

Request for Proposal (RFP) Number 2010-SMAC-001
Alabama Medicaid Agency
Pharmacy Average Acquisition Cost (AAC)/
State Maximum Allowable Cost (SMAC) RFP
Question and Response

(Questions and Answers 1-6 Posted 1/19/10)

Q1: How much money has the Alabama Medicaid Agency allotted for this project?

A: There is no certain monetary amount “allotted” for this project. As outlined in Section VIII, “Evaluation and Selection Process” of the RFP, the responsive proposals will be scored on various criteria, of which price is a factor.

Q2: Is this a new requirement or is there an incumbent vendor for these services?

A: Although the Alabama Medicaid Agency currently has a SMAC program, it is administered internally. This RFP is to implement a new reimbursement methodology as outlined in Section I “Background”. There is a vendor who currently holds a contract from the 2008-SMAC-01 RFP.

Q3: Would you please provide a copy of the State’s current SMAC vendor contract including contract pricing?

A: An electronic copy of the current SMAC vendor contract is listed on the Agency’s website at the link

http://www.medicaid.alabama.gov/documents/News/ITB-RFPs/myers_stauffer_smac_08.pdf

Q4: Is the Alabama Medicaid Agency required by State Law or policy to follow a specific SMAC formula/reimbursement calculation methodology? If so, please describe that methodology.

A: The State’s current reimbursement methodology is listed in the RFP in the Section I “Background” (Rule No. 560-X-16-.06. Reimbursement for Covered Drugs).

Q5: Is invoice submission by stores voluntary or mandatory?

A: The Agency believes the best way to obtain the average acquisition costs of enrolled providers is a random sample via mandatory submission. According to Rule No. 560-X-16-.02, Requirements for Participation, (5) “Pharmacy providers must agree to keep records...to fully disclose extent of services rendered...At a minimum the following records and/or documentation must be available for examination: 1) prescription files and 2) invoices.” Therefore, the Agency has the authority to examine the invoices of any Alabama Medicaid pharmacy provider. This Rule information can be found on our website at www.medicaid.alabama.gov under Resources/Administrative Code/Chapter 16 Pharmacy Services.

Q6: Will there be an expectation that the successful bidder will be required to participate in any fair hearings process as a result of this RFP?

A: While the Agency strives to work openly and proactively with all parties involved to negate the need for fair hearings or related litigation, if the need should arise, the Contractor will be expected to participate in any requested or mandatory meetings or hearings.

(Questions and Answers 7-36 Posted 1/21/10)

Q7: The schedule of events states that the official contract award /begin work date is 4/1/10 while Section I. states that the projected implementation date of the program is 6/1/10. Does 4/1/10 represent the date the vendor is expected to begin work on the project while 6/1/10 is the date the vendor is expected to have SMAC pricing published and available for use in claims processing? If not, please explain the two dates.

A: 4/1/10 represents the date the vendor is expected to begin work on the project while 6/1/10 is the date the vendor is expected to have SMAC pricing published and available for use in claims processing.

Q8: If the official contract award/begin work date is delayed due to review by the Legislative Contract Review Oversight Committee, will the State delay the implementation date by same number of days? If not, please explain if any adjustment will be made.

A: If the award date is delayed due to the Legislative Review Oversight Committee, the State will determine at that time the best way to move forward to benefit all parties involved.

Q9: The last sentence states "the projected implementation date of the program is June 1, 2010." However, Section B. Schedule of Events identifies the Official Contract award/begin work date to be April 1, 2010. Please clarify this difference between the dates and provide the time period that the State expects implementation to be performed and the date the State expects operations to begin.

A: Please refer to answer of Q7 above.

Q10: Please explain how the State defines "Average Acquisition Cost (AAC)". Is it defined differently for pharmacies and wholesalers? If so, please explain the differences.

A: The State defines average acquisition cost as the average cost of a pharmacy to acquire a drug from a wholesaler.

Q11: Please explain process for how the "Alabama Estimated Acquisition Cost (AEAC)" is calculated (*from page 6 of the RFP*). What entity is responsible for calculating AEAC?

