

THE UNIVERSITY OF TEXAS SYSTEM
REQUEST FOR PROPOSALS
FOR
PHARMACY BENEFIT MANAGEMENT SERVICES
FOR THE
SELF-FUNDED UT SELECT PPO PLAN



TO BE EFFECTIVE
SEPTEMBER 1, 2012

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1.0 INTRODUCTION AND OVERVIEW

1.1 DESCRIPTION OF THE UNIVERSITY OF TEXAS SYSTEM

The Texas Constitution of 1876 provided that “the Legislature shall, as soon as practical, establish, organize and provide for maintenance, support and direction of a university of the first class, to be located by vote of the people of this State, and styled ‘The University of Texas.’” In 1881, the 17th Texas Legislature passed an act to establish The University of Texas. Later that year, voters determined that the Main System was to be located in Austin and the Medical School was to be located in Galveston.

Today, The University of Texas System (System) includes nine (9) academic institutions in Arlington, Austin, Brownsville, Dallas, Edinburg (Pan American), El Paso, Odessa (Permian Basin), San Antonio and Tyler, plus six (6) health institutions in Dallas, Galveston, Houston (2), San Antonio and Tyler. In addition, the main System Administration office is located in Austin; however, many of the operations of System Administration are decentralized and therefore located in numerous areas of Texas, as well as in Washington, D.C. Most institutions have their own payroll systems.

The System has approximately 83,500 benefits-eligible employees and close to 20,000 benefits-eligible retired employees. The following table shows the location and the approximate number of benefits-eligible employees and retired employees associated with each institution in the System as of September, 2011.

THE UNIVERSITY OF TEXAS SYSTEM			
Location	The University of Texas System Institutions	Benefits-Eligible Employees September 2011	Benefits-Eligible Retired Employees September 2011
Austin	The University of Texas at Austin	16,889	4,450
	The University of Texas System Administration	533	261
Brownsville	The University of Texas at Brownsville	1,150	230
Dallas	The University of Texas at Arlington	3,143	1,002
	The University of Texas at Dallas	2,415	490
	The University of Texas Southwestern Medical Center at Dallas	11,185	1,334

Edinburg	The University of Texas - Pan American	1,777	438
El Paso	The University of Texas at El Paso	2,254	713
Galveston	The University of Texas Medical Branch at Galveston	10,429	3,908
Houston	The University of Texas Health Science Center at Houston	5,216	1,352
	The University of Texas M.D. Anderson Cancer Center	17,849	2,660
Odessa	The University of Texas of the Permian Basin	313	97
San Antonio	The University of Texas at San Antonio	3,470	644
	The University of Texas Health Science Center at San Antonio	5,459	1,402
Tyler	The University of Texas at Tyler	633	201
	The University of Texas Health Science Center at Tyler	790	591
TOTAL		83,505	19,773

Although the majority of employees of The University of Texas Medical Branch (UTMB) are in the Galveston area, UTMB also has employees in the central and eastern parts of Texas who are involved with providing medical care to prisoners at state prisons located in those areas. The University of Texas at Austin also has staff members at a marine biology center in Port Aransas and at an astronomical observatory in Fort Davis. A small number of employees from various institutions also either reside or work outside of Texas. Additionally, although most retired System employees reside in Texas, there are a number of retired employees who live in other states or countries.

1.2 SUMMARY OF CURRENT BENEFIT PLANS

At the start of the current plan year, there were approximately 103,500 employees and retired employees plus approximately 102,000 dependents participating in benefit plans through the System's Uniform Group Insurance Program, a key component of the UT Benefits package which includes insurance, retirement, and wellness programs. In addition, there are approximately 1,650 COBRA participants continuing coverage in various health plans within the program. The System offers a self-funded, preferred provider (PPO) health plan (UT SELECT) for eligible participants. Approximately 101,000 employees, retired employees, and COBRA subscribers along with more than 76,000 dependents were covered by UT SELECT during September 2011. UT SELECT medical benefits are currently administered by Blue Cross and Blue Shield of Texas, and prescription benefits are currently administered by Medco Health Solutions, Inc. (Medco).

The System's "Living Well" program, a comprehensive health and wellness initiative available to all UT SELECT participants, is integrated with both the medical and prescription plans. As part of the UT Benefits program, the System also currently offers the following optional benefit plans: a self-funded dental PPO plan (UT SELECT Dental) currently administered by Delta Dental, a fully insured dental health maintenance organization currently operated by Assurant Employee Benefits, voluntary group term life and accidental death and dismemberment insurance currently issued by Dearborn National, dependent group term life and accidental death and dismemberment insurance currently issued by Dearborn National, short- and long-term disability coverage currently issued by Dearborn National, vision care coverage currently issued by Superior Vision, flexible spending accounts for both health and dependent day care expenses currently administered by PayFlex Inc., and long term care insurance currently issued by CNA. Participation in these optional benefit plans is voluntary, and the premiums are generally paid solely by the participating employees and retired employees.

The System's Office of Employee Benefits (OEB) is located at the System's headquarters in Austin, Texas, and has responsibility for the oversight of all fully-insured and self-funded benefit plans provided as part of the UT Benefits program. Maximizing the benefits and services that eligible System employees, retired employees, and their covered dependents receive for each dollar spent on benefits is a primary objective for OEB.

1.3 OBJECTIVES OF THIS REQUEST FOR PROPOSAL (RFP)

Section 1601.054 of the Texas Insurance Code requires the System to submit for competitive bidding at least once every six years each of its group insurance plan agreements, including agreements for the administration of self-funded plans. Accordingly, as described in this Request for Proposal (RFP), System is soliciting proposals from qualified and appropriately licensed vendors to provide Pharmacy Benefit Management (PBM) Services for the prescription drug plan (PDP) available to participants under UT SELECT, for the three-year period beginning September 1, 2012, through August 31, 2015, with the opportunity at System's sole option to renew for an additional three-year period, subject to terms and conditions acceptable to the System.

It is the System's intention to have a signed contract in place and to begin implementation planning by
February 15, 2012.

2.0 GENERAL INFORMATION AND REQUIREMENTS

2.1 CONFLICT OF INTEREST

No member of the System Board of Regents or System employees (including the Chancellor, Executive Vice Chancellor for Business Affairs, Assistant Vice Chancellor for Employee Services, and Office of Employee Benefits management) may have any direct interest in the awarding of the Contract or any indirect conflict of interest involving the vendor, including but not limited to any financial interest.

2.2 NONRESPONSIVE PROPOSALS

The System will not accept for consideration any proposal that does not comply with the criteria set forth herein. Failure to address any of the RFP requirements may result in rejection of a proposal.

2.3 REPRESENTATIONS BINDING

Representations made within the proposal will be binding on the vendor. The System will not be bound to act by any previous communication or by any nonconforming proposal submitted by a vendor.

2.4 NONDISCRIMINATORY PRACTICE

A vendor shall not discriminate by excluding, seeking to exclude, or otherwise restricting services or benefits on the basis of gender, race, national origin, religion, age, sexual orientation, veteran status, disability, or pregnancy.

2.5 BINDING ARBITRATION CLAUSE EXCLUSION

Each proposal must specify that the vendor will not impose a binding arbitration requirement upon a plan participant. Any proposal containing a requirement that plan participants must agree to engage in binding arbitration will not be accepted by the System.

2.6 MODIFICATION PROHIBITED

No proposal may be changed, amended, or modified after submission to the System except to correct an inadvertent error.

2.7 EXEMPTION FROM STATE TAXES

Coverages provided by the System are exempt from state premium and maintenance taxes.

2.8 VENDOR INITIATED CHANGES

The vendor must notify the System in writing prior to making any significant changes in operating policies or business practices, including material changes to its network agreements, the PDP formulary, pharmacy reimbursement levels, key personnel on the designated Account Management Team, or any other aspect of the vendor's operations that could affect the PDP. The System reserves the exclusive right to determine if such potential changes may be applied to the System, and if so, when they shall be applied.

2.9 MEMBER IDENTIFICATION AND CONFIDENTIALITY OF SOCIAL SECURITY NUMBERS

The primary reference ID used to identify plan subscribers and their dependents (collectively referred to herein as "participants") is a unique eight-character alphanumeric Benefits ID (BID) that is issued by the System and used across all benefit plans offered by the System, including the PDP. The vendor must be able to identify a participant and the participant's coverage using the BID. The BID shall be the preferred identifier for use in telephone communication, unencrypted electronic communication, and printed reports referencing specific participants.

Vendors must be able to comply with all federal and Texas state legislation, as well as System policy, applicable to the protection and use of Social Security numbers, including limitations placed on the use of Social Security numbers on ID cards and plan documents by Section 35.58 of the Texas Business and Commerce Code, CONFIDENTIALITY OF SOCIAL SECURITY NUMBER. The vendor must be able to coordinate with the System to fully comply with all applicable laws and System policies relating to the security, protection and use of plan participants' Social Security numbers. All sensitive System data, including Social Security numbers, must be encrypted whenever transmitted over the Internet.

2.10 COMPLIANCE WITH LEGAL REQUIREMENTS AND FUTURE CHANGES

All proposals must comply with all currently applicable laws and regulations including, but not limited to, the following:

- State and federal laws and regulations; and
- Rules promulgated by the Texas Department of Insurance.

The requirements of applicable laws and regulations, as well as future program appropriations made by the Texas Legislature, are subject to change and such changes may affect overall plan design and/or administrative responsibilities. The System requires a good faith effort on the part of the vendor to comply with any additional responsibilities imposed by changes in state or federal laws or regulations, or by future court or administrative rulings, without requiring midyear administrative fee increases.

Vendors must agree to collaborate with the System to effect necessary changes and to execute any agreement that may be required as a result. Should a mandated change materially affect the vendor's obligations under the Contract, the System reserves the right to negotiate with the vendor regarding any administrative fee adjustment that may be appropriate under the circumstances, as provided in the Contract.

2.11 SYSTEM'S HISTORICALLY UNDERUTILIZED BUSINESS (HUB) PROGRAM

The System is committed to providing full and equal opportunity for all businesses to provide goods and services needed in support of the System's missions. The System's Historically Underutilized Business (HUB) Program formalizes the System's commitment to carry out this effort. The HUB program ensures compliance with state HUB laws and serves to educate both the university and business communities about the benefits of using HUB vendors. In all contracts entered into for professional services, contracting services, or commodities with an expected value of \$100,000 or more, the purchase solicitation must indicate whether the System has determined that subcontracting opportunities are probable in connection with the contract. If so, a HUB Subcontracting Plan is a required element of the vendor response to this RFP.

2.11.1 SUBCONTRACTING OPPORTUNITIES DETERMINATION

System has reviewed this RFP in accordance with Title 34, Texas Administrative Code, Section 20.13 (a), and has determined that subcontracting opportunities are probable under this RFP. As identified by the System Office of HUB Development, the HUB Goal for this RFP is 24.6% percent.

For specific questions regarding the HSP, please submit questions through the RFP website and questions will be directed to the UT System Office of HUB Development.

2.11.2 HUB SUBCONTRACTING PLAN (HSP) REQUIRED FOR CONSIDERATION

A HUB Subcontracting Plan ("HSP") is required as part of vendor's proposal. The HSP will be developed and administered in accordance with System's Policy on Utilization of Historically Underutilized Businesses, attached as Appendix K and incorporated for all purposes.

Each vendor must complete and return the HSP in accordance with the terms and conditions of this RFP, including System's Policy on Utilization of Historically Underutilized Businesses. Vendors that fail to do so will have their proposals considered nonresponsive to this RFP in accordance with Section 2161.252, Texas Government Code.

The Contractor will not be permitted to change its HSP unless: (1) the Contractor completes a newly modified version of the HSP in accordance with the terms of System's Policy on Utilization of Historically Underutilized Businesses that sets forth all changes requested by the Contractor, (2) the Contractor provides System with such a modified version of the HSP, (3) System approves the

modified HSP in writing, and (4) all agreements or contractual arrangements resulting from this RFP are amended in writing by System and the Contractor to conform to the modified HSP.

2.11.3 GOOD FAITH EFFORT REQUIRED

All agencies of the State of Texas are required to make a good faith effort to assist historically underutilized businesses (each a “HUB”) in receiving contract awards. The goal of the HUB program is to promote full and equal business opportunity for all businesses in contracting with state agencies. Pursuant to the HUB program, if under the terms of any agreement or contractual arrangement resulting from this RFP the Contractor subcontracts any of the services to be provided, then the Contractor must make a good faith effort to utilize HUBs certified by the Procurement and Support Services Division of the Texas Comptroller of Public Accounts. Proposals that fail to comply with the requirements contained in this section will constitute a material failure to comply with advertised specifications and will be rejected by System as nonresponsive.

Additionally, compliance with good faith effort guidelines is a condition precedent to awarding any agreement or contractual arrangement resulting from this RFP. Proposing vendor acknowledges that, if selected by System, its obligation to make a good faith effort to utilize HUBs when subcontracting any part of the services to be provided in connection with this RFP will continue throughout the term of all agreements and contractual arrangements resulting from this RFP. Furthermore, any subcontracting of such services by the vendor is subject to review by System to ensure compliance with the HUB program.

2.11.4 MANDATORY REQUIREMENTS FOR HSP SUBMISSION

Each vendor must submit to the System three (3) original copies of the HSP along with, but packaged separately from, its complete proposal. The three (3) originals of the HSP must be submitted under separate cover in a clearly marked envelope (the “HSP Envelope”) that is attached to the outside of the box containing the other proposal materials submitted by the vendor or must otherwise be provided contemporaneously with the other proposal materials. The top outside surface of the HSP Envelope when attached to the exterior of the packaging for the vendor’s other proposal materials must clearly show:

- the RFP title (as noted on the cover page) and the Submittal Deadline, both marked in the lower left hand corner of the front of the envelope,
- the name and return address of the proposing vendor, and,
- the phrase “HUB Subcontracting Plan.”

It is the vendor’s sole responsibility to ensure that the HSP arrives concurrently with the other proposal materials as specified above. System will open a vendor’s HSP Envelope prior to opening

the proposal submitted by the vendor, to ensure that the vendor has submitted the number of completed and signed originals of the vendor's HSP that are required.

A vendor's failure to submit the required number of completed and signed originals of the HSP will result in rejection of the proposal as nonresponsive due to material failure to comply with advertised specifications; without exception, any such proposal will be returned to the vendor unopened.

Note: The requirements regarding submission of the HSP outlined above are separate from and do not affect a vendor's obligation to provide the specified number of copies of the complete proposal as specified elsewhere within this RFP.

2.12 USE OF SUBCONTRACTORS

Any planned or proposed use of subcontractors by the vendor must be clearly disclosed and documented in the submitted proposal and agreed to by the System. The vendor shall be completely responsible for all services performed and for the fulfillment of its obligations under the Contract, even if such services are delegated to a subcontractor. Any proposal to utilize subcontracting must be addressed in the vendor's Subcontracting HUB Plan, as described in a separate section.

2.13 HIPAA AND PRIVACY POLICY COMPLIANCE

The vendor will be required to comply with all applicable provisions of the Health Insurance Portability and Accountability Act, codified at 42 USC § 1320d through d-8 (HIPAA), and any regulations, rules, and mandates pertaining to the HIPAA privacy and security rules, as well as with any applicable state medical privacy requirements. The vendor will also be required to comply with the System's privacy and applicable information technology security policies. The vendor contract includes a Business Associate Agreement. In response to the related interrogatories included in Section 12.0 of this RFP, the vendor must describe in detail its HIPAA Privacy and Security programs as well as its information security program.

2.14 CONTINUATION OF COVERAGE (COBRA)

As specified by Title XXII of the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA), the System institutions will notify employees, spouses and qualified dependent children of their option to continue their group health coverage at the time of initial enrollment. The System institutions also notify any individual who, because of a qualifying event, becomes eligible for continuation of coverage and provide COBRA applications to such individuals. If an individual chooses to continue coverage, it is individual's responsibility to complete the COBRA application and to send it and applicable premium payment directly to the group health plan's COBRA administrator.

The vendor will be required to accept eligibility data for COBRA participants and to administer PDP benefits for these participants, just as it does with all active plan participants, to ensure that the System remains in full compliance with its COBRA obligations.

2.15 TERM OF ACCEPTANCE

It is the intent of the System, at this time, to enter into a three-year contract for administration of the PDP beginning September 1, 2012. At the System's option, this Contract may be renewed for an additional three-year period beginning September 1, 2015, subject to terms and conditions acceptable to the System.

2.16 RESERVATION OF RIGHTS

2.16.1 ADDITIONAL INFORMATION

System reserves the right to request additional documentation and vendor agrees to provide the information requested.

2.16.2 VALIDATION OF PROPOSAL MATERIALS

The System reserves the right to audit and validate all materials and responses submitted with the vendor's proposal.

2.16.3 REJECTION OF PROPOSALS

The System retains the right to reject any or all proposals submitted and to call for new proposals.

2.16.4 VENDOR NEGOTIATIONS

The System reserves the right to enter into discussions and negotiations with one or more vendors selected at its discretion to determine the best and final terms. The System is not under obligation to hold these discussions or negotiations with each vendor that submits a proposal.

2.16.5 REVISION OF PROVISIONS

The System specifically reserves the right to revise any or all RFP or Contract provisions set forth at any time prior to the System's execution of a Contract.

2.16.6 EXECUTION OF CONTRACT

The System is under no legal obligation to execute a Contract on the basis of this RFP or upon receipt of a proposal.

2.17 REFERENCES

Each vendor must provide a list of current major customers, as requested in this RFP. These customers may be contacted by the System to provide information regarding the vendor's overall record of service in providing the program for their employees.

The provision of references by the vendor shall constitute verification that the System has the vendor's permission to contact these organizations and obtain any required information without obtaining further permission from the vendor.

2.18 MATERIALS

A copy of materials to be used by the vendor in administering the PDP benefits must be provided as requested in the section of this RFP dealing with communications requirements. The System retains the right to review and approve all such materials prior to distribution. The vendor is required to submit proposed marketing and other informational materials in the specified format and according to deadlines set by the System. The cost for preparation of such materials for the term of the Contract should be accounted for in the proposed administrative fees quoted by the vendor.

2.19 COMPENSATION FOR EXPENSES NOT AVAILABLE

Vendors shall submit proposals at their own expense. No compensation will be provided to vendors for expenses incurred for proposal preparation or demonstrations, unless otherwise expressly stated in writing by the System.

2.20 RETENTION OF PROPOSALS

Proposals and all materials submitted in response to this RFP become the sole property of the System and will not be returned to the vendors. During the evaluation process, the System shall make reasonable efforts as allowed by law to maintain proposals in confidence, and shall release proposals only to personnel involved with the evaluation of the proposals and implementation of the Contract unless otherwise required by law. Further information dealing with the confidential status and potential disclosure of proposal contents is included in a separate section.

