

# RESOLUTION OF THE CITY COUNCIL

No. 359

Approved June 22, 2018

RESOLVED, That the Members of the Providence City Council  
hereby Authorize Approval of the following Contract Award by the Board of  
Contract and Supply, in accordance with Section 21-26 of the Code of Ordinances.

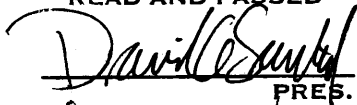
CVS Caremark  
(Human Resources)

\$19,900,000.00 for a term of three years

IN CITY COUNCIL

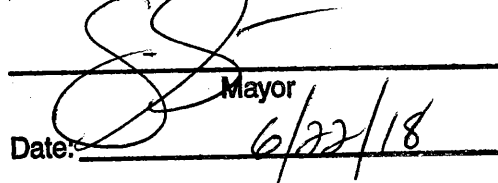
JUN 21 2018

READ AND PASSED

  
PRES.

  
CLERK

I HEREBY APPROVE.

  
\_\_\_\_\_  
Mayor  
Date: 6/22/18



## Office of the Internal Auditor

May 23, 2018

Ms. Lori Hagen  
City Clerk's Office  
City of Providence  
25 Dorrance Street  
Providence, RI 02903

Dear Lori:

I am writing to request that the following requested contract award be submitted to the City Council and the Finance Committee for approval:

▪ **Human Resource:**

- Request to extend the administrative service only (ASO) contract with the **Blue Cross Blue Shield of Rhode Island (BCBSRI)** for a term of three years in an amount of **\$10,400,000** in accordance with Code of Ordinance Section 21-26.
- Request to extend the current pharmacy benefit management (PBM) contract with **CVS Caremark** for a term of three years for an amount of **\$19,900,000.00** in accordance with the Code of Ordinance Section 21-26.
- Request a one year extension with **Delta Dental of RI** for one additional year for an amount of **\$5,700,000.00** in accordance with the Code of Ordinance, Section 21-26.
- Request to extend the stop loss contract with **Blue Cross and Blue Shield of Rhode Island (BCBSRI)** for one year in an amount of **\$882,000.00** in accordance with the Code of Ordinance, Section 21-26.

▪ **Water Supply Board:**

- Request to engage services with Pure Technologies in an amount to exceed \$577,242 for a five year term in accordance with the Code of Ordinances, Section 21-26.

Sincerely,

Gina M. Costa  
Internal Auditor

Cc: Margaret Wingate, Deputy Director of Human Resources & Benefits  
Ricky Caruolo, General Manager, Water Supply Board  
Al Buco, Acting Director of Public Property  
Sabrina Solares-Hand, Associate Director of Purchasing  
James Lombardi, Senior Adviser to the City Council  
CITY HALL • 25 DORRANCE STREET, ROOM 310 • PROVIDENCE, RHODE ISLAND 02903  
Phone: (401) 521-7477 • Fax: (401) 521-3920  
COUNCIL@PROVIDENCERI.COM



CITY OF PROVIDENCE  
Jorge O. Elorza, Mayor

May 23, 2018

The Honorable Mayor Jorge Elorza  
Chairman, Board of Contract and Supply  
City Hall  
Providence, RI 02903

Dear Mayor Elorza:

The current pharmacy benefit management (PBM) contract between the City of Providence and CVS Caremark is set to expire on June 30, 2018. We are respectfully requesting authorization to renew the contract for a term of three (3) years beginning July 1, 2018 through June 30, 2021.