A: The question refers to page 6 of the RFP, which describes the AEAC of the current reimbursement methodology. Currently, the AEAC is based on a "lower of" methodology which includes Average Wholesale Price (AWP)-10%, Wholesale Acquisition Cost (WAC)+9.2%, Federal Upper Limit (FUL), State Maximum Allowable Cost (SMAC), Department of Justice (DOJ), and Usual and Customary (U&C). Currently, the Agency's MMIS system calculates the lowest price available during claims processing.

Q12: Does the scope of this RFP include establishing SMAC pricing for drugs other than multiple source drugs? If so, please identify the drugs that will be included and provide an electronic listing that contains a product identifier (such as GCN, GSN or GPI), NDC (if applicable), product name (drug, strength and dosage form), current SMAC price and effective date of current SMAC price.

A: As stated in the RFP, the "Vendor's proposal must present a plan to implement a new SMAC program, based on AAC, to accurately reimburse enrolled pharmacies based on actual enrolled pharmacy invoices for both brand and generic drugs. The goal of the new SMAC program is to determine the appropriate ingredient cost of product(s) to use as a basis for

pharmacy reimbursement.” Therefore, it is the Vendor’s responsibility to present a detailed plan “that streamlines the process of requesting, obtaining, analyzing, and reporting acquisition cost data, reduces administrative burdens on providers, and generally improves the timeliness of the pricing and reimbursement process. The Vendor must include recommendations in its detailed proposal for a survey submission process and schedule to best address the fluctuating prices for both brand and generic drugs, at minimum allowing for weekly rate updates.” (Section II, Scope of Work, page 7)

Q13: If AAC is currently being utilized in the SMAC program, please explain how it is calculated.

A: AAC is not currently being utilized in the SMAC program. The State defines average acquisition cost as the average cost of a pharmacy to acquire a drug from a wholesaler.

Q14: Is there a minimum number of surveys required and/or a minimum acceptable response rate? What is the State's expectation of the vendor with requesting responses from unresponsive pharmacies/manufacturers?

A: Per the RFP, it is the Vendor’s responsibility to detail a plan that “streamlines the process for...*obtaining*...acquisition cost data...” (Section II, Scope of Work, page 7, italics added for emphasis). Please refer to answer to Q5 above related to unresponsive pharmacies.

Q15: Is extrapolation an acceptable methodology to minimize the potential number of surveys and to control from independent, chain, specialty pharmacies?

A: Per the RFP, it is the Vendor’s responsibility to detail a plan that “streamlines the process for...*analyzing*...acquisition cost data...” (Section II, Scope of Work, page 7, italics added for emphasis).

Q16: Please explain the legal basis (i.e., through statute, regulation or contract) for the State having access to acquisition cost data from providers and wholesalers.

A: Please refer to answer to Q5 above.

Q17: Does the State have criteria that the vendor will be required to use in determining whether a drug will be subject to SMAC pricing (i.e., there must be two A rated generic products available)? If so, please provide all criteria that the vendor will be required to use.

A: Per the RFP, it is the Vendor’s responsibility to detail a plan “for the *determination of SMAC* via a statistical analysis and averaging process of acquisition costs...” (Section II, Scope of Work, page 7, italics added for emphasis).

Q18: Please confirm that the weekly rate updates referenced in Section A pertain only to acute SMAC pricing situations such as provider disputes, drug shortages, new generic releases, etc. If the State cannot confirm the previous statement, please explain what the State’s requirements are regarding weekly rate updates.

A: The Vendor should detail a plan that allows for, at minimum, weekly rate updates to the entire SMAC file. As outlined in the RFP, inquiries from providers related to special processes, such as provider disputes, drug shortages, new generic releases, etc, “must have a response time of no less than one business day or 48 hours, whichever is less.” (Section II, Scope of Work, page 8)

Q19: Are there required meetings that are regularly scheduled (i.e. quarterly, monthly, etc?) For example, would vendor be required to attend DUR, P&T or other regularly scheduled meetings?