2.21 CONFIDENTIAL STATUS AND DISCLOSURE OF PROPOSAL CONTENTS

As a state institution of higher education, the System is subject to the Texas Public Information Act ("the Act"), Chapter 552 of the Texas Government Code, and has no authority to enter into a confidentiality agreement in contravention of the Act. In response to any public information requests under the Act that are submitted during the RFP process, the System shall deem and argue to the State Attorney General that during the bidding process all proposals submitted in response to the RFP are confidential under the Act. However, once the RFP process has concluded, this exception will no longer apply.

Vendors should be aware that the Texas Attorney General may determine that full or partial disclosure is required for information deemed to be confidential or proprietary by a vendor. It is the sole obligation of a vendor to advocate for the confidential or proprietary nature of any information provided in or along with its proposal. The System shall not advocate for the confidentiality of the vendor's material to the Texas Attorney General or to any other person or entity. Upon receipt of any public information request involving a submitted proposal after the conclusion of the RFP process, the System shall, pursuant to the Act, make a good faith effort to notify the vendor of the request.

For any such request, the vendor will be responsible for submitting written justification to the State Attorney General detailing why particular information should be withheld, such as the exception applicable to certain commercial information. To ensure its ability to claim exemption from the release of information contained in a submitted proposal, a vendor should clearly designate within its proposal and accompanying materials any information that it believes to be exempt from disclosure and provide legal justification for each instance.

Additionally, vendors should be aware that, pursuant to the Act, upon request from a member of the Legislature and where needed for legislative purposes, the System may be required to release a vendor's entire proposal, including information designated by the vendor to be confidential or proprietary. By submitting a proposal, a vendor acknowledges its understanding and agreement that System shall have no liability to the vendor or to any other person or entity for any disclosure of information made in accordance with the Act.

This section applies regardless of whether a contract is awarded as the result of this RFP.

2.22 NEWS RELEASES

Written approval by the System will be required prior to the issuance of any news release or other public communication regarding any Contract awarded to a vendor.

2.23 USE OF SYSTEM INFORMATION FOR SOLICITATION IS PROHIBITED

The vendor must explicitly agree never to use any information received from any source about System employees or retired employees for any marketing purpose or to solicit business of any other type. This agreement extends to all forms of discussions, advertisement, distribution, or other marketing by the vendor (or a parent or subsidiary) for coverage, products, or materials other than those explicitly relating to the vendor's services under the PDP, including the provision of such items to lists of System employees or retired employees obtained from other vendors contracting with System. This prohibition is also applicable to any use of the vendor's System-specific website. This prohibition continues subsequent to termination of the Contract.

2.24 AGENT OF RECORD

The System will not designate an Agent of Record or any other such company employee or commissioned representative to act on behalf of either the System or the vendor. Requests for the System to provide such designation shall be rejected. Vendors are specifically instructed to submit proposals directly to the System as specified herein in separate sections detailing HUB Subcontracting Plan submission requirements and overall proposal submission requirements. Proposals submitted through a third-party agent will not be accepted.

2.25 DEFINITIONS

For purposes of this RFP and any responses provided, the terms “employee,” “dependent,” “optional coverage,” “retired employee,” and “The University of Texas System” (System), shall have the same meaning as set forth in Chapter 1601 of the Texas Insurance Code. A copy of Chapter 1601 is included as Appendix H to this RFP. System reserves the right to define any other terms used in this RFP.

2.26 RESPONSES, ORDERING OF CONTENTS, DEVIATIONS

Proposals must concisely describe the vendor’s ability to meet the requirements of the RFP. Emphasis should be on providing complete, clear responses that demonstrate an understanding of the requirements and of the System’s needs. The content of all responses submitted must be ordered to correspond with the specifications as they appear in this RFP.

Unless a deviation is specifically noted in a response, it will be assumed that the vendor agrees to meet all specifications exactly as set forth in this RFP. Proposals containing deviations, items not called for herein, or irregularities of any kind are subject to disqualification at the System’s option.

2.27 CERTIFICATION

An authorized officer of a vendor submitting a proposal must certify that the proposal complies with the RFP specifications by completing the Signature Page included in this RFP and submitting the signed document with the original copy of vendor’s complete proposal as specified.

2.28 SUBMISSION OF PROPOSALS

Only proposals submitted in compliance with the following requirements will be accepted by System:

- This RFP is available on the System’s RFP website in both PDF and Word format. Vendors *must* use the Word version of the RFP to complete and include the following items with your submission:
 - 1) Detailed responses to each interrogatory;

- 2) Proposed administrative fees, reimbursement guarantees, and rebate guarantees; and
- 3) The signature page, verifying the vendor's ability to meet all requirements.

- One (1) original proposal signed with blue ink and clearly marked “Original,” and thirteen (13) identical copies of the proposal must be received by the System **on or before 3:00 p.m. (CST) on Tuesday, January 17, 2012**. The original and copies of the proposal should be delivered to:

Laura C. Chambers, Director
Office of Employee Benefits
The University of Texas System
702 Colorado Street, Suite 2.100
Austin, Texas 78701-3043

- Vendors must submit three (3) complete electronic versions of the proposal on separate discs or USB drives, using either Microsoft Office or PDF format for all included documents. The discs/drives must be clearly labeled with the vendor name and the title of this RFP. All materials included in the printed binders *must* be included with the electronic versions, including exhibits and the separate HUB Subcontracting Plan submission.
- Proposals must be valid for one hundred twenty (120) days following the proposal receipt date.
- The proposed administrative fee must be firm and guaranteed for at least three (3) years beginning September 1, 2012, through August 31, 2015.
- A Table of Contents with sufficient detail (including page numbers) to facilitate easy reference to all sections of the proposal, as well as to separate attachments, must be included. Any supplemental items not requested in the RFP should be clearly identified as such in the Table of Contents and must be provided in a separate section(s) of the proposal from required items.
- All materials, other than the HUB Subcontracting Plan (HSP), must be submitted in sealed envelope(s), box(es), or container(s). The HSP must be affixed to the outside of the main proposal packaging so that it arrives along with the other proposal materials, but is separately accessible. Proposal packaging must clearly indicate the submittal deadline, the vendor’s name, and the vendor’s return address on the exterior.
- Under no circumstances will proposals received after the submission deadline be considered. Properly marked late proposals will be returned unopened at the vendor’s expense. Unmarked late proposals will be held at the System Office of Employee Benefits for 30 days and then discarded.
- Proposals transmitted electronically, or by any means other than as specified in this section, will not be considered.

2.29 ADDENDA TO RFP, INQUIRIES REGARDING SPECIFICATIONS

Questions and comments regarding the RFP should be submitted as soon as possible and must be sent via email using the link on System's RFP website (<http://utdirect.utexas.edu/rfp/>) that has been established for this purpose.

Any response to an inquiry that alters an interpretation of, or requires a change to, this RFP will be posted as addenda on the RFP website. All vendors will be responsible for regularly checking this website for RFP addenda and other announcements. All addenda issued by the System prior to receipt of a proposal shall be considered part of the RFP. All vendors are required to acknowledge all of the addenda issued on the space provided on the Signature Page of this proposal.

To ensure that all replies can be provided to all prospective vendors prior to the deadline for submission of proposals, no questions received after 5:00 p.m. (CST) on **Friday, January 6, 2012**, will be considered or responded to by the System.

2.30 TELECONFERENCE FOR INTERESTED VENDORS

To provide representatives of interested vendors an opportunity to pose questions regarding the specifications and selection process, a teleconference for prospective respondents is scheduled to be held on **Thursday, January 5, 2012, from 10:00 a.m. until noon, (CST)**. If you are interested in participating in this event, please register online at <http://utdirect.utexas.edu/rfp>.

Questions and comments should be submitted via the RFP website as described above and should be sent as much in advance of the teleconference as possible to allow time for the System to gather information as needed and to prepare complete responses prior to the teleconference. Following the teleconference, any remaining questions and comments must also be submitted via the RFP website.

System plans to hold the teleconference via Microsoft Live Meeting in addition to the use of a toll-free conference line. Additional details regarding the teleconference will be provided in advance to those vendors that register to participate.

2.31 FINALIST INTERVIEW

Following the System's initial review of the RFP Proposals, if a vendor is selected as a finalist in the vendor selection process, the System may, at its sole option, request that personnel from the vendor, at the vendor's expense, attend a meeting at a System-designated location to clarify responses and to answer questions regarding the vendor's Proposal. If the System deems necessary, a site visit to the vendor may be conducted during the RFP review period at the System's expense.

3.0 IMPLEMENTATION TIMELINE

The dates below apply to key milestones during the implementation phase for the PDP. Vendors will be required to meet the deadline listed below for submission of proposals. The vendor will be required to meet all deadlines as shown throughout the implementation process.

Request for Proposal (RFP) Issued	12/05/2011
Prospective Vendor Conference, Austin, Texas	01/05/2012
Last date to submit written questions to the System	01/06/2012
Vendor Proposals Due to the System	01/17/2012
Vendor implementation team designated and tasks assigned	02/15/2012
First planning meeting between the System and vendor	02/15/2012
Contracts finalized and signed	03/09/2012
Drafts of Annual Enrollment materials due to the System	04/01/2012
Drafts of new employee communication materials to the System	05/01/2012
Distribution deadline of Annual Enrollment materials to institutions	06/01/2012
Testing of automated transmission of claims data processing system and electronic Fee Billing Invoice	06/01/2012
System-specific vendor website available for testing	06/01/2012
Benefits & Human Resource Conference in Austin, Texas	06/6-8/2012
Setup of SFTP procedures and authorizations for eligibility data exchange	06/19/2012
System-specific PDP website ready for use	06/23/2012
Annual Enrollment Period (employee meetings)	07/01-30/2012
Begin testing transmission of eligibility data	07/10/2012
New employee materials due to the Institution Benefit Offices	08/01/2012
Begin testing of Electronic Fee Billing Invoice	08/01/2012
Begin testing of eligibility error dataset transmission from vendor	08/09/2012
First transfer of new plan year enrollment data to the vendor	08/11/2012
Banking arrangements completed	09/01/2012
Plan Year 2012-2013 begins	09/01/2012

4.0 THE CONTRACT AND OTHER LEGAL REQUIREMENTS

The Contract shall be in the format specified by the System. The Contract will incorporate this RFP, the vendor's proposal thereto, and any other information the vendor may be required to provide. Until a Contract has been executed and signed, the RFP and the vendor proposal will be binding. A Sample Contract is included as Appendix J to this RFP. Vendor responses containing proposed changes to the Sample Contract will not be considered.

Important: The vendor should not attempt to modify or sign the Sample Contract. The actual Contract will be prepared by the System Office of General Counsel and signed by the vendor prior to September 1, 2012.

4.1 INTRODUCTION

No Contract will be executed until the System has accepted a vendor's proposal and has notified the vendor of its approval. The Contract will be for a three-year term beginning on September 1, 2012 and will extend through August 31, 2015, to be renewed at the System's option for an additional three-year period unless terminated as provided herein or in the Contract. If the current vendor submits a proposal and is not selected, the current vendor shall continue to perform in good faith all obligations under its existing contract with the System.

The System and the contracting vendor shall agree and acknowledge, as applicable, that the benefits and coverage to be provided under the Contract will be provided from September 1, 2012, through August 31, 2015. However, the System and the contracting vendor shall also agree and acknowledge that there are duties and obligations specified by the RFP to be performed prior to September 1, 2012, and following August 31, 2015, and the Contract will specify that the parties agree to perform all such duties and obligations, and that all applicable damage provisions shall be in effect as to these duties and obligations.

The Contract shall comprise the complete and exclusive statement of each agreement between the System and the contracting vendor and supersede all prior or contemporaneous agreements, negotiations, course of prior dealings, and oral representations relating to the subject matter hereof.

The System has specific contracting requirements that cannot be waived or altered. All vendors should carefully review the Sample Contract included as Appendix J to this RFP, including but not limited to the provisions on Indemnification, Auditing, and the EIR Warranty. The vendor should include in their written submission all alternate requirements, terms, or conditions they wish to have considered. **However, the vendor should not assume that an opportunity exists to add such matters through the contract negotiation as a part of the RFP process.** Unacceptable terms and conditions added by the

vendor may result in the rejection of the vendor's proposal, despite other factors to be evaluated. In addition, the vendor should not strike-through or otherwise alter anything in the Sample Contract. Submission of an altered Sample Contract as part of a response may result in rejection of the vendor's proposal, despite other factors to be evaluated.

In the event that a contracting vendor fails or refuses to perform any of its duties or obligations as provided by the Contract, the System, without limiting any other rights or remedies it may have by law, equity or under contract, will have the right to terminate the Contract immediately. Notwithstanding such termination, certain obligations of the vendor shall survive the termination of the Contract.

At any time during the term of a Contract and for a period of four (4) years thereafter, the System or a duly authorized audit representative of the System, or the State of Texas, at its expense and at reasonable times, reserves the right to audit the contracting vendor's records and books relevant to all services provided under the Contract. In the event such an audit reveals any errors or overpayments by the System, the contracting vendor will be required to refund the full amount of such overpayments within thirty (30) days of such audit findings, or the System may, at its option, reserve the right to deduct such amounts from any payments due the vendor.

The contracting vendor must agree not to publicize the Contract or disclose, confirm or deny any details thereof to third parties or use any photographs or video recordings of the System's employees or use the System's name in connection with any sales promotion or publicity event without the prior express written approval of the System.

This Contract is for the personal services of the vendor and the vendor's interest in such agreement. Duties assigned to the vendor under the contract may not be assigned or delegated to a third party.

4.2 FAILURE TO COMPLY

Failure to comply with the procedures required by the RFP or any other applicable guidelines shall be cause for immediate suspension or cancellation of the Contract. A suspended or canceled vendor that provides coverage or services will not be permitted to accept new enrollees, but must continue to provide coverage for those employees whose effective date was prior to the date of suspension or cancellation. Any suspension will remain in effect until System is satisfied that circumstances resulting in suspension have been corrected. Upon the loss of the contracting vendor of any licensure or certification required by Texas law to provide a service required under the Contract, or the filing of a petition for bankruptcy, or upon judgment of bankruptcy or insolvency by or against the contracting vendor, the System may terminate the Contract for cause without notice.

4.3 NOT AN ERISA PLAN

As a governmental entity, the System is not subject to the provisions of the Employee Retirement and Income Security Act (ERISA).

4.4 COMPLIANCE WITH TEXAS DEPARTMENT OF INSURANCE RULES

Pursuant to Chapter 1601 of the Texas Insurance Code (Code), System is exempt from many of the provisions of the Code and regulations promulgated by the Texas Department of Insurance (TDI). However, nothing in any agreement between the System and a contracting vendor shall be construed to require or permit any action that is prohibited by, or in conflict with, an applicable provision of the Code or an applicable TDI rule or regulation.

4.5 VENDOR ID NUMBERS

A vendor must obtain a Vendor Identification Number issued by the Comptroller of Public Accounts of the State of Texas. The vendor will be required to complete and submit a Payee Identification Form to receive payment.

4.6 AUTHORIZED SIGNATURES

The Chief Executive Officer, General Counsel, or an authorized officer of the vendor must sign the Contract. The proposal must state the name and office of the individual who will sign the Contract on behalf of the vendor and include documentation verifying that the individual has the authority to do so.

4.7 RELATIONSHIP OF PROPOSAL TO CONTRACT

Any contract resulting from the selection of a vendor by the System shall incorporate by reference the RFP including Appendices, the vendor's response thereto, and any other information the vendor may be required to provide.

5.0 FINANCIAL REQUIREMENTS

5.1 INSURANCE RISK

The PDP is financed on a fully self-funded basis. The contract to be executed in accordance with this document shall involve no insurance or reinsurance. The contract shall be for administrative services, pharmacy network management and credentialing, establishment and maintenance of the formulary used in connection with the PDP, formulary rebate administration, drug utilization review, and disease management services as described within this RFP. The cost to meet the requirements described in this article shall be recovered by the vendor only by making provision for such expense in the vendor's PBM Price Proposal included with the response to this RFP.

5.2 VENDOR FINANCIAL STRENGTH

To be eligible for consideration, the vendor must have a net worth of at least \$50 million, as demonstrated by an audited financial statement as of the close of the vendor's most recent fiscal year. To affirm financial capability, the vendor must submit all documentation as requested in the related interrogatories included with this RFP.

5.3 PAYMENT METHODOLOGY FOR ADMINISTRATIVE FEES AND CLAIMS

For each monthly coverage period, the System shall pay the vendor per member per month administrative fees which may become due under the Contract within 60 days from the beginning of the coverage month based on System's self-bill. Specific details on the requirements for the payment of the per member per month administrative fee, including the self-bill, are included in the technical and data exchange requirements section of this RFP. Billable fees associated with utilization of specific administrative services will be paid on the same schedule provided the vendor presents invoices for such fees in a timely manner on a monthly basis.

The vendor shall process and pay all claims submitted under the PDP as described herein and in the Contract. The vendor shall pay claims through the issuance of drafts or through Electronic Funds Transfer (EFT) from the vendor's account prior to seeking reimbursement from the System. On at least a biweekly basis, the vendor shall present an invoice to the System for claim payments made during the previous invoice period. The vendor shall be responsible for maintaining its own funds which are sufficient to provide for the costs incurred under the PDP. All payments from the vendor to System must be by ACH or other electronic fund transfer methods. The vendor will be responsible for the escheatment process in accordance with Texas law for any payments disbursed on behalf of the PDP.

Due to the timing of the reimbursements, the vendor could potentially be required to advance up to four weeks of claim payments before being reimbursed by the System. It is estimated that during the first year of the Contract, two weeks of claim payments shall average approximately \$6.5 million.

The vendor shall be reimbursed only for actual payments to pharmacies (i.e., it is not acceptable for the vendor to seek reimbursement from the System in an amount that is different than the amount vendor paid to the pharmacy). The vendor shall be reimbursed only for paid claims, and shall not be reimbursed for claims that have been processed but not yet paid to pharmacies.

Section 51.012 of the Texas Education Code authorizes System to make any payment through electronic funds transfer (or by electronic pay card). The vendor must confirm the ability to receive reimbursement payments from System through ACH or other electronic fund transfer methods. Banking information will be verified during implementation. Any changes to the vendor's banking information must be communicated in writing to the System at least thirty (30) days in advance of the effective date of the change.