Mercer, as outlined in their contract with the City of Providence, has responsibility of negotiating the City's Pharmacy Benefit Management (PBM) contract. CVS Caremark in discussions with Mercer agreed to improve their contract terms which will drive significant savings for the City of Providence. Our recommendation to extend this contract is based on the following reasons:

- Due to pricing and rebate discounts, there is an estimated Year 1 savings \$2.2 million and a three year estimated overall savings of \$8.7M
- CVS offers best in class guaranteed discounts and substantial quarterly drug manufacturer rebates
- CVS is offering an annual audit credit in the amount of \$20,000 per contract year (\$60,000 over the life of the contract) that can be used for claims, rebate and membership audits
- CVS has been instrumental in helping to keep the cost of claims low due to the implementation of pharmacy initiatives such as incentivizing the use of generic drugs (generic step therapy, tiered co-pay structure, DAW penalties), Compound Drug Strategy, Quantity Limits on various drug classes including opioid medications, and specialty guideline management; the City hopes to continue working with CVS on additional strategies and pharmacy initiatives
- The CVS Account Team has been cooperative and extremely helpful in responding to discovery requests and preparation for antitrust litigation
- The contract includes a termination for convenience clause which would allow the City to terminate the contract without cause or penalty as long as 90 days' prior written notice is provided

Respectfully submitted,

*Margaret M. Wingate*

Margaret M. Wingate  
Deputy Director of Human Resources - Benefits

Account: 891-891-51576 (Actives)  
892-892-51576 (Retirees)

Amount: \$19,900,000.00

Financial Approval: \_\_\_\_\_

*Sara A. Silveria*  
Sara A. Silveria  
Deputy Director of Finance

HUMAN RESOURCES

Providence City Hall | 25 Dorrance Street, Room 401, Providence, Rhode Island 02903  
401 421 7740 ph | 401 273 9510 fax  
[www.providenceri.com](http://www.providenceri.com)

A geometric pattern composed of several triangles. On the left, a large triangle is formed by three smaller triangles meeting at a central point; the top-left triangle is white with a black border, while the other two are solid black. To the right of this is a single solid black triangle. Below the large triangle on the left is another solid black triangle. At the bottom right, two solid black triangles are positioned side-by-side, forming a larger triangular shape.

Circumstance	Percentage (%)
If someone is attacking you	85
If someone is threatening you	75
If someone is harassing you	65
If someone is insulting you	55
If someone is annoying you	45

CITY OF PROVIDENCE

February 2018

MAKE TOMORROW, TODAY  MERCER

FINANCIAL COMPARISON  
PRICING EFFECTIVE  
JULY 1, 2018 – JUNE 30, 2019

7/1/2018 - 6/30/2019	CVS Caremark Current Contract	CVS 7/1/18 Renewal Offer	CVS 7/1/18 BAFO
Year 1 = 2018			
Retail Network	\$13,308,000	\$12,741,000	\$12,666,000
Retail 90 Network	\$3,175,000	\$3,091,000	\$2,999,000
Mail Order	\$480,000	\$469,000	\$456,000
Specialty Pharmacy	\$7,828,000	\$7,713,000	\$7,713,000
Misc. Claims (compounds, paper claims, etc).	\$26,000	\$26,000	\$26,000
Total Gross Rx Claim Cost	\$24,817,000	\$24,040,000	\$23,860,000
PBM Base Administrative Fees	\$1,000	\$1,000	\$1,000
Rebates	(\$2,739,000)	(\$3,572,000)*	(\$3,981,000)*
PROJECTED PROGRAM COST	\$22,079,000	\$20,469,000	\$19,880,000
Cost/(Savings) from Current			
	Dollar	N/A	(\$1,610,000)
	Percent	N/A	-7.3%
			-10.0%

\*The projected rebates for the 7/1/18 renewal offer include a separate minimum rebate guarantee of \$16,632.86 per brand claim for Hepatitis C drugs.

- Analysis does not include clinical program costs (admin fees) or a comparison of current clinical/UM programs relative to those offered by the three collective partners. Clinical/UM programs vary from vendor to vendor so your current programs may not be identical to the programs offered by the collective partners.

