
FEHB Program Carrier Letter

Experience-Rated Carriers

U.S. Office of Personnel Management
Insurance Services Programs

Letter No. 2006 - 08

Date: March 30, 2006

Fee-for-service [6] Experience-rated HMO [8] Community-rated HMO [n/a]

SUBJECT: Checklists for Large Provider Agreements

This carrier letter transmits two checklists, included in Attachment 1 and 2, which we are asking experience-rated carriers to submit to the Contracting Officer indicating their intent to enter into or to make a significant modification of a Large Provider Agreement (LPA).

These checklists incorporate elements of Section 2.13 Large Provider Agreements (FEHBAR 1652.204-74, October, 2005) and Section 1.26, Standards for Pharmacy Benefit Managements Company (PBM) Arrangements (January, 2006) of the experience-rated standard contract.

Please submit these checklists with answers denoted on the checklists and/or state where each item is located in your submission. Please provide the Contracting Officer with a copy of the actual LPA or modification or draft of the proposed LPA/modification. We believe the completion of this checklist methodology will eliminate questions about the type of information needed by OPM to facilitate our review. Also, we require advance notification of any significant modification to an LPA (i.e. exercising a renewal or other option) that would result in a cost increase of 20 percent or more over the current FEHB contract. However, if a carrier is exercising a simple renewal or other option contemplated by an LPA that OPM previously reviewed, and there are no significant changes, then a statement to the effect that the renewal or other option is being exercised along with the dollar amount is sufficient notice.

Please note that we require experience-rated carriers to notify the Contracting Officer not less than 60 days before entering into, exercising a renewal, or making a significant modification to a Large Provider Agreement.

We appreciate your cooperation in complying with these requirements. Should you have questions, please contact your Contract Specialist.

Sincerely,

Robert F. Danbeck
Associate Director
for Human Resources Products and Services

Attachment 1: General Checklist for Large Provider Agreements

Large Provider _____
 Large Provider Agreement Number _____
 Large Provider Agreement Modification Number _____
 Large Provider Agreement Amount _____
 Number of days before award _____
 Number of days before exercising renewal or other option or significant modification

 Have you provided a copy of the LPA or modification _____

| Large Provider Agreements | |
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| 1. Have you provided timely notice to the Contracting Officer of your intent to enter into or make a significant modification of an LPA? | |
| 2. Have you provided timely notice to the Contracting Officer before exercising a renewal or other option that results in total costs to the FEHB program of an additional 20 percent or more above the existing LPA? | |
| 3. Does the notification include the following details of the contracting process (as normally contained in the Subcontracting Negotiation Memorandum): <ul style="list-style-type: none"> ▪ description of supplies and services; ▪ proposed basis of reimbursement; ▪ rationale for contract type and duration, including impact on future procurements; ▪ rationale for selection of proposed provider, including type of competition; ▪ method used to compute profit; ▪ description of risk provisions | |
| 4. Does the LPA include appropriate required clauses regarding records and inspection (six year rule)? | |
| 5. Does the LPA include appropriate required FAR or FEHBAR clauses regarding audit and records- negotiation? | |
| 6. Does the LPA provide for payment on a cost-plus-a-percentage-of-cost basis? | |
| 7. Is FEHBAR 1652.204-74 inserted in the LPA? | |

**Attachment 2: Specific Checklist for Pharmacy Benefit Management (PBM)
LPA’s Providing a Retail Pharmacy Network and/or Mail Order Pharmacy**

| <u>Transparency Standards</u> | |
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| 1. Is the PBM majority owned or controlled by a pharmaceutical manufacturing company? | |
| 2. Does the PBM agree to credit the Health Plan for manufacturer payments to the extent negotiated? This includes sales of utilization data to pharmacy manufacturers. | |
| 3. If the Carrier has negotiated with the PBM to receive all or a portion of manufacturer payments as described above, does the PBM provide the Carrier with quarterly Manufacturer Payment Reports that identify the following (information is to be presented for both the total of all prescription drugs dispensed through the PBM, mail order and retail, and in the aggregate for the 25 brand name drugs that represent the greatest cost to the Health Plan or such number of brand name drugs that together represent 75% of the total cost to the Health Plan, whichever is greater): <ul style="list-style-type: none"> ▪ the dollar amount of Total Product Revenue for the reporting period for the PBM’s entire client base ▪ the dollar amount of total drug expenditures for the Health Plan ▪ the dollar amount of all manufacturer payments earned by the PBM for the reporting period ▪ the percentage of all manufacturer payments earned by the PBM that were Manufacturer Formulary Payments ▪ the percentage of all manufacturer payments received by the PBM during the reporting period that were Manufacturer Formulary Payments (all payments other than formulary payments) | |
| 4. If the Carrier has negotiated with the PBM to receive all or a portion of manufacturer payments as described above, does the PBM provide the Carrier with annual Manufacturer Payment Reports that identify the following (information is to be presented for both the total of all prescription drugs dispensed through the PBM, mail order and retail, and in the aggregate for the 25 brand name drugs that represent the greatest cost to the Health Plan or such number of brand name drugs that together represent 75% of the total cost to the Health Plan, whichever is greater): <ul style="list-style-type: none"> ▪ the dollar amount of Total Product Revenue for the reporting period for the PBM’s entire client base ▪ the dollar amount of total drug expenditures for the Health Plan ▪ the dollar amount of all manufacturer payments earned by the PBM for the reporting period ▪ the percentage of all manufacturer payments earned by the PBM that were Manufacturer Formulary Payments ▪ the percentage of all manufacturer payments received by the PBM during the reporting period that were Manufacturer Formulary Payments (all payments other than formulary payments) | |