5.4 ANNUAL EXPERIENCE ACCOUNTING

Within 180 days after the end of each Contract Year, the vendor shall provide the System with a complete accounting of the PDP financial experience under the Contract. The accounting shall include detail regarding monthly enrollment, paid claims, administrative fees, rebates, and performance guarantees.

In addition, the vendor shall provide the System with any other experience data and accounting information that the System may reasonably require.

5.5 AUDIT OF VENDOR

System contracts with an independent auditor to conduct an annual audit of its prescription benefit claims and the vendor's PDP administration to determine both the adequacy of the vendor's procedures for the payment of claims and the accuracy of claim payments. The System will provide the vendor with a minimum of thirty days' notice prior to commencement of the audit.

In addition to audits that may be conducted by the State Auditor, System may, at its sole discretion, conduct other audits of the vendor as deemed necessary. System shall determine the scope of each audit. The vendor is required to fully support all audit-related activities and to cooperate in good faith with the auditor. The vendor must maintain readily available data that is accessible electronically as well as through hard copy, such that it can meet a reasonable timeline and provide timely responses for audit purposes. Neither the System nor the auditor shall reimburse or indemnify the vendor for any expense incurred or any claim that may arise in connection with or relating to either annual or other audits.

The vendor is responsible for addressing the independent auditor's findings to the satisfaction of the System. Audit findings that conclude certain claims were not adjudicated correctly shall result in the recalculation and financial settlement with the System within a reasonable timeframe, not to exceed the end of the following Plan Year. Recommendations made by independent auditors shall be discussed with System and incorporated by the vendor where appropriate.

5.6 RUN-OFF

Following termination of the Contract, the vendor must continue to be responsible for processing and paying claims which were incurred during the term of the Contract. The cost of such run-off administration should be accounted for in the proposed administrative fee. The System will not incur additional administrative fees during the run-off period. The current contracting vendor is responsible for processing and payment of all claims incurred prior to September 1, 2012.

6.0 BENEFITS, PROVIDER NETWORK, AND PROGRAM REQUIREMENTS

6.1 INTRODUCTION

The System designs the PDP. The System is conducting this RFP process to obtain the desired high-quality services at the best possible economic value and is not seeking to redesign the network or operational aspects of the PDP. Therefore, the System requires that the vendor be able to effectively administer a provider network, benefit design, and overall program which meets or exceeds the requirements presented in this RFP.

6.2 THE BENEFIT (OR PLAN) YEAR

The System's benefits are administered using a Plan Year that begins on September 1st and ends the following August 31st. This time period corresponds with the fiscal year of the System and the State of Texas.

6.3 PLAN PARTICIPATION

Chapter 1601 of the Texas Insurance Code, a copy of which is attached as Appendix H to this RFP, establishes eligibility criteria and enrollment requirements for the UT SELECT plan, including prescription benefits.

6.3.1 ELIGIBILITY

Section 1601.101 of the Texas Insurance Code states that an employee who is expected to work at least 20 hours per week and to continue in the employment (is expected to work) for a term of at least four and one-half months, or is appointed for at least 50% of a standard full-time appointment, is eligible for benefits.

In accordance with Section 1601.102 of the Texas Insurance Code, certain retired employees of the System are eligible for benefits.

6.3.2 BASIC COVERAGE

Basic group insurance coverage provided by the System must be comparable to the coverage commonly provided in private industry and at other institutions of higher education.

The basic package for benefits-eligible employees includes employee-only coverage under UT SELECT, \$20,000 basic group term life (GTL), and \$20,000 basic accidental death and dismemberment (AD&D) coverage.

The basic coverage for benefits-eligible retired employees includes retiree-only coverage under UT SELECT and \$6,000 basic GTL.

6.3.3 PREMIUM SHARING

On a biennial basis, the Texas Legislature determines the amount of premium sharing available for employees, retired employees and any eligible dependents. Premium sharing is intended to fund the total cost of the basic package for full-time employees and half the cost for part-time employees. The State Appropriations Act also provides for funding of the total cost of the basic package for retired employees. A percentage of the medical plan cost for covered dependents of participating active and retired employees is also paid through premium sharing.

For newly benefits-eligible employees, state premium sharing is not available for payment of the basic package until the first of the calendar month that begins after the 90th day after the employee begins employment. Each institution has the option to supplement premium sharing for all employees during this waiting period. However, if an institution does not supplement premium sharing, that institution's employees will not be eligible for the UT SELECT Medical Plan, including prescription benefits, until the end of the waiting period.

For newly retired benefits-eligible employees, state premium sharing is available to pay the retired employee's premium for the basic package if there is no break in coverage between the period of active employment and the effective date of retirement. If there is a break in coverage between active employment and retirement, premium sharing is not available for payment of the retired employee's basic package until the first day of the calendar month that begins after the 90th day after the effective date of retirement. System institutions do not have the option to supplement premium sharing for retired employees during this waiting period.

Full-time employees and retirees with comparable coverage from another source may waive the basic coverage package and receive up to 50% of the state premium sharing amount to pay premiums for certain optional coverages. Part-time employees with comparable coverage from another source may waive the basic coverage package and receive up to 25% of the state premium sharing amount to pay premiums for certain optional coverages.

6.3.4 ENROLLMENT

In addition to the specifics detailed in Chapter 1601, Texas Insurance Code, the enrollment process is governed by System policies. Annual Enrollment for all insurance plans is held during the month of July. During the Annual Enrollment period for the initial plan year in which prescription benefits for the self-funded UT SELECT PPO will be administered by the vendor (July 2012), any eligible System employee or retired employee may elect UT SELECT Medical coverage, including prescription benefits.

If an employee or retired employee elects to make enrollment changes during any Annual Enrollment period, those changes will be effective the following September 1. Unless an employee or retired employee elects to change or cancel their coverage during the Annual Enrollment period to be held during July, 2012, those employees or retired employees who are enrolled in UT SELECT coverage as of August 31, 2012 will continue enrollment at the same level of coverage, along with their eligible, enrolled dependents, under the new Contract that takes effect on September 1, 2012.

The first date that enrollment data for the 2012–2013 Plan Year is expected to be transferred to the vendor will be August 11, 2012. Technical and data exchange requirements related to eligibility and enrollment are detailed in a separate section of this RFP.

6.4 BENEFIT DESIGN

The vendor must be capable of administering the PDP benefits as presented on pages 51–57 of the UT SELECT 2011–2012 Benefits Guide (the Benefits Guide), included as Appendix A to this RFP. No deviations from these required benefits shall be allowed as part of a response to this RFP. While no significant changes in the existing UT SELECT benefit design are currently planned for the 2012–2013 plan year, the System may add new wellness initiatives on an ongoing basis or may elect to make changes to the benefit design based on plan experience or other factors during the contract period. The vendor should be prepared to make adjustments as needed.

The PDP provides benefits for prescriptions filled by pharmacies that do not participate in the pharmacy network. Participants who use non–network pharmacies will submit claims directly to the vendor for direct processing of non–network benefits. In addition, the vendor will be responsible for processing coordination of benefit claims submitted directly by plan participants. When UT SELECT is secondary, any applicable deductible and copayment are waived. The vendor must be capable of administering these facets of the program.

In addition to the current benefit structure and possible changes or enhancements to benefits during the contract period, System is contemplating incorporating an Indirect Employer Group Waiver Program with a benefit Wrap (Indirect EGWP plus Wrap) for Medicare–eligible retired employees (and their Medicare–eligible dependents) who are enrolled in the PDP. Vendors should clearly indicate their capacity and willingness to support the use of an Indirect EGWP plus Wrap for this subset of the PDP participant population beginning on a calendar–year basis during the contract period.

6.5 AVERAGE WHOLESALE PRICE

The current source for the Average Wholesale Price (AWP) used in the PDP is Medi–Span. To be eligible for selection, a vendor must agree to use this source for calculating the AWP.

6.6 RETAIL PHARMACY PROGRAM

6.6.1 RETAIL NETWORK

The vendor shall provide initial and ongoing recruitment, credentialing, and contracting with a sufficient number of pharmacies, as specified herein, as well as ongoing management of the pharmacy network such that UT SELECT participants have access to reasonably convenient and high-quality pharmaceutical coverage throughout the State of Texas in accordance with applicable laws, regulations, and standard industry practices. To be eligible for selection, a vendor must have in place and be prepared to consistently maintain throughout the contract period, a retail network that meets or exceeds the number of retail pharmacies in the network through which System employees, retired employees, and their covered dependents currently receive prescription benefits.

The retail network of pharmacies in Texas available through the plan currently offered to eligible System employees and retired employees has been included as Appendix F to this RFP. Vendors must be able to provide, as of September 1, 2012, and to maintain network services that are at least as comprehensive as the current network for services. Vendors must submit retail pharmacy network discounts determined in accordance with this network of retail pharmacies. The vendor must also stipulate that its network pharmacies will cooperate with reasonable requests by PDP participants to prepare and provide, without charge to the participants, records pertaining to prescriptions or copayment amounts.

6.6.2 RETAIL PHARMACY REIMBURSEMENT

Network pharmacies shall be reimbursed based on an amount determined as the lesser of 1) the pharmacy's usual and customary price (U&C) and 2) the sum of the ingredient cost plus dispensing fee. The payment to the pharmacy is equal to the amount determined above less applicable participant out-of-pocket costs, up to and including 1) the amount of deductible owed and 2) the applicable retail copayment.

The PDP deductible applies to both the retail and mail service pharmacies and is applied prior to the application of the copayment. A vendor must submit its proposed retail pharmacy reimbursement levels as provided in the Proposal Response Format section of this RFP.

The vendor shall provide ongoing review of pharmacy reimbursement rates and recommend adjustments as appropriate, subject to consultation with and approval by System.

6.6.3 RETAIL PHARMACY COPAYMENT

The vendor must ensure that the retail pharmacy charges the participant the lesser of 1) the U&C, 2) the ingredient cost plus dispensing fee, or 3) the applicable copayment as specified in the

Benefits Guide. For any prescription for which the participant payment is limited to 1) or 2) above, there shall be no additional charge to the System.

6.7 MAIL SERVICE PROGRAM

6.7.1 REIMBURSEMENT

The PDP has a mail service program that allows the participant to obtain a 90-day supply of most covered drugs for one mail service copayment. The mail service copayments are as specified in the Benefits Guide. The vendor must provide a mail service facility located within the continental United States.

Currently, the System reimburses the vendor for covered drugs dispensed by mail based on an amount equal to 1) ingredient cost, less 2) applicable deductible and the mail service copayment. A vendor must submit its proposed mail service reimbursement levels in the PBM Price Proposal as included in the Proposal Response section of this RFP.

6.7.2 COPAYMENTS

If the amount of the applicable copayment for a mail service prescription exceeds the applicable ingredient cost plus dispensing fee, if any, the vendor must return to the participant an amount equal to 1) the copayment less 2) the sum of the ingredient cost plus dispensing fee, if any.

6.7.3 PRICING

The mail service pricing formula must account for all of the following factors:

- Handling and postage expense of mail service prescriptions, including special handling requirements for temperature-sensitive medications;
- Braille labels on prescriptions for visually impaired participants;
- Drug information leaflet with each new prescription;
- Access to a drug information service;
- Ability to print receipts for medications obtained by mail that include the name of the drug dispensed, the date it was dispensed, the amount paid by the plan for the drug over and above the copayment, and the amount of the copayment and any deductible amount paid;
- Easy-open lids upon request;
- Cold-pack shipping, when necessary; and

- All prescriptions must be filled under the oversight of a properly licensed pharmacist in good standing.

6.7.4 AVAILABILITY OF MEDICATIONS

The vendor must have a process in place to notify a plan participant within 24 hours when the participant's mail service prescription is not filled for any reason, including cases where a medication prescribed for the participant is unavailable and the anticipated time to obtain the medication for dispensing will exceed seven (7) days. In cases where prescribed medication is unavailable for more than seven days, the vendor must obtain the participant's prescribing provider's approval for dispensing an alternative medication, or assist the member in accessing the medication through the retail network.

6.7.5 GENERIC SUBSTITUTIONS

The vendor must substitute a generic medication for a brand medication when filling a PDP participant's mail service prescriptions. To this end, if necessary, the vendor shall contact the participant's health care provider who authorized the filling of the original prescription and obtain the provider's authorization to substitute generic medication as permitted by applicable law.

6.7.6 BRAND-TO-BRAND SUBSTITUTIONS

Vendors must provide a detailed description of their Brand-to-Brand interchange program.

6.7.7 MODIFIED GENERIC DRUG PRICING

Mail Maximum Allowable Cost (Mail MAC) is defined as the number of units dispensed times the single unit MAC pricing used for purposes of retail pharmacy reimbursement. In those instances where the Mail MAC is determined to be less than the applicable generic copayment under the PDP, the plan participant shall pay an adjusted copayment equal to the calculated Mail MAC and there shall be no additional cost to the System.

6.8 FORMULARY

The PDP has a three-tiered, open formulary. Copayment levels vary by tier. To be eligible for selection, the vendor must have a viable formulary covering each of the categories of drugs that are covered under the current formulary, a list of which is included as Appendix G to this RFP. Proposals must include the specific formulary intended to be offered for UT SELECT participants. During the term of the Contract, the vendor shall not make changes to nor implement a new formulary for the PDP without prior notification to and approval by the System.

6.8.1 AVAILABILITY TO PARTICIPANTS

The vendor must make copies of its formulary available to each UT SELECT participant, at no additional cost, upon request of the participant or the System.

6.8.2 NOTIFICATION OF CHANGES

If a planned change in the formulary will affect a particular participant's medication, such that a medication that was included in the formulary is becoming a non-formulary item, the vendor agrees to contact the participant individually, in writing, regarding the effect of the upcoming change.

6.8.3 CUSTOMER SERVICE AND PHARMACIST ASSISTANCE

The vendor will be required to train its customer service representatives to assist UT SELECT participants who call, email, or write to vendor with formulary questions, including, but not limited to answering questions about the process for creating the formulary. Additionally, the vendor shall ensure that a pharmacist is available as needed to speak with UT SELECT participants about preferred and generic alternatives.

6.8.4 WEBSITE FORMULARY UPDATES

Prior to any formulary change, the vendor must update its formulary listing on its website.

6.9 FORMULARY REBATES

The vendor shall administer rebates under a Transparent Arrangement such that the vendor passes through to System any and all pharmaceutical manufacturer rebates and any other type of revenue generated from the prescription drug utilization of UT SELECT participants.

6.10 THERAPEUTIC SUBSTITUTIONS

The PDP permits the vendor to initiate therapeutic substitutions. Vendors must include an explanation of how it currently administers the use of therapeutic substitutions and how it will apply such practice to the PDP.

6.11 CONDITION MANAGEMENT

The vendor must provide educational information related to condition management to UT SELECT participants as a cost-containment measure for the PDP. The cost of providing this information must be accounted for in the proposed administrative fees and must address the factors listed in this section.

The vendor must make available, implement, and administer a comprehensive program to deliver educational information intended to assist participants with condition management. The vendor may recommend modifications to materials used in this educational program when the vendor determines such adjustments to be in the best interests of participants who would potentially benefit from the proposed changes. The vendor must notify the System and obtain consent as to any modification of the educational program prior to implementing a change or making revised information available to UT SELECT participants.

The vendor may use program information to profile patients only for the purposes of offering, implementing, and administering its educational program providing information for condition management purposes; for assessing patterns of care and measuring outcomes; and for providing opportunity analysis related to potential interventions as well as adherence analysis. Only non-personally identifiable participant information may be used by the vendor to administer, evaluate, and improve its educational program for disease management and other care management programs.

6.12 WELLNESS BENEFITS

The System is committed to integrating wellness benefits within the PDP to assist the System and the institutions with the creation and ongoing enhancement of campus wellness programs. The vendor must demonstrate the ability to provide wellness-related services and targeted wellness initiatives as part of the overall administration of the PDP. Experience with the effective application of Value-Based Benefit Design (VBBD) concepts and programs will be considered a differentiating factor in the area of wellness benefits.

The vendor must describe the specific wellness services and initiatives it intends to provide as part of its administration of the PDP and how those services and initiatives will be integrated into the System's existing "Living Well" program, a comprehensive health and wellness initiative currently available to all UT SELECT participants. In particular, information provided in the proposal should allow for the assessment of the vendor's willingness to collaborate directly with the System and other contracted vendors regarding wellness-related initiatives and services.

Of primary importance will be collaboration with the third-party administrator of the UT SELECT medical plan, currently Blue Cross Blue Shield of Texas, with regard to conditions and medical issues that may be identified through member access to PDP benefits. For example, the ability to transfer members directly to UT SELECT Medical customer service representatives or representatives with the UT SELECT Disease Management Program, when appropriate, is strongly preferred as a basic wellness initiative versus merely advising members to contact their medical insurance carrier.

Additionally, please note that each System institution offers an Employee Assistance Program (EAP) that provides counseling services to employees, retirees and their dependents on numerous topics. In the event that the vendor provides information to participants about services available within the

overall UT Benefits program and the Living Well program, whether through direct customer service interactions, PDP communications materials, or the System-specific PDP website, reference to the institution-based EAP programs is requested.

6.13 PRIOR AUTHORIZATION PROGRAM

The vendor must have the ability to effectively administer, in retail and mail settings, prior authorization programs in line with those currently in place, as detailed in Appendix E to this RFP. The cost for such programs must be included in the proposed administrative fees. It is System's intent that prior authorization programs provide cost-containment for the PDP. As such, all savings attributable to such programs shall accrue solely to the PDP.

6.14 COORDINATION OF BENEFITS

The vendor must be capable of processing coordination of benefit claims for participants who have other prescription drug benefit coverage to which the PDP is secondary. The cost of processing these claims should be included in the PBM Price Proposal. All savings attributable to such programs shall accrue solely to the PDP.

6.15 MEDICARE/MEDICAID/VETERANS AFFAIRS/DEPARTMENT OF DEFENSE

The vendor must be capable of processing claims from various state and federal government programs on behalf of UT SELECT participants who also participate in other state and federal government institutional programs. The System will authorize the vendor to process these claims subject to the plan's edits and only in accordance with the approved plan design applicable to claims submitted by a plan participant. The vendor shall pay all claims that meet plan design parameters, in accordance with the plan's terms and reject those that do not meet those parameters, including those that are submitted in the wrong format or are missing one or more data elements that are required by the plan design. Because of the potential for variations in timely filing requirements among the various state and federal government agencies, claims should not be rejected solely because they do not meet the plan's timely filing edits. In processing such claims under these parameters, the vendor must reimburse the applicable state or federal government agency at the lesser of (1) the amount the agency actually paid, or (2) the negotiated network price, minus any applicable deductible, copayment or coinsurance that the UT SELECT participant is responsible for under the plan design. The cost for this process shall be included in the PBM Price Proposal

6.16 PROCESS FOR GRIEVANCE AND APPEALS

The vendor must have in place a claims review and appeals process that complies with applicable requirements specified in the Affordable Care Act (ACA; Public Law 111-148). Details of the current, ACA-compliant claims review and appeal process for the PDP are included on pages 55-57 of the Benefits Guide.