# FINANCIAL COMPARISON PRICING EFFECTIVE JULY 1, 2019 – JUNE 30, 2020

7/1/2019 - 6/30/2020	CVS Caremark Current Contract	CVS 7/1/18 Renewal Offer	CVS 7/1/18 BAFO
Year 2 = 2019			
Retail Network	\$14,546,000	\$13,798,000	\$13,798,000
Retail 90 Network	\$3,331,000	\$3,186,000	\$3,127,000
Mail Order	\$505,000	\$485,000	\$476,000
Specialty Pharmacy	\$9,452,000	\$9,313,000	\$9,313,000
Misc. Claims (compounds, paper claims, etc).	\$27,000	\$27,000	\$27,000
Total Gross Rx Claim Cost	\$27,861,000	\$26,809,000	\$26,741,000
Rebates	(\$2,710,000)	(\$3,990,000)	(\$4,437,000)
PROJECTED PROGRAM COST	\$25,152,000	\$22,820,000	\$22,305,000
Cost/(Savings) from Current			
	Dollar	N/A	(\$2,847,000)
	Percent	N/A	-11.3%

\*The projected rebates for the 7/1/18 renewal offer include a separate minimum rebate guarantee of \$16,632.86 per brand claim for Hepatitis C drugs.

- Analysis does not include clinical program costs (admin fees) or a comparison of current clinical/UM programs relative to those offered by the three collective partners. Clinical/UM programs vary from vendor to vendor so your current programs may not be identical to the programs offered by the collective partners.

# FINANCIAL COMPARISON PRICING EFFECTIVE JULY 1, 2020 – JUNE 30, 2021

7/1/2020 - 6/30/2021	CVS Caremark Current Contract	CVS 7/1/18 Renewal Offer	CVS 7/1/18 BAFO
Year 3 = 2020			
Retail Network	\$16,070,000	\$15,129,000	\$15,129,000
Retail 90 Network	\$3,531,000	\$3,321,000	\$3,297,000
Mail Order	\$536,000	\$507,000	\$503,000
Specialty Pharmacy	\$11,420,000	\$11,251,000	\$11,251,000
Misc. Claims (compounds, paper claims, etc).	\$29,000	\$29,000	\$29,000
Total Gross Rx Claim Cost	\$31,586,000	\$30,237,000	\$30,209,000
Rebates	(\$2,719,000)	(\$4,519,000)	(\$5,040,000)
PROJECTED PROGRAM COST	\$28,868,000	\$25,719,000	\$25,170,000
Cost/(Savings) from Current			
	Dollar	N/A	(\$3,698,000)
	Percent	N/A	-12.8%

\*The projected rebates for the 7/1/18 renewal offer include a separate minimum rebate guarantee of \$16,632.86 per brand claim for Hepatitis C drugs.

- Analysis does not include clinical program costs (admin fees) or a comparison of current clinical/UM programs relative to those offered by the three collective partners. Clinical/UM programs vary from vendor to vendor so your current programs may not be identical to the programs offered by the collective partners.

# APPENDIX

## FINANCIAL ASSUMPTIONS

- Mercer's financial results are annualized estimates based on City of Providence's experience data from July 1, 2016 – June 30, 2017 and are not a guarantee of future savings.
- For our analysis, Mercer relied on data, information, and other sources of data as described in this report. We have relied upon this data without an independent audit. Although we have reviewed the data for reasonableness and consistency, we have not audited or otherwise verified this data. It should also be noted that our review of data may not always reveal imperfections. We have assumed that the data provided is both accurate and complete. The results of our analysis are dependent upon this assumption. If the data or information is inaccurate or incomplete, our findings and conclusions may need to be revised.
- The baseline reflects the current pricing and contract terms guaranteed by CVS.
- Claims cost and utilization from the experience data have been trended annually to an average factor of 8.8% on an ingredient cost basis.
- Enrollment is assumed at 6,203 employees and 15,165 members and is not adjusted for any future changes in enrollment, plan design, or formulary compliance.
- Rebates assume a qualifying three tier plan design for 31.6% of the population, and a non-incentive plan design for the remaining 68.4%.
- Pricing adjustments were made if single source generics were excluded, zero-balance logic was used, or usual and customary (U&C) was included in the proposals.
- Mercer assumes pricing effective date corresponds with the client's current PBM/carrier contract end date of 6/30/2018.



## RESOLUTION OF THE CITY COUNCIL

No. 326

Approved August 3, 2016

RESOLVED, That the Members of the Providence City Council hereby Authorize Approval to renew the current Pharmacy Benefit Management Contract Award for a term of two years beginning July 1, 2016 through June 30, 2018, by the Board of Contract and Supply, in accordance with Section 21-26 of the Code of Ordinances.



