Business Associate otherwise permitted herein, or (b) agree to any limitations upon the uses and disclosures of PHI by Business Associate otherwise permitted herein, without first notifying Business Associate and providing Business Associate a reasonable opportunity to identify to Covered Entity any such limitations that would cause a material impact on Business Associate’s ability or cost to comply in the provision of services under the [underlying contract]. In the event that Business Associate notifies Covered Entity of such a material impact, the parties shall work in good faith to reach a mutually acceptable solution, which may include an amendment to the [underlying contract], and Covered Entity shall not provide any PHI subject to such limitation(s) to Business Associate until the parties reach agreement on such a solution.”

A: No.

183. Section VII, Terms and Conditions; Indemnification – Third Party Claims – Disclosure of Information (page 65): This provision states that the PBM is fully liable for any claims arising from the disclosure of government information, even if the damage is caused in part by the Indemnitee. This seems potentially very detrimental to the PBM. Can PEBA confirm that the PBM’s liability will only extend to the degree that the damage is actually caused by the acts or omissions of the PBM or any party under its control?

A: No.

184. Section VII, Terms and Conditions; Information Use and Disclosure (pages 67-68): Can PEBA confirm that the BAA would control over this provision with respect to PHI? Subsection (e) states that prior notice must be given before any government information is given to a subcontractor. This is not practical to do on a case-by-case basis. Please confirm that the general communication of information to subcontractors may be discussed and agreed upon during the implementation process and individual notice will not be required for every transfer of information. Subsection (f) states that all government information must be returned or destroyed upon request. The PBM will have a number of legal responsibilities to maintain some information for limited purposes, such as to comply with CMS requirements for the EGWP. Please confirm PEBA understands that the PBM will have this separate obligation to retain some information (with all security obligations continuing). Subsection (i) requires notification of a compromise or improper use of government information within 24 hours of discovery. In order to ensure an appropriate review of any potential incident and the proper identification of which, if any client’s data was involved, Bidder may require up to three (3) business days to provide notification. Please confirm this is acceptable.

A: Yes, the Business Associate Agreement controls over the Solicitation language in Section VII, Terms and Conditions; Information Use and Disclosure (pages 67-68). Subsection (f) has been edited to read as follows:

(f) Return. Notwithstanding the using governmental unit’s failure to perform or the pendency of a dispute, Contractor agrees to promptly destroy and return to the using governmental unit all government information in its possession upon written request of using governmental unit (provided that, if the contract has not expired or been terminated, Contractor shall be excused from the performance of any work reasonably dependent on Contractor’s further access to such government information) to the extent such request complies with any other legal or contractual obligations imposed by this contract or the law.

PEBA will not allow three (3) business days to provide notification as requested. See the revisions to Section (i) of the Business Associate Agreement

185. Section VII, Terms and Conditions; Ownership of Material (page 69): Please confirm that any materials provided to PEBA by the PBM that are provided to similarly situated clients of PBM for substantially the same purpose will be treated in a manner similar to preexisting items, even if such items are developed by PBM after the date of the agreement with PEBA.

A: No.

186. Section VII, Terms and Conditions; Pricing Data – Audit - Inspection (page 70): As defined, “Cost and Pricing Data” would seem to be all of the elements that go into our highly confidential and proprietary underwriting model. This creates obvious concerns for Bidder, as our underwriting model (and the underlying contracts that factor into it) is one of our most valuable and confidential assets. Can PEBA please provide details around when this data would be required and how it may be used?

A: See S.C. Code § 11-35-1830, -2210, & -2220.

187. Section VII, Terms and Conditions; Records Retention & Right to Audit (page 71): Will PEBA agree that it will provide the PBM with thirty (30) days' notice of an annual audit so that the PBM has an appropriate amount of time to gather the necessary documents and records and that the parties will agree in advance on the scope and requirements of the audit? Also, will PEBA agree that any third party auditor selected by PEBA will not have a conflict of interest with the PBM and will execute an appropriate confidentiality agreement with the PBM? Will PEBA agree that any pharmaceutical company agreements reviewed will be audited by an independent third-party auditor?

A: No, see S.C. Code § 11-35-2220.

188. Section VII, Terms and Conditions; Security for Performance, Damages (page 71): Tying up cash assets for the term of the contract will potentially have a material impact on the pricing Bidder can offer. Please advise if it is acceptable for Bidder to provide a performance bond to satisfy this requirement.

A: No.

The following questions on the claims data were submitted in writing by Vendor E. (Answers follow)

189. In the bidders conference, PEBA stated that claims that were ultimately reversed after being processed were not reflected in the claims data and will show up as a legitimate claim paid for by PEBA. Can PEBA quantify how many claims were ultimately reversed in 2014, even if detail on which claims were reversed is not going to be provided?

A: Net prescriptions in 2014: 8,224,296

190. Are there any claims on the files that are for medications which the current PBM (not PEBA) requires a Prior Authorization before coverage of the medication is allowed? If so, please indicate if it is noted on the claims file which claims are of that type.

A: Such claims are not identified on the claims dataset.

191. Please provide clarification for the claim field labeled MEDICARE_FLAG. We see claims under Actives also with this field flagged as Y and blanks. What is the intended purpose of this data element?

A: MEDICARE_FLAG with a value of Y indicates that the member was Part D eligible when the prescription was dispensed. If MEDICARE_FLAG equals Y and the subscriber type indicates Active, this member is Medicare eligible but was actively employed on the dispense date. Blank or Null value indicates not Medicare eligible on the dispense date.