7.0 OPERATIONAL REQUIREMENTS

The vendor shall administer the PDP in a manner consistent with all applicable laws and regulations, as well as with the requirements set forth in this RFP by the System. The vendor shall provide all services associated with the administration of the plan, including, but not limited to the items specified in the following sections. The vendor may recover the cost of compliance with the requirements described in this section only by making provision for such cost in the PBM Price Proposal.

7.1 GENERAL REQUIREMENTS

- a) The vendor shall provide general administrative support as required in the operation of the PDP.
- b) The vendor shall provide legal and technical assistance as it relates to the operation and administration of the PDP.
- c) The vendor shall provide certain reports that are required to administer a self-funded plan including, but not limited to, IRS Form 1099.

7.2 IMPLEMENTATION AND ACCOUNT TEAMS

If selected, the vendor must notify the System in writing of the names and roles of all members of its complete Implementation Team no later than February 15, 2012. In addition, the vendor will be required to establish an Account Management Team that is acceptable to System and agree to make staffing adjustments to this team as required by System throughout the contract period. The vendor must ensure that the Account Management Team is established no later than April 1, 2012, and that this team will be available to assist System as required every Monday through Friday from 8:00 a.m. until 5:00 p.m. (excluding national holidays).

The vendor's Implementation and Account Management Teams must each include a designated information technology contact with the technical knowledge and expertise to efficiently and effectively collaborate with System's information technology team regarding data transmission, data integrity, and timely processing of data. The designated information technology contact should be appropriately positioned within the vendor's organization to allow for direct management of all technical issues related to the contract.

7.3 CUSTOMER AND ACCOUNT SERVICE

- a) The vendor's Account Management Team must provide a minimum of four in-person reviews to the System per year regarding the utilization and performance of the PDP, including cost saving recommendations and updates regarding ongoing operational activities. The System may also require monthly operational meetings (in person or via telephone conference), as needed.

- b) The establishment and staffing of a customer service unit dedicated exclusively to the administration of the PDP is required. The unit should be staffed adequately to handle questions specific to PDP benefits, resolution of complaints, requests for program clarification, and to assist participants with pharmacy identification and selection. The vendor's customer service hours must include, at a minimum, Monday through Friday from 7:00 a.m. to 7:00 p.m. (CT), Saturday from 7:00 a.m. to 3:00 p.m. (CT), and emergency service coverage outside of the required business hours;
- c) By May 1, 2012, the vendor shall designate a Client Service Team with at least two employees whose first and primary responsibilities will be to respond to and resolve, within a reasonable timeframe, UT SELECT-related customer service needs. The Client Service Team may handle a variety of specific tasks related to the contract, possibly including answering questions from the System and institution Human Resource and Benefit Offices, scheduling vendor attendance at institution Annual Enrollment meetings, and distributing vendor materials.

Based on standards established during monthly operational meetings and as work and service requirements demand, the System and vendor will jointly monitor and establish appropriate staffing levels for the Client Service Team, to the System's sole satisfaction. The vendor warrants and represents that it will adequately train additional team members as needed to support the System's requirements.

- d) The vendor's Client Service Team must be authorized to accept verbal verification of a participant's coverage when provided by a representative of the System who has been designated to provide this information or must be prepared to verify the specific participant's coverage through an online system. Upon receipt of either verbal or online verification of the establishment of or a change to a specific participant's coverage, the Client Service Team must be authorized and able to update coverage in the vendor's data system prior to receipt of System's next weekly or monthly enrollment dataset;
- e) During and following System's Annual Enrollment period each year, the vendor shall dedicate additional staff members, as needed, to update UT SELECT-related records and accounts and to provide additional help for the vendor Client Service Team;
- f) Customer Service call centers serving the PDP must be located within the United States, preferably within the state of Texas. The establishment of toll-free lines (telephone and facsimile) is required and customer service staffing levels must be adequate at a minimum to maintain the following performance standards:
- Average abandonment rate of 5% or less; and,
 - Average time to answer of 30 seconds or less.

- g) The vendor must provide System staff the ability to listen to and monitor UT SELECT–related calls to and from the vendor’s customer service call center(s) on an as–needed basis;

7.4 CLAIMS PROCESSING AND ADMINISTRATION

- a) The vendor shall process and administer all required PDP claims incurred in connection with prescriptions dispensed on or after September 1, 2012, and throughout the term of the Contract. General requirements for claims processing include the following:

- Using System enrollment records, the vendor shall create and maintain enrollment records for all participants to be relied on for the processing of claims and other administrative functions for the PDP. In the event of a conflict between enrollment data stored at System and information on file with the vendor, the System’s information shall be considered authoritative;
- The vendor shall review claims for eligibility based on covered dates of services. Any ineligible claims that are inadvertently paid by the vendor shall be recaptured and returned to the System;
- The vendor shall process claims submitted directly by UT SELECT participants, including Coordination of Benefits claims for which the PDP pays secondary benefits. Each direct claim payment must include an Explanation of Benefits (EOB). The vendor must submit all claim forms and sample EOBs as an attachment to the Proposal for the System’s review and approval;
- PDP claims filed by participants must be processed within five (5) calendar days of submission to the vendor unless additional information or investigation is required;
- The vendor shall investigate unusual or extraordinary charges to determine all relevant circumstances and report to the System its findings. The vendor shall determine eligible claims, subject to the final authority of the System on all claims matters.
- The vendor must process and pay PDP claims using its own funds before seeking reimbursement from the System. The required methodology for requesting reimbursement is described within the Financial Requirements section of this RFP.

- b) In the event the vendor issues excess payments or payments for ineligible claims or participants, it will:

- Take all steps necessary to recover the overpayment, including recoupment (offset) from participants or providers’ subsequent claim payments;
- Assume 100% liability for incorrect payments which result from policy or System errors attributable to the vendor in whole or in part;
- Refrain from initiating litigation to recover such overpayment unless authorized by the System;

- Provide the System with detailed reports on a monthly basis that itemize the amounts of each overpayment and the reason for each; a listing of payees with outstanding overpayment recoveries due; an accounting of: (a) prior balances of recoveries due, (b) current month overpayments, (c) recoveries, (d) new balances and (e) percentage of overpayment dollars recovered; and an aging of receivables report for 30, 60, 90 and 91+ days; and,
 - Reimburse the PDP for any covered prescription dispensed to a former UT SELECT participant who was reported by the System to the vendor as no longer being eligible for plan benefits at least two (2) full business days prior to the date of such services.
- c) Subrogation may apply when another party (person or organization) is or may be considered responsible for payment resulting from a participant's injury or sickness for which benefits under the PDP shall be or have been provided. The vendor shall provide subrogation services, as appropriate, but not be limited to investigating claims to determine potential third-party liability, contacting participants to obtain information related to third-party liability, initiating demands and filing liens to protect UT SELECT'S interests, initiating or intervening in litigation when necessary, and employing or retaining legal counsel for such purposes.

The vendor shall be responsible for costs associated with subrogation activities and any associated litigation. Provision for such costs should be made by vendors when determining their proposed administrative fees.

- d) The vendor shall maintain a complete and accurate claims reporting system and provide for the retention, maintenance, and storage of all payment records with provision for appropriate reporting to the System. The vendor shall maintain all such records throughout the term of the Contract and for at least three (3) years following the end of the Contract, and shall make such records accessible and available to the System for inspection and audit upon the System's request. In the event the vendor is scheduled to destroy payment records, the vendor must contact the System for approval prior to the destruction of the payment records. If the System approves destruction, verification of the destroyed records shall be required at the System's direction.
- e) The vendor shall provide System with access to statistical information associated with the PDP. The information to be made available must include current fiscal year information as well as the full twelve (12) months of the preceding fiscal year. The vendor shall furnish all necessary software and hardware at no additional cost to the System.

7.5 COST CONTAINMENT INITIATIVES

7.5.1 FRAUD DETECTION

The vendor shall use automated systems to detect fraud and misuse of the program, overpayments, wrongful or incorrect payments, unusual or extraordinary charges, verification of

enrollment and unnecessary medical treatment. The vendor shall also conduct thorough, diligent, and timely investigations with regard to fraudulent or suspicious claims and report monthly all such claims to the System. The vendor must include a written description of its comprehensive fraud detection plan with its response.

The vendor understands that System may develop further policies in connection with the detection and prevention of fraud or abuse of the PDP. The vendor shall comply with all applicable laws and regulations and shall also comply with all System policies and is encouraged to develop additional safeguards as allowed by law.

7.5.2 MEDICARE PART D

The vendor must make available to the System any data the System determines to be necessary to comply with Medicare Part D requirements for purposes of the Retiree Drug Subsidy program or for any similar or related purpose.

7.5.3 EMERGING DRUG THERAPIES

The vendor's pharmaceutical experts shall advise and consult with the System at least monthly regarding coverage of newly approved drug therapies, which could have a substantial cost impact.

7.5.4 COVERAGE MANAGEMENT

The vendor must provide appropriate coverage management services in accordance with applicable state and federal laws, regulations and protocols regarding pharmacy benefit management. Conducting additional research during the claims review process to determine medical and pharmaceutical necessity is critical for making accurate coverage determinations for particular drugs when the complete information needed is not available from the ordinary claims transaction.

Each coverage management service adopted by the System has been selected based on the recommendations and expertise of the vendor. In making coverage decisions for claims incurred by PDP participants, the vendor gathers all necessary information from health care providers prescribing the applicable drugs and from PDP participants, compares that information with the PDP plan design to make a determination, and informs the health care providers and participants regarding the availability of coverage.

7.5.5 UTILIZATION MANAGEMENT

The vendor must provide ongoing utilization management, including, but not limited to drug utilization review and education management programs described herein.

7.6 REPORTING AND INFORMATION SHARING

Routine vendor reporting, including utilization and cost data, is required to support the System's ability to proactively monitor trends and to identify and address variances on targeted vendor performance guarantees and customer service standards. The timelines and formats for required reports shall be specified by the System. Additionally, the System may request customized reports on an ad hoc basis. Such reports must be provided in a timely manner at no additional cost to the System.

7.6.1 PERFORMANCE MONITORING

Some report formats shall include a column indicating a performance standard for the item being reported, which shall be utilized by the System as a benchmark to monitor compliance and to analyze the reported statistics. See the Administrative Performance Report template, included as an Appendix I to this RFP, for examples of this type of reporting.

7.6.2 PDP STATISTICS

The vendor shall accumulate claims payment statistics and develop reports for the PDP as is typically done in the normal course of business, but no less frequently than on a monthly basis. The vendor shall provide copies of such reports upon request by the System along with results of any audits conducted in connection with the reports.

7.6.3 CONSULTING ACTUARY

The System retains an independent consulting actuary on insurance matters. The consulting actuary assists and advises System staff on benefit plan design, proposal review, and administrative fee analysis. System staff or the consulting actuary may, from time to time, request that the vendor provide additional information specific to the PDP. The vendor must cooperate with and act in good faith in working with the consulting actuary and must be prepared to respond to these requests promptly.

7.6.4 FLEXIBLE SPENDING ACCOUNT ADMINISTRATION

The vendor will be required to exchange eligibility and claims information electronically on a real-time basis with the contracted administrator of the UT FLEX Plan to facilitate the administration and adjudication of claims submitted for reimbursement under a UT SELECT participant's Healthcare Expense Reimbursement Account.

8.0 TECHNICAL AND DATA EXCHANGE REQUIREMENTS

Each institution of the System self-administers its eligibility. The System's sixteen (16) institutions do not use the same payroll system; currently approximately nine (9) different systems are used. System institutions transmit eligibility data to the System, and the System in turn transmits the appropriate data to the plan vendor.

Datasets are transmitted by institutions directly to the System as often as desired. Institutions can also make real-time updates to the System eligibility database and can transmit either a full replacement file or a partial replacement file as needed. Some institutions update their payroll files only shortly before payroll is processed; therefore, they transmit eligibility data to System only twice per month. However, other institutions update their data more often.

Due to the nature of the processes involved, there can often be a delay between the effective date of coverage and notification of eligibility to the vendor. To accommodate the variation in institutional eligibility administration and payroll systems and minimize delays and errors, the System has developed standardized methods for receiving and transmitting information between System, institutions, and vendors.

8.1 SECURE FILE TRANSFER PROTOCOL (SFTP) OVER THE INTERNET

For more than a decade, the use of FTP over the Internet has greatly increased the speed and accuracy of eligibility data transmission. During more recent years, because of heightened concerns about maintaining the security of data containing sensitive information, new security requirements mandate that SFTP be used to access System servers.

A vendor's ability to use SFTP over the Internet and to work with HIPAA-compliant ANSI X12 transaction sets will be important considerations in the System's evaluation of the proposals.

8.2 WEB AUTHENTICATION VIA SECURITY ASSERTION MARKUP LANGUAGE (SAML)

Security Assertion Markup Language (SAML) is an XML-based framework that forms the basis for the method of single sign-on user authentication that System strongly prefers be used for a vendor's System-specific website. An alternative method of user authentication must also be provided for those participants who cannot or who choose not to authenticate via single sign-on, including many retired employees. Responses that indicate a vendor's willingness and ability to implement SAML-based authentication (v2.0) will be strongly preferred over those that do not.

When implementing SAML-based authentication for a vendor's System-specific website, each of the 16 System institutions will act as an Identity Provider (IdP) and determine whether the user has

authenticated properly using local credentials. If the user authenticates correctly, System will redirect the user's browser and pass a SAML assertion to the vendor site in question. The vendor site will accept the SAML assertion in order to grant access.

The vendor must either agree to use System's SAML Discovery Service or to host an alternative solution for IdP discovery on the vendor's System-specific website and subsequently accept the IdP's assertion that identifies the individual using the Benefits Identification (BID) number, which is included as an attribute in the SAML assertion. Each participant has a unique BID, and BIDs will be regularly communicated to the vendor via eligibility dataset.

Only user authentication will be handled via SAML. Authorization to access specific information, such as limiting the ability to view member-specific data to only the authenticated member, will still need to be handled by the vendor website.

It is System's strong preference that the vendor be capable of immediate implementation of SAML-based authentication (v2.0) at the start of the Contract period or that the vendor anticipates being able to implement within three to six months of the start of the Contract period. A vendor who is currently unable to implement SAML-based authentication (v2.0) should provide a statement of its ability to support authentication via proxy and should note in its response whether it anticipates being able to implement SAML-based authentication (v2.0) and, if so, when it anticipates being ready to do so.

8.3 ELIGIBILITY DATA

8.3.1 SECURITY PROTOCOLS

The vendor will be required to accept encrypted eligibility data via Secure File Transfer Protocol (SFTP) over the Internet. The data is encrypted using Pretty Good Privacy (PGP) public key encryption. The System requires that these methods be used and responses must affirmatively state that the vendor agrees to use both PGP encryption and SFTP.

8.3.2 SYSTEM'S ELIGIBILITY DATABASE

Each institution's eligibility data is transmitted to the System and used to update an eligibility database maintained by the System. This database provides the information for System to generate eligibility (enrollment) datasets specific to the UT SELECT plan. The database maintained by the System is directly updated by enrollees during the Annual Enrollment period using the System's *My UT Benefits* online enrollment application. During the July 2011 Annual Enrollment, approximately 47% of all employees and retired employees made their Annual Enrollment elections using the *My UT Benefits* online system on the Web. This enrollment process provides the advantage of having most new enrollment data available several weeks prior to September 1, the beginning of each new plan year.

8.3.3 ELIGIBILITY DATASET EXCHANGE

Currently, both full replacement and partial replacement eligibility files are being transmitted by the System to plan administrators on a regular schedule. Eligibility data will be sent to the vendor at least three times per week and will be available to the vendor by 6:00 a.m. (CT) on designated days of the week.

The vendor will be required to receive and process at least three partial replacement eligibility (enrollment) datasets for the PDP per week. A partial replacement dataset includes only records for individuals who are new or who have had a change in coverage since the last dataset was generated. Once per month a full replacement dataset that includes all current participants will be sent to the vendor. Each year during the second half of August and the majority of September, larger than normal datasets can be expected due to updates related to annual enrollment and the start of the new plan year.

It is System's expectation that the vendor will immediately process eligibility datasets and that updated information will be loaded into the vendor's information system within 24 hours of receipt under normal circumstances. Within twenty-four hours, the vendor must positively confirm via email the receipt, processing, and successful load (or failure to load) of each eligibility dataset. Further, in the event that an eligibility dataset fails to load, the vendor should provide an explanation for the failure to load either within or as immediate follow-up to the initial notification. The vendor must work directly with System as needed to ensure that dataset load issues are resolved as quickly as possible and updates are loaded to the vendor's information system.

The required format for eligibility data being transferred to and from the System is the HIPAA-compliant "Benefit Enrollment and Maintenance Transaction Set (ASC X12N 834)" format. Responses must confirm that the vendor agrees to use the ASC X12N 834 format or if unable to comply with the requirement, should include a rationale to use another applicable ANSI X12 transaction set.

8.4 RETROACTIVE ELIGIBILITY ADJUSTMENTS

The System requires contracting vendors to allow a retroactive window for eligibility changes to be made up to 90 days after the end of the coverage period affected. The adjustments that must be allowed include activation of eligibility, termination of eligibility, and other variations that may occur as a result of participant status changes. The System retroactively adjusts the payment of administrative fee assessments to ensure agreement with updated eligibility information.

8.5 REQUIREMENTS TO FACILITATE EMERGENCY UPDATES

On occasion, System institutions may need to make emergency updates to the coverage of their plan participants. Emergency updates are updates to eligibility coverages on the vendor's eligibility system

made through a means other than the eligibility dataset. The System has implemented a “controlled emergency update email process” through which an institution Benefits or Human Resources representative can submit an emergency update request when needed.

The institutions are required to update the System eligibility database prior to sending an emergency update request to the plan vendor. The eligibility system verifies the coverage prior to sending an emergency update email which is always sent from a single, controlled email account.

Social Security numbers will never be transmitted on emergency update email messages. The vendor will either need to be able to add a new member to their eligibility system prior to receiving the Social Security number or be able to connect to a secured System website to retrieve complete update information. The link to the secure website will be included in all emergency update email messages.