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Attachment 2: Specific Checklist for PBM LPA’s Providing a Retail Pharmacy Network and/or Mail Order Pharmacy Cont.

| <u>Transparency Standards Cont.</u> | |
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| 5. Does the PBM agree to provide the Carrier, at least annually, with all financial and utilization information requested by the Carrier relating to the provision of benefits to eligible enrollees through the PBM and all financial and utilization information relating to services provided to the Carrier? | |
| 6. Does the Carrier agree to provide any information it receives from the PBM, including a copy of its contract with the PBM, to OPM? Does the PBM consent to disclosure of this information to OPM? | |
| <u>Integrity Standard</u> | |
| 7. Does the PBM agree to adopt and adhere to a code of ethics? | |
| <u>Performance Standards</u> | |
| 8. Does the PBM have a quality assurance program to insure the following minimum performance standards are met? <ul style="list-style-type: none"> ▪ Section 1.9(f)(1) Claims Processing Accuracy: an average of 95 percent of FEBP claims must be processed accurately ▪ Section 1.9(f)(2) Claims Coding Accuracy: an average of 98 percent of FEBP claims must be coded accurately ▪ Section 1.9(f)(5) Claims Timeliness: the PBM adjudicates 95 percent of claims within 30 working days ▪ Section 1.9(f)(7) Member Inquiry: the PBM responds to 90 percent of inquiries within 15 working days ▪ Section 1.9(f)(8) Telephone Access: <ul style="list-style-type: none"> ○ Telephone waiting time: on average no more than .5 minutes elapse before the PBM connects a member’s call to a service representative. ○ Telephone blockage rate: no more than 5 percent of callers receive a busy signal. ○ Telephone abandonment rate: on average, enrollees abandon the calling effort no more than 5 percent of the time. | |
| 9. Are minimum retail pharmacy performance standards addressed in the LPA? <ul style="list-style-type: none"> ▪ Point of Service (POS) system response time: Does the PBM’s network electronic transaction system provide rapid response to network pharmacies? ▪ POS system availability: Is the PBM’s network electronic transaction system generally available and accessible by network pharmacies? ▪ Licensing: Does the PBM verify the appropriate licensing of its network pharmacies? | |

Attachment 2: Specific Checklist for PBM LPA’s Providing a Retail Pharmacy Network and/or Mail Order Pharmacy Cont.

| <u>Performance Standards Cont.</u> | |
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| <p>10. Are the minimum mail order pharmacy standards addressed in the LPA?</p> <ul style="list-style-type: none"> ▪ Dispensing Accuracy: Does the PBM dispense its prescriptions to the correct patient and for the correct drug, drug strength, and dosage in accordance with the physician’s prescription not less than 99.9 percent of the time? ▪ Turnaround time: On average, does the PBM dispense and ship at least 98 percent of all prescriptions not requiring intervention or clarification within 3 business days? | |
| <p>11. Does the PBM promptly review and respond to requests for prior approval for specific drugs following receipt of all required information?</p> | |
| <u>Alternative Drug Options</u> | |
| <p>12. Is the PBM required to utilize the alternative drug option protocols prescribed in Section 1.26?</p> <ul style="list-style-type: none"> ▪ Is the prescribing physician the ultimate decision maker? ▪ Is the patient notified in writing when a drug change has occurred? ▪ Is the authorization for a drug interchange an express, verifiable communication from the prescriber or other authorized physician’s office staff member? ▪ Are drug interchange requests appropriately recorded? ▪ Are interchanges from a lower to a higher priced drug only done when authorized by the Carrier or the Plan? ▪ Does the PBM permit pharmacists to express their professional judgment to both the PBM and physicians on the impact of drug interchanges? ▪ Does the PBM disclose to physicians, the Carrier, and patients the reason why it is suggesting a drug interchange and how the interchange will affect the PBM, the Plan, and the patient financially? | |