CVS/Caremark  
(Human Resources)

\$19,292,000.00

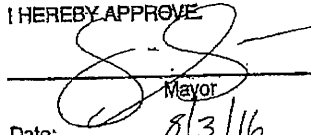
IN CITY COUNCIL

AUG 02 2016

READ AND PASSED

  
PRES.  
  
CLERK

I HEREBY APPROVE

  
Mayor  
Date: 8/3/16



CITY OF PROVIDENCE  
Jorge O. Elorza, Mayor

June 21, 2016

The Honorable Mayor Jorge Elorza  
Chairman, Board of Contract and Supply  
City Hall  
Providence, RI 02903

Dear Mayor Elorza:

Mercer, as outlined in their contract with the City of Providence, has responsibility of negotiating our contract with the City's Pharmacy Benefit Management company – currently CVS/Caremark. Mercer's responsibilities are outlined in the Health and Benefits Statement of Work (SOW). Mercer, using industry best practices, has negotiated with CVS/Caremark the proposed contract for the City.

We are respectfully requesting authorization to renew the PBM contract with CVS/Caremark for the term of two (2) years beginning July 1, 2016 through June 30, 2018. Mercer's analysis of the proposed contract is attached. Because the contract can be terminated early, an analysis for both one-year and two-years was performed.

The reasons for this request are as follows:

- The base pricing in our contract has improved significantly, in several areas. For example:
  - o Price discount on CVS generics is improving by three percentage points, from AWP -78.5% to AWP -81.25%.
  - o Price discount on Non-CVS brands has improved by 0.25% from AWP -16.25% to AWP -16.5%.
- Rebates have become a significant source of savings for the City, increasing to over \$2.5 million in FY16. In addition to the basic pricing, the proposed contract has a significant increase in rebates payable to the City. For example:
  - o Minimum rebates on the majority of our plans will increase from \$108.05 to \$297.44 per brand claim at CVS.
  - o Minimum rebates rise from \$40.14 per brand claim to \$87.41, when the prescription is not filled at CVS.
- CVS continues to offer new programs and policies, designed to reduce The City's spend, and to promote safe and effective utilization by City members.
- CVS is the current provider of PBM services to The City; making any change to this relationship would cause significant disruption.
- This agreement does not prevent such a marketing or an early termination; either party may terminate, for convenience and without cause, the prescription benefit services agreement upon providing at least ninety (90) days prior written notice to the other party.

Account: 891-891-51576 (Actives)  
892-892-51576 (Retirees)  
Amount: \$19,292,000.00

Respectfully Submitted,

*Margaret M. Wingate*

Margaret M. Wingate  
Manager of Employee & Retiree Benefits

Financial Approval:

*Lawrence J. Marcini*  
Lawrence J. Marcini  
Director of Finance

HUMAN RESOURCES

Providence City Hall | 25 Dorrance Street, Room 401, Providence, Rhode Island 02903  
401 421 7740 ph | 401 273 9510 fax  
www.providenceri.com



Human Resources  
Jorge O. Elorza, Mayor | Sybil Bailey, Director

July 19, 2016

Councilman John Igliazzi  
Chairman, Committee on Finance  
Providence City Hall  
25 Dorrance Street  
Providence, RI 02903

Dear Chairman Igliazzi:

In consideration of a Resolution authorizing approval to renew the current Pharmacy Benefit Management (PBM) Contract Award for a term of two years beginning July 1, 2016 through June 30, 2018, by the Board of Contract and Supply, in accordance with Section 21-26 of the Code of Ordinances, please find the following items:

- a. Board of Contract & Supply Letter dated June 21, 2016 requesting approval to renew the Pharmacy Benefit Management (PBM) contract with CVS Caremark for a term of two years beginning July 1, 2016 through June 30, 2018
- b. Pharmacy Benefit Management (PBM) Renewal Negotiation & Analysis conducted by Mercer Health & Benefits, LLC documenting a projected \$2,434,000 savings over the course of the two year extension, with a projected \$1,050,000 savings in FY17
- c. Amendment No. 3 of the Prescription Benefits Services Agreement between the City of Providence and CVS Caremark dated July 1, 2013 effective July 1, 2013 through June 30, 2016
- d. Prescription Benefit Services Agreement between the City of Providence and CVS Caremark dated January 1, 2009. The above noted item c. is an amendment to this original contract