The emergency update system can be configured to send the email update request to designated vendor staff members for handling. The email can be formatted to include the vendor's preferences for coding, and its structure does include some free-form text. The vendor may choose up to five (5) email addresses to receive emergency update emails. Confirmation of a completed update to the vendor's database is required within four (4) business hours of receipt of an emergency update email.

Preference will be given to responses indicating the willingness and ability to accept and process emergency updates via email as specified above. However, if a vendor is unable to receive and process emergency update emails, the vendor may, as a less preferred option, provide an access-controlled software interface through which the System can directly update the vendor's eligibility database. The preferred method for this option is an Internet interface accessible via a Web browser such as Firefox, Microsoft Internet Explorer, Google Chrome, or Apple Safari.

8.6 DETAILED CLAIMS DATASET REQUIREMENTS

System requires that the vendor provide detailed claims datasets as support for the claims invoices and for the purpose of claim eligibility audits and for analysis by the System's consulting actuary. The System also requires direct online access to claims information at all times at no additional charge.

System prefers that detailed claims information be provided in conjunction with each claims invoice. At a minimum, System requires that a detailed claims dataset must be transmitted by the vendor to System no later than 15 days after the close of the associated invoice period. A supporting claims dataset must be received by System before reimbursement can be issued for claims included on the associated claims invoice.

The claims dataset must be provided in a HIPAA-compliant, NCPDP-standard format and should include all PDP claims (retail, mail, and direct claims submitted by participants) that were processed and paid during the previous period and included on the associated claims invoice. A list of the

minimum required data fields has been included as Appendix B to this RFP. The detailed claims dataset must be PGP encrypted and sent by SFTP via the Internet to System and the consulting actuary.

8.7 DATA FORMAT FOR ADMINISTRATIVE FEE PAYMENTS

The System will produce a self-bill by the fourteenth (14th) day of the month for the per member per month administrative fee due to the vendor for the prior month (billing month). Bills currently are created in a System-specific premium billing dataset format; however, for the purpose of this contract, self-bills may be generated in either an administrative fee billing format or in the HIPAA-compliant "Payroll Deducted and Other Group Premium Payment for Insurance Products Transaction Set (ASC X12N 820)" format.

The dataset will be transmitted via SFTP over the Internet to a secure FTP server. Upon placement of the dataset on the server, an automated email will be sent to the appropriate vendor contacts with notification of the dataset transmission and billing total. Each bill will reflect remittance detail for the current billing month along with any necessary adjustments for the prior three months.

Based on an eligibility snapshot taken from the System eligibility database on the first Sunday of each month, the System will prepare a report detailing the administrative fee remittance as support for the monthly payment of the administrative fee. The report will reference specific plan participants, their BIDs, affected coverage periods, and the fee amounts being remitted for each.

8.8 AD HOC REQUESTS AND ISSUE RESOLUTION

The vendor shall provide the System with priority positioning for delivery of ad hoc system service requests and issue resolutions. Through the designation of an appropriate technical contact as required for the Implementation and Account Management Teams, the vendor shall ensure that all System information systems requests and issues are given priority positioning and thoroughly analyzed to ensure speedy resolution. The vendor shall provide competent, focused attention to each information system request or issue presented by System.

It is the expectation that the vendor will make every effort to deliver a resolution within 30 days from receipt of the System's written notification of a request or issue related to the vendor's information systems. The System will be responsible for supplying detailed information reasonably necessary for the vendor to complete the requested services. If a 30-day resolution is not reasonable for a particular issue, the vendor must provide System with an implementation plan and timeline for resolution within five (5) days from receipt of notification.

An example of a requirement falling under this provision would include, but would not be limited to:

Modifications to benefits or eligibility processing requirements must be reviewed, responded to, and approved by the vendor within 15 days of such request by System. If the vendor requires

adjustments prior to granting approval, the vendor shall immediately notify the System and set up weekly update meetings to be held until the System agrees that the modifications will meet the System's operating requirements. Once requested modifications have been mutually agreed upon, the vendor shall complete the eligibility or benefits project, including required testing within 45 days of Systems' approval.

9.0 COMMUNICATION REQUIREMENTS

The vendor will be required to communicate information regarding the PDP design approved by System. All plan communications should be designed to educate both potential enrollees and current participants and must be approved by System prior to dissemination. Communications regarding the PDP must be clear and concise, using terminology familiar to participants as specified by System.

The vendor will be required to develop PDP communications for written, electronic, and verbal dissemination to accommodate the varying needs of potential participants. However, System prefers that electronic communication be used whenever reasonably possible. Printed materials must always be made available electronically. Communication materials must meet ADA requirements for accessibility.

The vendor may recover the costs of the services described in this section only by making provision for such costs in the calculation of the proposed administrative fee.

9.1 GENERAL INFORMATION

Communication materials to be developed by the vendor may include, but are not limited to:

- Participant brochures and information for inclusion in benefits books and newsletters;
- A customized, System-specific PDP website;
- Presentations to institution Benefits Staff and participants;
- Scripted responses to be used by customer service representatives;
- Advertising materials in association with UT SELECT enrollment;
- Explanations of Benefits (EOBs), order forms, and claim forms;
- Pharmacy Directory, including a specific disclaimer stating that the list of pharmacies is subject to change;
- Drug Formulary Listing, including a specific disclaimer stating that the formulary is subject to change;
- News releases, including contract signing announcement;
- Participant welcome packet; and
- Token giveaways for enrollment fairs and events.

Communication materials designed for PDP participants cannot, and the vendor represents and warrants that it shall not, advertise or promote coverage, products, or materials, other than those relating to the vendor's administration of the PDP.

9.2 SAMPLE COMMUNICATION MATERIALS REQUIRED

Electronic draft copies of proposed Plan Year 2012–2013 printed materials, plan participants' handbook (if applicable), and advertising (newspaper ads, radio scripts, television ads, etc.) must be submitted as part of the proposal. Respondents to this RFP should also submit samples of other communication materials with their proposal, including consumer targeted educational materials (in both print and electronic format) and the format of the customized System–specific website.

9.3 ANNUAL ENROLLMENT

Annual Enrollment information must be promptly provided to all benefits–eligible employees and retirees. The requirements listed below apply to all Annual Enrollment materials, including information for benefits guides.

9.3.1 CUSTOMER SERVICE INFORMATION

All items must include the customer service phone number, hours of operation, a description of the process for filing claims, the appeal process for claim denials, and the vendor's website address.

9.3.2 DESCRIPTION OF BENEFITS

The vendor must provide a Schedule of Benefits that contains the benefits as set forth on pages 51–57 of the Benefits Guide (Appendix A to this RFP). The summary shall include any additions, limitations and exclusions approved by the System.

9.3.3 DUE DATES FOR ENROLLMENT MATERIALS

All educational and enrollment materials used for both Annual Enrollment and new employees must be distributed to all System institution benefit offices no later than June 1 of each plan year.

9.3.4 ATTENDANCE AT ANNUAL ENROLLMENT MEETINGS

The contracting vendor is required to attend key scheduled Annual Enrollment meetings at each System institution when requested by the institution Benefits Office at the vendor's own expense. Vendor participation at Annual Enrollment meetings will help educate employees about the PDP. If the contracting vendor is unable to attend all Annual Enrollment meetings being offered at a particular System institution, the institution will have the discretion to designate a particular meeting or meetings as high–priority and request vendor attendance specifically for the designated priority meeting(s).

9.3.5 CUSTOMER SERVICE DURING ANNUAL ENROLLMENT

The vendor’s dedicated Customer Service Team will be required to assist in answering questions regarding the PDP each year during System Annual Enrollment period(s), including during the July 2012 Annual Enrollment period. Education by the vendor Customer Service Team must be provided to all current and potential PDP participants. Customer service should be made available via phone, email, in writing, or in person.

9.4 SYSTEM–SPECIFIC WEBSITE

The vendor must establish a customized, System–specific website with the primary goal of allowing participants to easily access plan information regarding customer service toll–free numbers, claims, and plan contacts for the PDP. The website must meet all requirements as detailed in this section.

The vendor’s System–specific website must be available to the System for testing no later than June 1, 2012. The final System–approved website for plan year 2012–2013 must be completed by June 23, 2012, and must include the System–approved enrollment materials. The System must approve new website additions or redesigns at least two weeks prior to any scheduled launch date.

9.4.1 CONTENT SPECIFICATIONS

The System–specific website should be kept regularly updated with timely, relevant information for the PDP. All content for the System–specific website must be approved by the System before it is released. The site must include:

- A link to the UT SELECT Benefit Guide, which is inclusive of the System’s self–funded PPO Medical Plan and the PDP summary as approved by the System;
- A current, System–approved Formulary Listing. It is Systems preference that the Formulary Listing be updated in advance of any planned changes. The listing must be user–friendly and must include the following search capabilities:
 - 1) Search by medication name,
 - 2) Search by alphabetical listing, and
 - 3) Search by treatment category;
- A disclaimer stating that all preferred and non–preferred drug classifications are subject to change;
- An interactive tool to assist participants with identifying network pharmacies based on location;
- Customer service information, including phone numbers, mail and claim addresses, hours of operation, and guidelines for the complaint and appeals process;
- Electronic forms or email addresses for customer complaints and questions. Responses to email complaints should have no more than a 48–hour turnaround time. A tracking system for

complaints submitted online, similar to the tracking of telephone complaints, must be in place with the ability to provide data and details to the System upon request;

- All necessary forms (e.g. claims forms) for participants. If forms are made available in PDF format, an easily identifiable link must be provided to download Adobe Acrobat Reader to enable participant viewing and printing;
- System’s branding and a System-specific welcome message must be included to clearly indicate the site is specific to UT System and the PDP;
- A link to the System’s Employee Benefits website; and
- If the vendor provides a Web page which a participant may view specific individual information, the site must utilize secured protocol (<https://>) and require authentication. The site may not use the participant’s Social Security number, in whole or part, as either the user identification or the password. The Benefits ID may be used as the user identification. Authentication via single sign-on is strongly preferred over requiring a unique user identification and password specific to the site. See the section of this RFP entitled “Technical and Data Requirements” for additional details.

9.4.2 TECHNICAL SPECIFICATIONS

The System-specific website must be accessible to as many participants as possible. Therefore, the following specifications must be met:

- All website content must be clearly visible and functional in Internet Explorer, Safari and Foxfire browsers;
- Entering a Social Security number should not be required at any time to access information on the website;
- The log-on page must not allow the browser to store the information entered in the cache. The auto-complete feature must be turned off for every form;
- The font must be easy to read, no smaller than 10px; and
- All forms and Adobe Portable Document Format (PDF) files must be accessible.

9.4.3 ELECTRONIC AND INFORMATION RESOURCES (EIR) WARRANTY

System is required to acquire all EIRs in compliance with the legal requirements governing access to such EIRs by individuals with disabilities (“EIR Accessibility Requirements”). The EIR Accessibility Requirements applicable to the University are set forth in Chapter 2054, Subchapter M of the *Texas Government Code*, Title 1, Section 206.70 of the *Texas Administrative Code*, and Title 1, Chapter 213, Subchapter C of the *Texas Administrative Code*. In order for System to ensure that the EIRs offered by each Proposer responding to this RFP are in compliance with the EIR Accessibility Requirements, Proposer must include all of the following in its proposal:

COMPLIANCE WITH THIS STATUTE AND THESE RULES IS NOT OPTIONAL AND THEIR APPLICABILITY CANNOT BE WAIVED.

- 1) The vendor must warrant that the website complies with the requirements set forth in Title 1, Rules §§ 206, 213.30 and 213.36 of the *Texas Administrative Code* (as authorized by Chapter 2054, Subchapter M of the *Texas Government Code*). The proposal must provide that to the extent vendor becomes aware that the website does not satisfy the EIR Category Warranty, vendor will, at no cost to System, perform all necessary remediation to make the website satisfy the EIR Category Warranty.
- 2) Vendor is required to submit a completed Electronic and Information Technology (EIR) Accessibility Checklist (included as Appendix L to this RFP) along with proposals. Proposals or bids without a completed checklist will be disqualified.
- 3) Vendor must provide a written explanation for each of its responses to the requirements in the Checklist with respect to the website:
 - If Proposer determines that the website *complies* with an applicable accessibility requirement in the Checklist, Proposer's written response to that requirement must identify how Proposer made such a determination (merely responding with "Complies" or similar non-explanatory language is *not acceptable*).
 - If the vendor determines that the website *does not or will not comply* with an applicable accessibility requirement in the Checklist, Proposer's written response to that requirement must identify the cause of such non-compliance and the *specific* efforts and costs that Proposer would need to assume in order to remedy such non-compliance (merely stating "Does not comply" or similar non-explanatory language is *not acceptable*).
 - If Proposer determines that an accessibility requirement in the Checklist *is not applicable* to the website, then Proposer's written response to that requirement must identify the reason for such inapplicability (merely stating "N/A" or similar non-explanatory language is *not acceptable*).
- 4) All vendor Proposals must:
 - Agree to authorize UT System to engage in product accessibility conformance testing prior to and after completion of purchase.
 - Provide the name and contact information of the individual responsible for addressing accessibility questions and issues about the product.
 - Describe the vendor's capacity to respond to and resolve any complaint regarding accessibility of products or services provided pursuant to this RFP.

9.5 PROHIBITIONS; NOTICE OF INQUIRIES FROM THIRD PARTIES

As the PBM for the PDP, the vendor may receive numerous inquiries from interested third parties relating to the PDP and their program administration. The vendor is strictly prohibited from disseminating any information about coverage, products, or materials on the vendor's website other than those explicitly relating to the vendor's plan offered or service provided to System participants, including the System-specific PDP website.

The vendor must forward all inquiries from interested third parties relating to the PDP and program administration to the System Office of Employee Benefits.

9.6 DISSEMINATION OF COMMUNICATION MATERIALS

Communication materials may be considered “published” when a final electronic copy is delivered to the System or is accessible on the vendor’s website. Materials that contain protected health information or other confidential information such as a participant’s Benefits ID number must be mailed in an envelope or packaging designed to secure confidential information from casual viewers.

9.7 PRESCRIPTION IDENTIFICATION (ID) CARDS

Prior to September 1, 2012, the vendor must send UT SELECT Prescription ID cards to all UT SELECT participants, including those who enroll in the plan during the July 2012 Annual Enrollment period. Throughout the contract period, the vendor must issue ID cards to all new enrollees within five (5) business days after the vendor receives the enrollment information from the System. Additionally, due to information security requirements, the vendor must provide System with a monthly dataset that includes all identifying information from each Prescription ID card issued and the name and address to which each was sent for all ID cards issued during the prior month.

The Prescription ID card may not include the participant’s Social Security number. The card must use the Benefits ID number as specified by the System, as well as other standard information in a format prescribed by the System including the participant’s name and a summary of copayments for the PDP. Replacement cards must be provided at the request of a UT SELECT participant. Once initially distributed, ID cards do not need to be automatically replaced unless changes to the benefit plan design require updates to the information shown on the card or changes are made to a participant’s name as shown on the card (such as a change to a participant’s last name due to marriage).

9.8 TRAINING OF SYSTEM AND INSTITUTION STAFF

The vendor must provide training to System staff and institution HR and Benefits staff regarding the PDP. Centralized training for institution HR and Benefits staff occurs on an annual basis during the Benefits and Human Resources Conference (BHRC) hosted in Austin by OEB. The 2012 BHRC is scheduled to be held from Wednesday, June 6, through Friday, June 8, 2012. In addition, specific training for institution HR and Benefits staff may be required at other times during the year based on changes to operations and the needs of the System.

10.0 PERFORMANCE STANDARDS AND PENALTIES

The vendor must comply with the System requirements listed below and report the specified information to the System on a quarterly basis in an Administrative Performance Report. See the included template for the required reporting format for the PDP Administrative Performance Report (Appendix I to this RFP).

The System contracts with an independent auditing firm who will conduct annual audits of the vendor on behalf of the System to determine compliance with these and other standards. The vendor must agree to this annual audit, generally conducted during the first quarter of each calendar year for the preceding plan year.

The vendor selected to administer the PDP must agree to pay the financial penalties as shown in this section if the associated performance standards are not met. Additionally, the vendor should be aware that compliance with these requirements will be a key consideration during any future contract renegotiations.

10.1 ADMINISTRATIVE REPORT TIMELINESS

System Requirement: Each Administrative Performance Report is due no later than the 20th of the month following the end of the System plan year quarter or by the first business day following the 20th, if it falls on a weekend or holiday.

Financial Penalty: A penalty of \$5,000 may be assessed for each quarter in which the vendor fails to submit the Administrative Performance Report by the required due date.

10.2 CUSTOMER SERVICE CALL HANDLING

System Requirement: When contacting the toll-free PDP customer service number, the average time a caller waits before speaking to a vendor customer service representative should be 30 seconds or less. The average abandonment rate should not exceed 5%.

The average speed of answer (ASA) and average abandonment rate (ABR) must be reported on a quarterly basis. System-specific data is strongly preferred; however, if System-specific data is not available due to technical limitations, these two customer service statistics for the complete book of business may be reported instead.

Financial Penalty: A separate penalty of \$5,000 each may be assessed for each quarter in which the ASA exceeds 30 seconds and for each quarter in which the ABR exceeds 5%.

10.3 CALL CENTER AND WEBSITE OUTAGES

System Requirement: Outages of customer service access points, including telephone and IVR services at the Customer Service call center as well as with the System-specific website, should be kept to a minimum. If an outage does occur (or is expected to occur), the vendor must report the outage to System as soon as possible and service should generally be restored within one (1) hour of the outage, dependent upon specific circumstances.

Financial Penalty: A penalty of \$5,000 may be assessed for each outage longer than one (1) hour but less than eight (8) hours. If an outage is greater than 8 hours but less than 24 hours, a penalty of \$10,000 may be assessed. If an outage lasts longer than 24 hours, a penalty of \$20,000 may be assessed for each occurrence, up to a maximum penalty of \$40,000 for each quarter. OEB may waive this penalty based on extenuating circumstances, including down time due to unusually severe weather, a natural disaster, or an act of terrorism.

10.4 PRESCRIPTION ID CARDS

System Requirement: Prior to September 1, 2012, the vendor should mail 100% of UT SELECT Prescription Identification (ID) Cards to enrollees within five (5) business days from the date of receipt of enrollment information from the System. Beginning September 1, 2012, the vendor should mail an average of 95% of ID cards to System participants within five (5) business days from the receipt of a request from the participant or from the receipt of enrollment information from the System.

The total number of Prescription ID cards mailed to current and newly enrolled System participants and the percentage mailed within five (5) business days from the receipt of request or from the receipt of enrollment information must be included in each quarterly report. The initial report for the Contract Period must also include a detailed description of the processes and systems used to verify the time between receipt of a request or new enrollment information and mailing.