A: The Agency anticipates weekly or biweekly status meetings between the Contractor and the State that may be handled, on most occasions, via conference call. Otherwise, please refer to the Section II, Scope of Work, E. Meetings/Coordination section (page 8) for RFP requirements.

Q20: Please confirm business hours of the toll-free help desk are Monday through Friday 8AM to 5PM Central time excluding holidays.

A: "Business hours" is defined as 8AM to 5PM Central time excluding major holidays. However, the Vendor is encouraged to be mindful that pharmacy providers are open outside of "routine business hours" and provide a messaging mechanism to allow for timely response.

Q21: Please provide the following information regarding the calls taken by the toll-free Help Desk:

1. The current volume of calls taken by the Help Desk
2. A break out of calls which are technical in nature vs. SMAC program related
3. A break out of the calls the help desk received by pharmacies, members, and physicians
4. The source of each call received at the help desk
5. The reason for the call received at the help desk
6. The volume of escalated calls at the help desk
7. The average call length of each call.
8. Please provide the number of inquires received via fax and electronic mail

A: As the AAC- based SMAC project has not yet been implemented, this information is not available.

Q22: As often complete resolution to complicated issues may required more than 1 business day, please confirm that timely response time of one business day means that vendor must contact the provider to acknowledge receipt of inquiry and provide a status of the resolution.

A: A "response time of no less than one business day or 48 hours, whichever is less" means the provider must be contacted to acknowledge receipt of inquiry and provide a status of the resolution. If no resolution is available at the time of contact, the Vendor must contact the provider with no less than daily updates until a resolution is obtained.

Q23: Please describe the review process, if any, which the state requires before each SMAC update is applied. Please include any required timelines for review and approval for bidders.

A: As outlined in the RFP, it is the Vendor's responsibility to detail a plan for the "rigorous and timely protocol for the review, update, and reporting of SMAC rates based on AACs." (Section II, Scope of Work, page 8)

Q24: Please provide bidders with the preferred file format for delivering the SMAC updates to Hewlett Packard (HP). If there is no current file format preferred, will the state accept the contractor's standard MAC interface for SMAC updates?

A: Please refer to Appendix B, Attachment G of the RFP, Alabama interChange Interface Standards Document, for standards for file layout/interface with HP.

Q25: Please provide examples of the reports requested in Section C.

A: As outlined in the RFP, it is the Vendor's responsibility to detail a plan for the "rigorous and timely protocol for the...*reporting* of SMAC rates based on AACs." (Section II, Scope of Work, page 8, italics added for emphasis)

Q26: Excluding SMAC pricing disputes related to individual products, please indicate how often the State's current SMAC list is updated.

A: Currently, the drug/pricing file is updated on a weekly basis.

Q27: Please provide an electronic copy of the complete SMAC list which is currently in effect and include a product identifier (such as GCN, GSN or GPI), NDC (if applicable), product name (drug, strength and dosage form), current SMAC price and effective date of current SMAC price.

A: The Agency does not have currently such a list available but will work with the Contractor upon implementation to provide any needed files at the time of contract implementation.

Q28: Please confirm that the vendor will not be required to review and revise SMAC pricing for all products on the SMAC list more often than on a quarterly basis. If the previous statement cannot be confirmed, please provide the time interval (i.e. monthly) the State will require the vendor to review and revise SMAC pricing for all products on the SMAC list.

A: As outlined in the RFP, the Vendor should detail a plan that describes the "survey submission process and schedule to best address the fluctuating prices *for both brand and generic drugs, at minimum allowing for weekly rate updates.*" (Section II, Scope of Work, page 7, italics added for emphasis)

Q29: Section B states "timely coordination (response time to provider within one business day) with providers with inquiries related to the SMAC" while Section D states "inquires from providers must have a response time of no less than one business day or 48 hours, whichever is less". Please clarify if the response time to respond to inquired from providers is "within one business day" or "less than one business day" or "48 hours".

A: Inquiries from providers must have a response time of no less than one business day or 48 hours, whichever is less.