Financial Penalty: A penalty of \$10,000 dollars may be assessed if the requirement for mailing ID cards prior to September 1, 2012, is not met. A penalty of \$5,000 may be assessed for each quarter in which fewer than 95% of ID Cards are mailed within five (5) days of the receipt of a request or new enrollment information.

10.5 ANNUAL ENROLLMENT MATERIALS

System Requirement: The vendor must meet all due date requirements as specified in this RFP for materials related to Annual Enrollment.

Financial Penalty: A penalty of \$4,000 may be assessed for each violation of the due date requirements for: (1) preparation of the System-specific website; and (2) distribution of plan materials.

10.6 PLAN DESIGN CHANGES

System Requirement: Requested plan design changes must be implemented by the vendor with 100% accuracy following final approval and agreement between System and the vendor regarding specific expectations and effective dates.

Financial Penalty: A penalty of \$30,000 may be assessed for each set-up error, up to a maximum of \$150,000 per Contract Year.

10.7 DISPENSING ACCURACY

System Requirement: The Dispensing Accuracy Rate will be 99.99% or greater.

Financial Penalty: A penalty of \$100,000 may be assessed for each Contract Year in which the overall Dispensing Accuracy Rate falls below 99.99%.

10.8 CLAIMS AND FEE BILLING DATASETS

System Requirement: Vendor must comply with the requirement to transmit detailed claims data on a monthly basis and to accept the monthly dataset transmitted from System detailing the self-billed administrative fee as the method for tracking and documenting all administrative fees due from System to the vendor.

Financial Penalty: A penalty of \$30,000 may be assessed for each biweekly claims detail dataset that is overdue by more than 30 days, up to a maximum of \$300,000 per Contract Year.

10.9 ELIGIBILITY DATASET PROCESSING

System Requirement: Maintenance eligibility datasets received from the System by 11:00 a.m. (CT) on any business day will be processed within 24 hours of receipt and System notified of the status once processed. If problems with a dataset or with the vendor's information system prevent processing of any file within 24 hours of receipt, the vendor shall immediately notify System of the issue and begin resolving the issue(s).

Financial Penalty: A penalty of \$5,000 may be assessed for each successfully transmitted dataset not processed by the vendor within the specified time frame or failure to notify System of a transmitted dataset's status within the specified time frame, up to a maximum penalty of \$50,000 per Contract Year.

10.10 EMERGENCY UPDATE PROCESSING

System Requirement: Valid emergency update requests from System institution staff must be processed and confirmation sent to the submitter within four (4) hours of receipt when received by

1:00 p.m. (CT) on a business day. Requests received after 1:00 p.m. (CT) on a business day or anytime on a non-business day must be processed no later than noon (CT) on the following business day.

Financial Penalty: A penalty of \$1,000 may be assessed for each occurrence in which a valid update request was not processed and confirmation sent within the required time frame.

10.11 RETAIL PHARMACY ACCESS RATE

System Requirement: At least 99% of employees and retirees participating in the PDP must have access to at least one Participating Pharmacy (within the vendor's established network) within five (5) miles of their home zip code, provided that there is any retail pharmacy within five (5) miles of their home zip code. Notwithstanding the preceding, the vendor will not be required to meet this standard to the extent that a Participating Pharmacy (or pharmacies) is (are) removed from the network for good cause and such removal causes the rate to fall below 99%.

Financial Penalty: A penalty of \$10,000 may be assessed for each quarter in which the Retail Pharmacy Access Rate falls below 99%.

10.12 RETAIL CLAIMS SYSTEM AVAILABILITY

System Requirement: The availability rate of the vendor's real-time, online system used by retail pharmacies for adjudicating prescription drug claims (System Availability Rate) will be at least 99.5% for each Contract Year.

Financial Penalty: A penalty of \$20,000 may be assessed for each Contract Year in which the System Availability Rate falls below 99.5%.

10.13 MAIL SERVICES

System Requirement: Non-protocol prescriptions received under the mail pharmacy program must be dispensed within an average of three (3) business days from receipt. All other prescriptions received at mail must be either dispensed or returned to the participant with an explanation as to why medication could not be dispensed within an average of five (5) days from receipt.

Financial Penalty: A separate penalty of \$10,000 may be assessed for each Contract Year in which each standard regarding timeliness of mail service prescription processing is not met.

10.14 CLAIMS ADJUDICATION ACCURACY

System Requirement: The claims adjudication accuracy rate shall be 98.5% or greater.

Financial Penalty: A penalty of \$100,000 may be assessed for each Contract Year in which the overall claims adjudication accuracy rate falls below 98.5%.

10.15 PAPER CLAIMS PROCESSING

System Requirement: The vendor must respond (by mailing either a check or rejection notice) to at least 97% of direct reimbursement paper claims received each Contract Year from Eligible Persons within an average of five (5) business days following receipt. All such claims for each Contract Year will be responded to within an average of ten (10) business days following receipt by the vendor.

The total number of paper claims received from System participants, the average processing time (in days) for payment of these claims, the percentage paid correctly, and the total dollar amounts paid and denied must be included with each quarterly report.

Financial Penalty: A penalty of \$10,000 may be assessed for each percentage point below the requirement for each timeliness standard for paper claims processing that the vendor fails to meet, up to a maximum penalty of \$30,000 per Contract Year.

10.16 WRITTEN INQUIRIES

System Requirement: At least 95% of written inquiries received from participants that require a response should be responded to within five (5) business days of receipt.

Financial Penalty: A penalty of \$10,000 may be assessed for each Contract Year in which the overall rate at which the timeliness standard for responding to written inquiries is met falls below 95%.

10.17 COMPLAINTS

System Requirement: The average time to resolve System participants' complaints should not exceed 30 calendar days, with at least 90% resolved in 15 days.

The vendor must include the total number of complaints received from System participants (via mail or email), the average length of time to resolve complaints, and the percentage resolved within 15 days of receipt on the quarterly report. System-specific data is required.

Financial Penalty: A penalty of \$4,000 may be assessed for each quarter in which the average time to resolve complaints received from System participants exceeds 30 days or when fewer than 90% are resolved within 15 days.

10.18 MEMBER SURVEYS

System Requirement: Periodic member surveys must be conducted. System requires that an overall average Member Satisfaction Rate of 90% or greater be achieved for each Contract Year.

Financial Penalty: A penalty of \$100,000 may be assessed for each Contract Year in which the overall Member Satisfaction Rate as reported via survey falls below 90%.

10.19 FRAUD DETECTION

System Requirement: Automated systems and other measures sufficient to detect fraud, abuse, overpayments, wrongful or incorrect payments, and to verify enrollment should be in place.

Any incidents of fraud, abuse, overpayments, wrongful or incorrect payments, as well as verification of enrollment, must be included in the quarterly report. The vendor must also report the total number of dollars recovered through fraud investigation activity.

Financial Penalty: No penalty is associated with this requirement.

11.0 PROPOSAL EVALUATION

Proposals submitted in response to this RFP will be evaluated on the basis of criteria described below. The criteria, which should not be assumed to be listed in order of importance, are intended to provide the basis for an objective evaluation of each proposal.

The evaluation process will focus on the selection of a vendor who, in the judgment of the System, demonstrates the ability to consistently and effectively partner with System to provide comprehensive PBM services during the contract period. Of primary importance to System is the development of a meaningful partnership with the vendor that allows UT SELECT participants to obtain medically necessary prescription medications on a cost-efficient and timely basis via both retail pharmacies and mail service and maintains a strong emphasis on providing excellent customer service and robust wellness initiatives.

11.1 VENDOR LICENSURE

To be considered for selection, vendors must be licensed as a third-party administrator with the Texas Department of Insurance.

11.2 COMPLIANCE WITH THE RFP

Proposals containing deviations are strongly discouraged. If included, deviations must be specifically identified and described in detail to be considered. While a proposal with minor deviations from the RFP specifications will not be disqualified, preference will be given to prospective vendors whose proposals contain the fewest and least significant deviations from the requirements presented herein. Information about proposed unique or value-added benefits and programs that would enhance or supplement the current benefit offering specified within this RFP are welcome when presented in conjunction with confirmation that the vendor agrees to the requirements as presented in this RFP.

The System will interpret all responses to be indicating agreement with the specifications contained herein except in cases where deviations are specifically noted and described as required. Deviations will not be included in the final contract unless expressly accepted and agreed to by the System in writing and accepted by the Board of Regents. In all cases, this RFP, the vendor's RFP response, and the contract terms shall be binding.

11.3 IMPLEMENTATION TIMELINE AND CRITICAL DEADLINES

The vendor's ability to meet the required dates for critical implementation tasks as specified in the section of this RFP entitled "Implementation Timeline," will be an important consideration in the evaluation of vendor proposals.

11.4 THE CONTRACT

All proposals must include an affirmation of the vendor's willingness to accept the provisions set forth in the System's Sample Contract, included as Appendix J to this RFP. Proposals indicating that a vendor is unwilling to sign a contract in the format prescribed by System and containing the essential terms set forth in the Sample Contract, without deviations, will not be considered.

11.5 PHARMACY NETWORK

Consideration will be given to those vendors with pharmacy networks capable of effectively servicing the System membership without member disruption. A listing of the current pharmacy network is included as Appendix F to this RFP.

11.6 FINANCIAL STRENGTH

The System has specified a minimum net worth that is applicable for consideration as a prospective vendor under this RFP. A net worth substantially in excess of the minimum will not be considered to indicate a superior proposal. However, a net worth below the specified minimum will result in disqualification of the proposal.

11.7 ADMINISTRATIVE CAPABILITY

Vendors will be evaluated on the basis of their demonstrated ability to provide high-quality services to the System in the management and administration of the PDP. All aspects of the services described herein are considered important to this evaluation, including claims administration, utilization management, and data reporting capabilities.

11.8 OPERATIONAL EXPERIENCE

Demonstrated experience with administering and managing comprehensive prescription drug plans and pharmacy networks on behalf of large employers (with more than 10,000 members), and particularly experience with large public employer plans, will be an important consideration in the overall proposal evaluation process.

11.9 ACCOUNT MANAGEMENT TEAM

A vendor's commitment to a strong and consistent Account Management Team will be an important consideration in the evaluation process.

The System considers the account service relationship to be a critical link in developing and maintaining a strong partnership dedicated towards the achievement of plan objectives. Vendors must be prepared to provide the System with account service that is at the highest levels in the industry and

that is fully consistent with the System's expectations. The vendor and the System will mutually define the criteria to be used for measurement and evaluation of account service performance.

11.10 DATA MANAGEMENT

The vendor's ability to consistently and accurately provide data transmission and processing, as specified in this RFP, will be an important consideration in the selection process. Some of the key factors to be evaluated include:

- A management information system that will support the database maintenance and management reporting requirements specified herein;
- The vendor's ability to accept eligibility datasets as specified herein, to update eligibility records in a timely manner, and to promptly notify System upon the success or failure of the attempt to load each eligibility dataset received;
- The vendor's ability to implement SAML-based authentication (v2.0) or, if not, to support authentication via proxy;
- The vendor's ability to accept emergency eligibility updates via email and confirm processing of requested changes within the timeframes specified herein;
- The availability of a secure website through which System staff can view enrollment status for participants and make updates if necessary; and,
- The vendor's ability to electronically transmit claims data to System, the UT FLEX administrator, and the System's consulting actuary.

11.11 CUSTOMER SERVICE

Evaluation of the vendor's ability and willingness to provide customer service according to the standards specified in this RFP will include consideration of the vendor's:

- Customer service and data reporting capabilities;
- Ability to provide general administrative services;
- Willingness to commit to specified service and quality performance levels;
- Willingness to provide communications materials and personnel for attendance at the annual Benefits and Human Resources Conference for HR and Benefits Office staff from all System institutions (usually held in Austin for 2–3 days during June of each year) and for attendance at Annual Enrollment meetings for employees and retirees (generally approximately 25 – 30 meetings beginning in late June and continuing through the entire month of July) held at locations throughout the state;

- Ability to develop and maintain a customized, System-specific website for the PDP; and,
- Ability to meet the Electronic Information and Resources (EIR) Warranty requirements described in the “Communications Requirements” section of this RFP.

11.12 PBM PRICE PROPOSAL

The System expects to receive proposals from several highly qualified vendors, all of which can provide high-quality, cost-effective service. For these, a distinguishing factor will be the vendor’s PBM Price Proposal. While cost is a key consideration, the System is not required to select the proposal with the lowest price.

11.13 PRIVACY AND SECURITY OF SYSTEM DATA

The vendor must demonstrate its ability to safeguard the privacy and security of System data, collected or maintained by the vendor on System’s behalf, in compliance with applicable law and System’s own privacy and security requirements.

11.14 OTHER FACTORS

Based on responses provided, other factors will be considered during the evaluation process, including the following:

- The vendor’s overall financial stability;
- An organizational structure and a delivery mechanism that have demonstrated the ability to deliver high-quality, cost-effective management and administration of the prescription drug plan;
- Information obtained from the vendor’s list of references;
- A demonstrated commitment to fully support the System’s “Living Well” program through targeted initiatives and ongoing collaboration with the System and other contracted vendors; and,
- System also reserves the right to request that representatives from vendors determined to be finalists meet with System representatives (at a location to be determined by System) to clarify responses and answer questions related to this RFP. System may also choose to conduct site visits with selected finalists. System will utilize information gained during any such meetings and site visits with selected finalists during the evaluation process.

12.0 INTERROGATORIES

12.1 DEVIATIONS FROM THE RFP

- 1) Identify any provision in your response that does not conform to the standards described in the RFP. For each deviation, provide the specific location in the response and a detailed explanation as to how the provision differs from the RFP standards and why.

12.2 ORGANIZATIONAL INFORMATION

Please provide the following details:

- 2) The vendor's full legal name, address, telephone number, and the URL for the corporate website.
- 3) The name, title, mailing address, telephone number, fax number, and email address for the following individuals:
 - a) The vendor's contact person for this RFP;
 - b) The person authorized to execute any contract(s) that may be awarded;
 - c) The person who will serve as the vendor's legal counsel;
 - d) The actuarial/financial expert(s) responsible for preparation of items in this response, who must be available to respond to inquiries made by System or its consulting actuary and provide any requested information concerning such items;
- 4) If applicable, a description of the parent company of the vendor as well as any subsidiaries and/or affiliates, including whether each is publicly or privately owned.
- 5) Type of incorporation (for-profit, not-for-profit, or nonprofit); publicly or privately owned.
- 6) State of incorporation.
- 7) A copy of the vendor's current certificate of authority, issued by the Texas Department of Insurance, to operate as a third-party administrator providing pharmacy benefit manager services in the state of Texas.
- 8) Is the vendor required to maintain any other license(s)? If so, please describe and confirm the validity of any required license(s).
- 9) Copies of recent ratings and reports regarding the vendor issued by independent rating organizations or similar entities (e.g., Best's, Moody's, Standard & Poor's, etc.).
- 10) A copy of the vendor's most recent audited financial statement.

- 11) A copy of the vendor's current SSAE No. 16 report.

12.3 FINANCIAL INTERESTS

- 12) Provide the names and addresses of all parties who would receive compensation as a result of the vendor's selection under this RFP, including, but not limited to, consulting fees, finder's fees, and service fees.
- 13) State the name and address of any sponsoring, parent, or other entity that provides financial support to the vendor. Include an indication of the type of support (i.e., guarantees, letters of credit, etc.) provided as well as the maximum limits of additional financial support from other entities. If applicable, provide a copy of the sponsoring organization's most current audited financial statement.
- 14) Is the vendor presently actively considering or subject to any mergers with and/or acquisitions of or by other organizations? If so, provide specifics. Affirm that the vendor agrees to notify the System immediately upon reaching any form of binding agreement in connection with any merger, acquisition or reorganization of the vendor's management.
- 15) Please disclose any contractual relationships with affiliates that could present a conflict of interest with the vendor's role as administrator of the PDP.
- 16) Is the vendor owned by a pharmaceutical manufacturer and/or are there any understandings or financial agreements (other than rebate contracts) in place with pharmaceutical manufacturers? Describe the steps the organization has taken to ensure that such relationships do not create actual or potential conflicts of interest as well as the action plan in place for addressing unforeseen conflicts as they arise.
- 17) Describe all areas of remuneration provided to the vendor by pharmaceutical manufacturers, including, but not limited to: rebates, administrative fees, data compilation fees, and promotional grants directly related to utilization under System's PDP.
- 18) Identify by name and address all persons or entities that hold a 20% or greater ownership interest in the vendor.

12.4 REFERENCES

- 19) List as references five major employers for whom you provide PDP services. The System is particularly interested in employers located in Texas and in public entities. For each employer, include:
 - a) The name and telephone number of a representative of the employer who is familiar with the services you provide;
 - b) The nature of your relationship with the employer, i.e., insurer, administrator, reinsurer, manager of provider network; and,

- c) The number of employees and dependents for whom PDP benefits are administered and the total amount of claims paid annually.

Note: Your response to this request officially authorizes the System to contact these employers to discuss the services that you have provided for their employees and authorizes the employers to provide such information to the System.

12.5 LEGAL AND REGULATORY HISTORY

- 20) Describe any litigation, regulatory proceedings, and/or investigations completed, pending or threatened against the vendor and/or any of its related affiliates, officers, directors, and any person or subcontractor performing any part of the services being requested in connection with the Contract during the past five (5) years. Identify the full style of each suit, proceeding or investigation, including county and state, regulatory body and/or federal district, and provide a brief summary of the matters in dispute, current status and resolution, if any.
- 21) Describe any investigations, proceedings, or disciplinary actions by any state pharmacy regulatory agency against the vendor and/or any of its related affiliates, officers, directors and any person or subcontractor performing any part of the services being requested in connection with the Contract during the past five (5) years. Identify the full style of each suit, proceeding or investigation including county and state, regulatory body and/or federal district, and provide a brief summary of the matters in dispute, current status and resolution, if any.

12.6 PRIVACY PRACTICES; HIPAA COMPLIANCE

- 22) Please provide a detailed description of the vendor's HIPAA Privacy and Security Compliance programs as these would apply to System data. Include information on workforce training and monitoring. Describe all policies and practices implemented to ensure the privacy of all confidential information as defined in the Contract, including but not limited to protected health information as defined by the HIPAA privacy rule, employee/participant information, or other confidential information about the System and its participants. Include a link to the vendor's HIPAA policies and Notice of Privacy Practices as well as a brief description of any HIPAA violations alleged against the vendor by consumers or the Department of Health and Human Services, including the outcomes.
- 23) Confirm that the vendor is currently in compliance with all HIPAA requirements, in particular, confirm compliance with the rules and regulations applicable to data transmission and privacy, and the organization's willingness to comply with future changes.
- 24) Provide the name of vendor's HIPAA privacy officer and a description of his or her qualifications.

12.7 HUB POLICY COMPLIANCE

- 25) Confirm that three original versions of the HUB subcontracting plan, based on details included within this RFP and requirements included in Appendix K to this RFP, have been completed and submitted with this proposal.
- 26) Provide the name, mailing address, telephone number, fax number, and email address of the person in the vendor who can answer questions from System regarding the submitted HUB documents.

12.8 CONFIRMATION AND ACKNOWLEDGEMENTS

- 27) Confirm that the vendor understands, has the ability to, and will comply with all of the requirements included within each of the following sections of this RFP:
 - a) General Requirements (Section 2.0);
 - b) Financial Requirements (Section 5.0);
 - c) Benefits, Network, and Program Requirements (Section 6.0)
 - d) Operational Requirements (Section 7.0);
 - e) Technical and Data Exchange Requirements (Section 8.0);
 - f) Communication Requirements (Section 9.0); and,
 - g) Performance Standards and Penalties (Section 10.0)

12.9 FINANCIAL REQUIREMENTS

- 28) Does the vendor agree to submit and receive all payments made to and from System through ACH or other electronic fund transfer methods? Confirm that the vendor will provide written notice to System at least 30 days in advance of the effective date of any changes to the banking information associated with electronic fund transfers to and from System.
- 29) Does the vendor agree to assume responsibility for the escheatment process in accordance with Texas law for any payments disbursed on behalf of the PDP?

12.10 GENERAL ADMINISTRATION

- 30) Are all administrative services performed internally? If the vendor contracts with a management company for some or all of its administrative services, please specify the name of the company, the services provided and the method of reimbursement.
- 31) Where is the primary administrative facility located?
- 32) Provide the names and titles of the vendor's administrative support staff that will administer the PDP, including the total number of full-time equivalent employees and which

employees are located in Texas. What is the turnover rate among this staff for the past two (2) years?

- 33) What are the vendor's contingency plans and procedures for providing back-up service in the event of strike, natural disaster, backlog, or other event that might interrupt, delay, or disrupt service? Provide a copy of the vendor's disaster recovery plan and/or business resumption plan, including results of the vendor's most recent test of the plan.

12.11 BENEFITS ADMINISTRATION

- 34) How long has the vendor been providing: retail pharmacy network administration services, mail-order pharmacy service, and integrated retail and mail services?
- 35) Provide the vendor's total commercial enrollment as of December 1, 2010, and December 1, 2011. Provide a statement of the vendor's capacity to enroll new participants and the likelihood of any future limitations on enrollment.
- 36) Confirm that the vendor has the ability to administer the benefits as outlined in the Benefits Guide (Appendix A to this RFP).
- 37) System is contemplating the addition of an Indirect EGWP plus Wrap for Medicare-eligible retired participants and their Medicare-eligible dependents to the existing benefit design. Confirm that the vendor has the ability to administer an Indirect EGWP with Wrap in conjunction with the administration of the PDP. Describe the organization's experience and expertise with administering these types of programs.
- 38) The System may consider allowing participants to obtain a 90-day supply of maintenance medication at a retail pharmacy under the same terms and conditions that would be applicable if the same medication was obtained through the mail service. Specifically:
- a) a participant obtaining a 90-day supply at retail would pay the same deductible and copayment that would have been paid in the event that the medication had been obtained through the mail service; and
 - b) the retail pharmacy would be reimbursed at the same rate as is applicable to the mail service.
- 39) Confirm that the vendor has the ability to administer this benefit option and describe how implementation of this arrangement would impact the PBM Price Proposal submitted by the vendor.
- 40) Describe in detail the facilities, personnel, and procedures the vendor intends to use to service those functions required for the PDP other than the processing of claims. This response should include a description of: 1) personnel that will be available to confer with the System's consulting actuaries concerning financial issues, 2) legal and other expertise available to

represent the vendor in administrative hearings and litigation, including subrogation, and to assist the System in the execution of its duties under the Contract, and 3) the vendor's internal processes to deal with participant grievances.

12.12 NETWORK ADMINISTRATION

12.12.1 GENERAL ISSUES

- 41) Describe the professional, general liability, malpractice, fidelity, etc., insurance requirements for each type of pharmacy in the vendor's network.
- 42) How does the vendor ensure that both mail and retail pharmacies have adequate inventory on hand?
- 43) Do the mail service and retail pharmacy programs have access to the same participant prescription data for utilization review purposes, including to ensure non-duplication and to identify potential adverse reactions?

12.12.2 RETAIL PHARMACY PROGRAM

- 44) Describe the general credentialing and re-credentialing process and minimum criteria for selecting a network pharmacy, including the minimum required malpractice coverage per individual practitioner or group. If the process differs by type of pharmacy (i.e., independent vs. chains), please describe these separately. Provide a representative sample copy of the vendor's pharmacy contract.
- 45) Confirm that a copy of the most current directory of its pharmacy network, including the National Association Boards Pharmacy (NABP) Number, full address and zip code for each pharmacy, has been included with the response. Confirm that all pharmacies included in the vendor's directory were under contract as of December 1, 2011.
- 46) Does the vendor have a pharmacy network outside of Texas and/or the continental U.S. that would be available to PDP participants when traveling or living outside of Texas or the U.S.? If so, describe the network and provide information regarding the numbers and locations of pharmacies as well as applicable reimbursement arrangements.
- 47) How does the vendor resolve issues such as pharmacy non-compliance with contractual requirements?
- 48) What prescribing physician identifier is required for the vendor's online retail pharmacy system?
- 49) What is the average system down time for the vendor's online retail pharmacy system?
- 50) How would the vendor engage retail pharmacies in efforts aimed at improving patient care and reducing overall health care costs?

- 51) What performance-based systems does the vendor utilize in connection with retail pharmacies?
- 52) How does the vendor measure its effectiveness in achieving retail pharmacy network compliance?
- 53) How is the network's performance measured?
- 54) What procedures are in place to ensure that correct, complete and quality information will be provided to network pharmacies in connection with the PDP?
- 55) How would the vendor communicate with and educate participating pharmacies concerning the PDP? What is the anticipated frequency of such communication?

12.12.3 MAIL SERVICE PROGRAM

- 56) Does the vendor own and operate a mail-order pharmacy service? If so, where are the facilities located and which location would be responsible for servicing System members? What are the days and hours of operation for these facilities?
- 57) What are the hours of operation for the vendor's pharmacy help desk?
- 58) Briefly outline the daily operations that take place at the vendor's mail facilities. Include highlights of procedures targeting quality control for all aspects of processing as well as the overall quality assurance program.
- 59) Provide a detailed description of the vendor's dispensing process for the mail service, from the time a new prescription arrives until it is mailed. Discuss the role of registered pharmacists in the dispensing process and specify the steps that are completed by a registered pharmacist during the fulfillment of mail-order prescriptions.
- 60) Briefly outline cost containment services offered by the vendor in conjunction with the mail service.
- 61) What was the average daily number of prescriptions filled by the mail service from December 1, 2010, through December 1, 2011? Does this represent an increase in volume from the previous year? If yes, by how much?
- 62) What does the vendor expect will be its capacity to fill prescriptions at mail as of January 1, 2012, January 1, 2013, and January 1, 2014?
- 63) How does the vendor propose to transition existing mail service refills from the current PBM? Would the vendor be willing to contact physician offices to transfer existing prescriptions into the vendor's mail service program?
- 64) How often does the vendor's mail service change generic manufacturers? How are participants notified of the change?

- 65) By what method does the vendor ship medications to members? What is the primary shipping service being used? How are temperature-sensitive medications, such as insulin, handled?
- 66) In the last six (6) months, what percent of protocol prescriptions were processed within twenty-four (24) hours of receipt? Within forty-eight (48) hours? Seventy-two (72) hours or longer?
- 67) Describe the procedures the vendor uses when dispensed medication is lost in the mail. Does the vendor charge the participant for replacement? Does the vendor charge the plan for the lost prescription?
- 68) Describe the procedures for cancellation of a prescription by a participant, including how both the participant and the PDP are credited for payments made prior to a cancellation.
- 69) What package size does the vendor use in pricing prescriptions for mail service?
- 70) Does the facility used for mail service repackage drugs? If so, how will such repackaging impact payments under the PDP? Will the System be charged a higher AWP than in the absence of repackaging? How will the System verify the AWP if the product is repackaged? Who sets the AWP of a repackaged product? Does the vendor, its parent organization, or any of its affiliates or subsidiaries own a repackaging/labeling company?
- 71) How is waste controlled for in the dispensing process for the mail service?
- 72) What are the vendor's policies regarding the substitution of A-rated and less than A-rated generics through the mail order process?
- 73) Explain how state and federal regulations impact dispensing practices for the vendor's mail service in relation to faxed prescriptions, dispensing of controlled substances, etc. Identify the specific facilities that are directly affected by the regulations discussed.

12.12.4 PHARMACY AUDITS

- 74) Is the right to audit included in the vendor's standard pharmacy contracts?
- 75) Describe the vendor's pharmacy auditing capabilities, including, but not limited to: authentication of prescriptions with claims, identifying discrepancies such as dispensing generic drugs when billing for branded products, and ensuring the proper dispensing of medication in accordance with the prescriber's order.
- 76) Describe the frequency of each phase of the vendor's audit program.
- 77) What percentage of retail pharmacies is audited under each phase of the audit program and what are the average recoverable amounts and associated fees?
- 78) What percentage of total claims is audited under each phase of the audit program?

- 79) If the vendor makes recoveries during the audit process, how would these be credited to System and how often?
- 80) Please include a copy of a recent retail pharmacy audit report along with the vendor's response.
- 81) Are mail-order facilities that will support mail service for the PDP subjected to the same audit programs as the vendor's retail network?
- 82) Are on-site audits performed at the vendor's mail-order facilities? If so, describe the frequency and types of audits performed.
- 83) Please provide a copy of the most recent mail-order facility audit. If not available, please explain why not.

12.13 FORMULARY, PRICING, AND SPECIALTY PHARMACY

- 84) Describe the development of the vendor's formulary, including the composition of the committee used in its development.
- 85) How does the vendor ensure that a selected drug will provide a more cost-effective alternative to other drugs?
- 86) Describe the vendor's plan to ensure minimal member disruption in converting to its formulary.
- 87) Provide an electronic version of the vendor's formulary and preferred drug list that includes name, strength, dosage form, and 11-digit NDC number for each product on the list.
- 88) What elements are reviewed when determining drugs to be included in the formulary?
- 89) How often does the formulary change? What is the process for announcing formulary changes?
- 90) How does the vendor ensure that all Pharmacy and Therapeutic Committee members remain objective and are not subject to influence by a third party?
- 91) Explain how the vendor currently administers the use of therapeutic substitutions? If such a program exists, indicate how the program will be applied in the administration of the System's PDP?
- 92) Confirm that the vendor uses Medi-Span as its source for determining Average Wholesale Price (AWP).
- 93) How often are AWP price updates applied to the vendor's adjudication system?
- 94) Describe the vendor's MAC program in detail, including information about: 1) the selection of drugs, 2) the number of drugs covered, 3) Centers for Medicare & Medicaid Services (CMS)

comparison, 4) available options, 5) the frequency of updates, 6) pharmacy incentives, and 7) MAC reimbursement determination.

- 95) Does the vendor offer a specialty pharmacy program that integrates with the medical program? If yes, please describe the details of the program, including:
- a) Does the vendor contract with, or own, one or more specialty pharmacies? If yes, please identify;
 - b) How long the specialty pharmacy program has been in place;
 - c) What the reimbursement arrangements and the total annual purchasing volume are for the specialty pharmacy program;
 - d) Is there a separate pricing schedule for injectable and/or biotech products? If yes, please provide the schedule;
 - e) How many clients currently participate in the specialty pharmacy program; and,
 - f) Three (3) client references for the specialty pharmacy program. Include verification that the vendor authorizes System to contact these clients regarding the specific services provided by the vendor and authorizes the listed clients to discuss with System their experiences working with the vendor.

12.14 CONDITION MANAGEMENT

- 96) How are participants identified as candidates for the vendor's condition management programs? Include a description of how your condition management, health and wellness programs, and internal medical management functions interact to facilitate early identification and intervention. Additionally, please address specifically the resources and information utilized in the identification of possible concerns involving mental health or situations that may involve substance abuse.
- 97) Once identified as potential candidates for condition management, what factors would trigger efforts by the vendor to connect participants with the UT SELECT Case Management and/or Disease Management teams at the contracting third-party administrator (TPA) for UT SELECT Medical?
- 98) Describe the process by which the vendor would work to ensure that participants are connected with the appropriate program at the TPA based on their specific circumstances, including those situations where potential issues with mental health or substance abuse have been identified.
- 99) Please provide a brief description (no more than 500 words) of the processes in place at the vendor that integrate data from multiple sources (e.g., medical and pharmacy claims,

completed health risk assessments, diagnostic test results, etc.) in support of condition management and overall wellness efforts.

- 100) Describe key changes made to any aspect of the vendor's disease management programs during the past year as well as any changes planned over the next year or two.

12.15 WELLNESS BENEFITS AND VALUE-BASED BENEFITS DESIGN (VBBD)

- 101) Describe the wellness programs and/or tools offered by the vendor that would be available to PDP participants.
- 102) Describe key changes made to any aspect of the vendor's wellness programs during the past year as well as any changes planned over the next year or two.
- 103) Provide an internal assessment of the return on investment (ROI) associated with the vendor's wellness programs, including details regarding the timing of measurable returns. Describe how assessment of ROI informs decisions about the vendor's ongoing investment in wellness programs, including defining scope and objectives, expectations regarding participation, reporting efforts, etc.
- 104) Please detail any wellness programs currently being offered by the vendor that are designed to improve the health and well-being of all individuals, including healthy and low-risk individuals. Indicate whether these programs are managed directly by the vendor or provided by a subcontractor.
- 105) Please provide details regarding any consumer support programs the vendor currently has available to provide coaching and educational support to individuals with specific chronic conditions. Indicate whether these programs are managed directly by the vendor or provided by a subcontractor.
- 106) What specific attributes of the vendor's wellness programs are designed to attract and engage those participants whose health habits or status place them at risk (as opposed to those without known risk factors, i.e. the "worried well"), even though they are not presently experiencing adverse health effects?
- 107) What referral sources or other factors will the vendor rely on to identify individuals who would benefit from participation in System's Living Well health and wellness programs and services?
- 108) Does the vendor track and refer participants to specific wellness programs on an individual level? For example, for a participant identified as having type-2 diabetes, high cholesterol, and high blood pressure, would the vendor make specific recommendations to the participant regarding programs such as completing System's Living Well Health Risk Assessment or enrolling in online nutrition classes?

- 109) Is improved productivity (including reductions in lost work days, disability and workers' compensation costs, and presenteeism) a factor that the vendor actively considers and tracks as part of the overall wellness services offered to employer group plans? If so, how are results in this area measured? Please provide examples, if available, of employer groups where productivity data has been gathered and used to guide adjustments to the implementation of the vendor's wellness programs.
- 110) Please describe the vendor's view of the role of the employer and the investment necessary in partnering with a PBM to maximize participation in wellness initiatives and beneficial outcomes. Include a discussion of the vendor's position with regard to the appropriate use of incentives tied to wellness programs.
- 111) Please describe your organizations view of the effectiveness of Value-Based Benefits Design (VBBD) to improve the health status of covered lives and reduce the plans costs.
- 112) Please describe the specific steps that the vendor would take and the criteria that would be used to help an employer determine whether VBBD would be a beneficial strategy to pursue with regard to their PDP.
- 113) Describe in detail the vendor's capabilities to assist with evaluating VBBD as a plan design option by:
- a) Aggregating medical and pharmacy claims data, mining the data for VBBD opportunities, and modeling the impact of VBBD plan options;
 - b) Including additional data in the overall analysis, such as long-term and short-term disability claims, and personal health assessment survey results; and,
 - c) Providing a comprehensive assessment of the results of the data analysis described above and assisting with interpreting those results.
- 114) Describe in detail the vendor's capabilities to implement and administer a VBBD plan that:
- a) Waives or reduces copayments/coinsurance for specific prescription drugs; and/or,
 - b) Waives or reduces copayments/coinsurance for preventive services such as immunizations and vaccines;
- 115) Detail any specific mechanisms used to assure that different units of the vendor, the plan sponsor, and other vendors all coordinate to offer a smooth-running VBBD plan.
- 116) How many accounts does the vendor currently support that have implemented some aspect of VBBD?
- 117) If applicable, please provide the names of three accounts that have implemented a VBBD plan with the vendor, with at least one being available to enrollees for more than 12 months.

- 118) If applicable, please describe any issues that have arisen with the implementation of VBBD concepts and how the vendor addressed those issues.

12.16 ACCOUNT AND IMPLEMENTATION TEAMS

- 119) Where would the primary person responsible for account and client management associated with System's contract be located? Will any Account Management Team members be located in Austin?
- 120) Confirm that the System will be notified of any change in the dedicated Account Management Team. Describe the efforts the vendor makes to discourage turnover of Account Management Team personnel responsible for oversight of major group accounts.
- 121) Briefly outline the vendor's account management philosophy. Please include information about how the team members are compensated by the vendor.
- 122) Describe the overall organization, location, and structure of the account service team that will provide ongoing program support for the System PDP. Please provide a résumé for each team member, including current professional responsibilities and length of employment with the vendor.
- 123) How many other contracting customer organizations is the assigned account manager currently servicing and how many total members are represented by those organizations?
- 124) What is the vendor's account manager/executive turnover rate for the last twelve (12) months?
- 125) Confirm that a clinical pharmacist will be included on the Account Management team.
- 126) Provide a list of individuals who will comprise the vendor's implementation team along with a résumé and complete contact information for each team member. Identify the individuals who will be primarily responsible for handling details related to each of the following categories:
- a) Information systems and technology, including specifically benefits programming, claims processing, and eligibility data processing;
 - b) Customer service;
 - c) Communication materials;
 - d) Appeals process;
 - e) Transitional benefits; and,
 - f) Financial functions, including payments and reconciliation.

12.17 CUSTOMER SERVICE

- 127) Describe the vendor's customer service unit, including the manner in which it is accessed, days and hours of call center operation, and the location of the customer service call center(s) that will provide service to PDP participants.