Q30: Task #1 in the table indicates the timeframe to be March 8, 2010 thru May 31, 2010. However, Section B. Schedule of Events identifies the Official Contact award/begin work date to be April 1, 2010. Please clarify if the timeframe for task #1 in the table is to be completed between March 8, 2010 thru May 31, 2010 or is the timeframe is April 1, 2010 thru May 31, 2010. Please provide the time period that the State expects implementation to be performed and the date the State expects operations to begin.

A: The table on page 11 of the RFP includes a SAMPLE SCHEDULE. Please refer to the answer to Q7 above.

Q31: Will the State share question responses with all bidders or only the bidder who posed the questions?

A: Answers to questions from all prospective bidders are posted on the Agency website as outlined in the RFP Schedule of Events (page 3).

Q32: Are the services sought in this RFP currently being provided to the State? If so, please identify the vendor.

A: Please refer to the answer to Q3 above.

Q33: If the State is currently receiving the services sought in this RFP from a vendor, does the State have the option to extend its contract with the current vendor rather than awarding a contract as a result of this RFP? If the answer to the previous sentence is in the affirmative, please state how long the current contract can be extended.

A: The current Contractor's contract ends on 3/31/10.

Q34: Please confirm that both the receipt of and transmission of data to the MMIS must be in the required MMIS format. If the State cannot confirm the previous statement, please explain.

A: Please refer to Appendix B, Attachment G of the RFP, Alabama interChange Interface Standards Document, for standards for file layout/interface with the MMIS vendor, HP.

Q35: Please provide utilization data for 4th quarter 2009 in order to allow the bidders to estimate potential cost savings. Please provide utilization at the claim level and include the following fields in the data set: NDC, Units Paid, Ingredient Amount Paid, Date of Service, and AWP (as of the Date of Service).

A: The Agency will work with the Contractor upon implementation to provide any needed files at the time of contract implementation.

Q36: Attachment G is referenced but the RFP does not include an Attachment G. It appears that the referenced attachment is actually Attachment I. Please provide the correct document reference.

A: The RFP has been corrected to reflect the correct Attachment notation.

(Questions and Answers 37-42 Posted 1/26/10)

Q37: Page 13, Section E. states, "Vendor must submit a statement stating that the Vendor has an understanding of and will comply with the terms and conditions as set out in this RFP. Additions or exceptions to the standard term and conditions are not allowed." Is the State unwilling to negotiate any revisions to the standard terms and conditions? Is the State willing to negotiate any additions to the standard terms and conditions?

A: Section IX General Terms and Conditions (page15-21) outlines the terms and conditions set forth in the RFP. Any negotiated additions and/or revisions would be executed as detailed in Section IX D. Contract Amendments (page16).

Q38: Please provide information regarding the number of name/strength/form combinations on the current brand and the generic SMAC lists.

A: Please refer to answer to Q27 above.

Q39: Page 7, Section II.A. -- Does the State envision that there would be weekly updates for all drugs or is the purpose of the weekly updates to respond to provider inquiries prior to regularly scheduled monthly or quarterly updates?

A: Please refer to answers to Q18 and Q28 above.

Q40: Please provide the number of pharmacies currently being surveyed and the frequency of these surveys.

A: There are approximately 1,400 pharmacies enrolled as Alabama Medicaid providers. Please refer to the answer to Q28 above.

Q41: The State previously responded to a question that was submitted for this RFP. The State's response to this question indicated that a vendor currently holds a contract for the 2008 RFP, but also stated that the SMAC list was administered internally. Can you please provide details as to why this vendor does not appear to be administering the program? Can you please explain the State's approach regarding this procurement so soon after the 2008 RFP was awarded?

A: The proposed AAC/SMAC Program has not yet been approved by CMS for implementation.

Q42: Please fully explain how the State will determine if vendor fails to meet any requirement of the RFP or contract and how liquidated damages will be calculated.

A: RFP Section IX, II. Liquidated Damages has been removed. Please refer to RFP 2010-SMAC-01 Amendment One listed on the Agency's website at the link http://www.medicaid.alabama.gov/documents/News/ITB-RFPs/RFP_2010_SMAC_01_Amendment_One.pdf