- 128) Are any major changes currently planned or anticipated for the customer service organization or facilities (e.g., moving to a different location, reorganizing or merging units)? If so, please describe.
- 129) Will the vendor provide a separate toll-free telephone number for System participants?
- 130) How many telephone lines and support staff will be dedicated to customer service and claims processing for the PDP?
- 131) How are after-hours calls to customer service handled?
- 132) Does the vendor's customer service system support TTY, also known as TDD (Telecommunications Device for the Deaf) technologies?
- 133) How does the vendor's customer service system support Spanish-speaking participants? What other languages can the vendor's customer service system support?
- 134) How will the customer service unit be staffed? What is the turnover rate for vendor's non-management call center staff?
- 135) Briefly describe the training that each employee or representative receives to provide customer service. Include the length of time it takes to advance from training to a qualified Customer Service Representative (CSR).
- 136) How does the vendor ensure that its CSRs are providing timely and accurate information?
- 137) How does the vendor monitor first-call resolution and member inquiries that do not get resolved?
- 138) Does the vendor's customer service inquiry system allow CSRs to enter information and provide the ability for CSRs to review previous notes to better assist members?
- 139) Can CSRs view historical claims information online to assist participants? Will participants be able to view their claims information online via the vendor's System-specific website? Will designated System staff members have online access to claims information for System participants so that specific claims can be reviewed and/or specific reporting requested?
- 140) Does the vendor record all phone calls and notify all parties that their conversations are being electronically recorded and stored? If not, how many calls are recorded, and what criteria are used in their selection?
- 141) Will System have the ability to listen to customer service calls in Austin?
- 142) Describe how the vendor handles written inquiries. Are they always responded to in writing?
- 143) What is the vendor's current standard for response time with respect to questions requiring written communication?
- 144) Describe the vendor's problem resolution policies.

- 145) Describe the vendor’s procedures for handling and escalation of customer service complaints.
- 146) Confirm that the vendor’s proposal contains no provision for “binding arbitration” in a complaint procedure and that no such provision shall be utilized with regard to System PDP participants.
- 147) Describe the customer complaint tracking system that the vendor utilizes. How long has this system been in place?
- 148) Describe any changes that are planned or scheduled within the next 36 months for the vendor’s computer systems, including Customer Support changes, and provide timelines for when the changes will be implemented to the existing computer system.

12.18 CLAIMS ADMINISTRATION

- 149) Please provide a sample PDP claim form.
- 150) Confirm that System will have a specific high-level contact for issues regarding PDP claims administration and indicate where this contact will be located.
- 151) Please provide a detailed description of the vendor’s procedures for processing retail pharmacy claims.
- 152) Please provide details regarding how the vendor plans to meet the System’s requirement to provide a bi-weekly claims invoice, including a proposed schedule of planned invoice dates for claims paid during the 2012–2013 plan year along with the reporting period that would be covered for each planned invoice.
- 153) How does the vendor process and pay benefits for compound medications submitted by network pharmacies? What copayments does the vendor apply to such claims?
- 154) Are there situations where the vendor would accept a paper claim (UCF) from a pharmacy for processing? Are all online edits and plan design criteria applied to paper claims? If not, please explain.
- 155) Describe the vendor’s procedure for processing paper claims submitted by participants.
- 156) Are there options available for participants who submit paper claims to receive payment other than receiving a paper check via mail?
- 157) How long will claims records specific to the PDP be maintained?
- 158) For the claims office that would be processing claims for System participants, please provide the following statistics for all claims paid by the vendor for 2010:

	Company Standard	Actual
Claims payment accuracy rate		

Claims processing accuracy rate		
Financial accuracy rate		
Average turnaround time		

- 159) Please confirm that the vendor will adjudicate coordination of benefit (COB) claims for participants who have another primary PDP to which the System PDP is secondary and that the cost of processing such claims will be consistent with the fees associated with all other types of claims.
- 160) Are COB fees assessed per receipt submitted or as a single fee for all receipts submitted under one claim form?
- 161) Describe how COB claims are processed once received by the vendor.
- 162) Confirm that the vendor will transmit the biweekly claims file as specified in this RFP using an NCPDP-standard layout for the file and records, including all required data fields as specified in Appendix B to this RFP.

12.19 COST CONTAINMENT

- 163) What steps will be taken to increase the generic substitution rate under the PDP?
- 164) Does the vendor guarantee that if a generic drug is out-of-stock and a brand name drug is dispensed in its place, the System shall be charged only the generic price and the plan participant shall be charged with only the generic copayment?
- 165) What safeguards exist to prevent one group's claims experience from being charged to another?
- 166) Provide a detailed description of the procedures and systems that the vendor uses to prevent, deter, detect and investigate fraud or related issues, and explain how such processes shall be utilized in connection with the System's PDP.
- 167) Discuss how the vendor would communicate with the participant, pharmacy, physician, or vendor once a fraud or abuse issue has been identified. How will the information be reported to the System?
- 168) Discuss the vendor's policies and procedures for addressing situations in which pharmacy benefits have been utilized after a participant's benefits have ended (e.g., due to a delay with updating participant data or similar issue). Provided that the vendor receives adequate notice of termination from System, will the vendor guarantee that the PDP will not be billed for prescription claims that were processed after a participant's PDP coverage has terminated?
- 169) Describe the vendor's experience in providing cost-containment enhancements to current and former clients.

- 170) Confirm the vendor's ability to administer prior authorization programs as described in Appendix E to this RFP. In addition, please describe any enhancements the vendor proposes in administering prior authorization programs.

12.20 QUALITY ASSURANCE

- 171) Describe the vendor's quality assurance (QA) program. Please provide the name of the designated senior executive responsible for the program as well as a copy of the vendor's current QA policies and procedures.
- 172) Describe the vendor's processes for monitoring the adequacy of customer service and claims service. How often are surveys specific to these functions conducted? Please provide a copy of the most recent results.
- 173) Does the vendor currently perform overall participant satisfaction surveys? If so, does an outside organization perform the surveys? Please provide a copy of the latest survey and its results, including the percentage of participants who indicated that they were "satisfied" or "very satisfied" with the overall program.

12.21 INFORMATION SECURITY

- 174) Please provide a detailed description of the vendor's information technology security program that would be applicable to System data collected and/or maintained by the vendor. Include, at a minimum, the following details:
- a) Does the vendor have an information security plan in place, supported by security policies and procedures, to ensure the protection of information and information resources? If so, provide an outline of the plan and note how often it is updated. If not, describe what alternative methodology the vendor uses to ensure the protection of information and information resources.
 - b) Describe the procedures and tools used for monitoring the integrity and availability of the information systems interacting with the service proposed, detecting security incidents, and ensuring timely remediation.
 - c) Describe the physical access controls used to limit access to the vendor's data center and network components.
 - d) What procedures and best practices does the Vendor follow to harden all information systems that would interact with the service proposed, including any systems that would hold, process, or from which System data might be accessed?
 - e) If the vendor were selected, would the vendor agree to a vulnerability scan by System of all information systems that would interact with the service proposed including any systems

that would hold, process, or from which System data might be accessed? If the vendor objects to a vulnerability scan, describe in detail the reasons for objection.

- f) Does the vendor have a data backup and recovery plan, supported by policies and procedures, in place for the hosted environment? If so, provide an outline of the plan and note how often it is updated. If not, describe what alternative methodology the vendor uses to ensure the restoration and availability of System data.
- g) Does the vendor encrypt data backups? If so, describe the methods used to encrypt backup data. If not, what alternative safeguards will the vendor use to protect System data backups against unauthorized access?
- h) Does the vendor encrypt data in transit and at rest? If so, describe how that security is provided. If not, what alternative methods are used to safeguard data in transit and at rest?
- i) What technical security measures does the vendor propose to take to detect and prevent unintentional (accidental) and intentional corruption or loss of System data?
- j) What safeguards does the vendor have in place to segregate System and other customers' data to prevent accidental or unauthorized access to System data?
- k) What safeguards does the vendor have in place to prevent the unauthorized use, reuse, distribution, transmission, manipulation, copying, modification, access, or disclosure of System data?
- l) What administrative safeguards and best practices does the vendor employ with respect to staff members (vendor and third-party) who would have access to the environment hosting all information systems that would interact with the service proposed, including any information systems that would hold, process, or from which System data may be accessed, to ensure that System data and resources will not be accessed or used in an unauthorized manner.
- m) Describe the procedures and methodology in place to detect information security breaches and notify customers in a manner that meets the requirements of HIPAA and Texas breach notification laws.
- n) Describe the procedures the vendor has in place to isolate or disable all information systems that would interact with the service proposed, including systems that would hold, process, or from which Institution data might be accessed, when a security breach is identified?

- o) Describe the safeguards in place to ensure that all information systems that would interact with the service proposed, including any systems that would hold, process, or from which System data might be accessed, reside within the United States.
- p) What additional administrative, technical, and physical security controls does the vendor have in place or plan to put in place?

12.22 DATA EXCHANGE AND PROCESSING

- 175) Confirm that the vendor can accept and properly manage eligibility and other key PDP data using the dataset layouts as described in this RFP, including the Benefit Enrollment and Maintenance Transaction Set (ASC X12N 834) as well as the claims and administrative fee billing datasets.
- 176) Confirm that the vendor has the capability to accept enrollment data via SFTP on a real-time basis.
- 177) Confirm that the vendor has the ability to comply with the user-authentication requirements for the System-specific PDP website as described in this RFP, including the use of SAML-based authentication (v2.0).
- 178) Describe the vendor's ability to provide automated notification upon receipt of eligibility data as well as automated, timely notifications confirming either successful load or failure to load for each eligibility dataset received from System.
- 179) Explain how the vendor plans to ensure that it meets all requirements regarding protecting the confidentiality of Social Security numbers as outlined in this RFP, including the requirements of Section 35.58 of the Texas Business and Commerce Code, CONFIDENTIALITY OF SOCIAL SECURITY NUMBER.
- 180) Describe the vendor's experience with automated enrollment systems, including any specific automated systems that the organization has worked with.
- 181) Explain how data is entered into the vendor's eligibility system. Provide a data flow diagram of the process to receive, audit, and load eligibility datasets, including an indication of whether the diagram refers to a current or proposed system. If documenting a proposed system, the anticipated implementation date should be included.
- 182) What is the location of the computer system that maintains and hosts the vendor's eligibility system and data? Is a third-party application used for entering data into the vendor's eligibility system or was proprietary software developed in-house?
- 183) Upon receipt of eligibility datasets from System, can the vendor's eligibility system produce a detailed error report indicating which records have been accepted for loading and which have been rejected? Will such reports be provided following each eligibility transmission?

- 184) Discuss the staffing and capabilities of the vendor's team that would be responsible for managing information systems and data for the PDP.
- 185) How soon after receiving eligibility data from the System would any updates be reflected in the vendor's eligibility system?
- 186) Describe the vendor's process for implementing changes to the benefit plan design. How much advance notice is required for a change to be made in the vendor's information system?
- 187) What quality assurance processes are integrated into the vendor's information systems to ensure accurate programming of the initial benefit plan design and to improve the accuracy of programming related to plan design changes during the contract period?
- 188) Confirm the vendor's ability to accept emergency updates to PDP eligibility, as specified in this RFP. Additionally, please describe the vendor's ability to provide a website allowing designated System staff to view eligibility and make emergency eligibility updates directly in the vendor's database when necessary.

12.23 COMMUNICATIONS

- 189) Please provide any sample communication materials the vendor has concerning: 1) the merits of generic substitution, 2) specific brands that will be eligible for generic use, 3) medical conditions for which generic medications are available, and 4) formulary literature.
- 190) How will the vendor communicate formulary changes to the System Office of Employee Benefits and to PDP participants? Please provide a recent transition example, including any educational pieces made available to the participants, physicians, and/or pharmacies.
- 191) Explain in detail the services that will be available at no additional cost to System regarding communications and participation of the vendor's personnel at employee/retiree meetings during annual enrollment periods.
- 192) Will the vendor provide personnel who will attend employee/retiree meetings during annual enrollment on a statewide basis? Would the vendor be willing to provide personnel for meetings held outside of regular business hours in order to accommodate System institutions that have 24-hour facilities? How many meetings will the vendor attend?
- 193) Confirm that the vendor will assist the System in developing necessary materials for disseminating Annual Enrollment information to employees and retirees during the System Annual Enrollment period.
- 194) Confirm that the vendor will provide the System with a preview of all communications designed to notify participants of features or issues regarding the PDP prior to disseminating any communications directly to participants.

- 195) Confirm that the vendor understands and will comply with the required technical specifications for the System-specific website as specified in this RFP and that the Electronic and Information Resources (EIR) Accessibility Checklist, included in Appendix L to this RFP, has been completed and included with this response.
- 196) Confirm that the vendor will comply with the requirement to provide a monthly dataset to System including details as specified for all Prescription ID cards issued during the prior month.

12.24 PERFORMANCE STANDARDS AND REPORTING

- 197) Describe the vendor's current reporting capability. Provide samples of utilization and administrative performance reports currently available to contracting plans. How often are reports prepared? Describe the method that the vendor would use to determine the cost of any special reports that might be requested by System.
- 198) Confirm that the vendor is able to provide all of the detailed information required in the quarterly Administrative Performance Report template, included as Appendix I to this RFP. Please provide copies of sample administrative performance reports meeting the requirements.
- 199) If the vendor is unable to provide any of the information requested in the Administrative Performance Requirements Report template included as Appendix I to this RFP, please describe in detail any information that cannot be provided and explain why it cannot be provided.
- 200) Describe any unique reporting capabilities that differentiate the vendor from its competitors.
- 201) Confirm that the vendor can provide normative data against which the System can benchmark its plan.
- 202) Confirm that the vendor understands that the failure to meet specific performance standards may result in the assessment of associated performance penalties, as described in this RFP.

13.0 PRICE PROPOSAL FORMAT

UT System requires the vendor to submit a proposal under a Transparent Financial Arrangement such that the vendor commits to pass through to System any and all pharmaceutical manufacturer rebates and any other type of revenue generated from the prescription drug utilization of UT SELECT participants.

13.1 REQUIREMENTS APPLICABLE TO PROPOSED FEE ARRANGEMENTS

- a) The PBM Price Proposal must be guaranteed for the three-year period beginning September 1, 2012.
- b) The PBM Price Proposal should be adequate to cover all expenses incurred by the vendor for implementation of the Contract and for the performance of all services and other matters as described herein and in the Contractual Agreement, including those performed prior to and during the initial three-year term of the Contract as well as during any runoff period following termination of the Contract.
- c) The costs for providing case management services for critical disease conditions shall be included in the PBM Price Proposal.
- d) The vendor shall coordinate benefits with other prescription drug coverages and include the cost of such service in the PBM Price Proposal.
- e) The vendor shall use Medi-Span as the basis for determining whether a drug is brand or generic.
- f) All AWP discount guarantees shall be a direct savings off of AWP and are not the result of incremental savings due to repackaging of drugs or blending non-MAC generics to achieve a higher brand discount.
- g) Claims adjudicated on the basis of "Usual and Customary" (U&C) pricing will not be considered in determining compliance with the brand and generic guaranteed discount rates.
- h) The cost for providing clinical programs of any kind (i.e., retro/DUR) shall be included in the PBM Price Proposal.
- i) If the AWP discount or the dispensing fee varies by drug for specialty drugs, please include a list identifying the type of therapy, drug name, AWP discount, and dispensing fee for each specialty drug as part of the PBM Price Proposal.
- j) The vendor shall be responsible for the payment of any shortfalls on guarantees on a dollar-for-dollar basis.

- k) Rebates must not be contingent upon days-supply or acceptance of any programs whatsoever.
- l) Coverages provided by the System are exempt from any state tax, regulatory fee, or surcharge, including premium or maintenance taxes or fees. The administrative fee, if any, should not include any provision for such taxes or fees.

13.2 PBM PRICE PROPOSAL

13.2.1 RETAIL REIMBURSEMENT

a) Brand

1) Ingredient Cost	Lesser of: (a) U&C, (b) MAC ⁴ , or (c) AWP Discount
2) Aggregate Ingredient Cost Guarantee ¹	AWP ² less _____ %
3) Aggregate Dispensing Fee Guarantee ³	\$_____ per script

b) Generic

1) Ingredient Cost	Lesser of: (a) U&C, (b) MAC ⁴ , or (c) AWP Discount
2) Aggregate Ingredient Cost Guarantee ¹	AWP ² less _____ %
3) Aggregate Dispensing Fee Guarantee ³	\$_____ per script

13.2.2 MAIL SERVICE REIMBURSEMENT

a) Brand

1) Aggregate Ingredient Cost Guarantee ¹	AWP ² less _____ %
2) Aggregate Dispensing Fee Guarantee ³	\$_____ per script

b) Generic

1) Ingredient Cost	MAC ⁴
2) Aggregate Ingredient Cost Guarantee ¹	AWP ² less _____ %
3) Aggregate Dispensing Fee Guarantee ³	\$_____ per script

13.2.3 SPECIALTY PHARMACY REIMBURSEMENT

a) Brand

1) Aggregate Ingredient Cost Guarantee¹ AWP² less _____ %

2) Aggregate Dispensing Fee Guarantee³ \$_____ per script

b) Generic

1) Aggregate Ingredient Cost Guarantee¹ AWP² less _____ %

2) Aggregate Dispensing Fee Guarantee³ \$_____ per script

13.2.4 MANUFACTURER REVENUE

a) Guaranteed Rebate

1) Retail \$_____ per paid script

2) Mail \$_____ per paid script

3) Specialty \$_____ per paid script

13.2.5 ADMINISTRATIVE FEE

a) Guaranteed Administrative Fee \$_____ PMPM⁵

¹The average discount for all applicable claims shall be no less than the percentage indicated.

²AWP = Medi-Span Average Wholesale Price

³The average dispensing fee for all applicable claims shall be no greater than the amount indicated.

⁴MAC = Maximum Allowable Cost as established by the PBM. The PBM shall use the same MAC pricing in determining retail and mail reimbursement.

⁵PMPM denotes per member (employee or retiree) per month

14.0 SIGNATURE PAGE

In accordance with the attached proposal(s), _____ hereby agrees,
(Print Name of Organization)

if selected by The University of Texas System, to enter into negotiations for a Contract to provide Pharmacy Benefit Management (PBM) services for at least the three year period beginning September 1, 2012. I have read the RFP from which this page is taken and verify that the above named organization can meet the requirements outlined.

The number of addenda reviewed before submitting this proposal: _____

The name of the primary contact person regarding this proposal is:

Title: _____

Mailing Address: _____

City: _____ State: _____ Zip: _____

Telephone #: _____ Fax #: _____

Printed name of the individual signing this form:

Title: _____

Mailing Address: _____

City: _____ State: _____ Zip: _____

I hereby certify that I have the authority to bind the above named organization.

Signature

Date