Respectfully Submitted,

Margaret M. Wingate  
Manager of Employee Benefits

PROVIDENCE THE CREATIVE CAPITAL

25 Dorrance Street | Room 401 | Providence, Rhode Island 02903 | 401 421 7740 OFFICE | 401 273 9510 FAX  
[www.providenceri.com](http://www.providenceri.com)

PHARMACY BENEFIT MANAGEMENT  
RENEWAL NEGOTIATION

THE CITY OF PROVIDENCE

June 20, 2016

MAKE TOMORROW, TODAY.  MERCER



# CAREMARK RENEWAL PRICING EFFECTIVE JULY 1, 2016 – 1 YEAR

7/1/2016 - 6/30/2017	CVS Caremark Experience Data	CVS Caremark Current Contract	COP Renewal 6/02/16 Offer
Jan 1 - 2016			
Retail Network	\$14,950,000	\$14,755,000	\$14,307,000
Retail 90 Network	\$961,000	\$1,008,000	\$959,000
Mail Order	\$358,000	\$366,000	\$351,000
Specialty Pharmacy	\$6,257,000	\$6,293,000	\$6,257,000
Misc. Claims (compounds, paper claims, etc).	\$119,000	\$119,000	\$119,000
Total Gross Rx Claim Cost	\$22,645,000	\$22,541,000	\$21,993,000
PBM Base Administrative Fees	\$1,000	\$1,000	\$1,000
Rebates	(\$2,259,000)	(\$2,200,000)	(\$2,702,000)
PROJECTED PROGRAM COST	\$20,387,000	\$20,342,000	\$19,292,000
Cost (Savings) from Current			
	Dollar	N/A	N/A
	Percent	N/A	N/A
			\$-4%

- Analysis based on data provided by Caremark for the 2015 calendar year, trended forward to the renewal term
- Estimates assume 6,290 employees and 15,541 members
- Estimate assumes pricing is implemented on July 1, 2016
- Analysis does not include clinical program costs (admin fees)
- All estimates are based upon the information available at a point in time and are subject to unforeseen and random events. Therefore, any projection must be interpreted as having a likely range of variability from the estimate. Any estimate or projection may not be used or relied upon by any other party or for any other purpose than for which it was issued by Mercer. Mercer is not responsible for the consequences of any unauthorized use.

# CAREMARK RENEWAL

## PRICING EFFECTIVE JULY 1, 2016 – 2 YEARS

2-Year Totals	CVS Caremark Experience Data	CVS Caremark Current Contract	CVS Renewal \$10216 Offer
Retail Network	\$30,794,000	\$30,311,000	\$29,438,000
Retail 90 Network	\$1,949,000	\$2,035,000	\$1,940,000
Mail Order	\$730,000	\$744,000	\$714,000
Specialty Pharmacy	\$13,810,000	\$13,888,000	\$13,810,000
Misc. Claims (compounds, paper claims, etc).	\$245,000	\$245,000	\$245,000
Total Gross Rx Claim Cost	\$47,528,000	\$47,223,000	\$46,147,000
PBM Base Administrative Fees	\$2,000	\$2,000	\$2,000
Rebates	(\$4,489,000)	(\$4,400,000)	(\$5,758,000)
PROJECTED PROGRAM COST	\$43,061,000	\$42,825,000	\$40,391,000
Cost/(Savings) from current			
	Dollar	N/A	N/A
	Percent	N/A	N/A
			(\$2,434,000)
			5.77%

- Analysis based on data provided by Caremark for the 2015 calendar year, trended forward to the renewal term
- Estimates assume 6,290 employees and 15,541 members
- Estimate assumes pricing is implemented on July 1, 2016
- Analysis does not include clinical program costs (admin fees)
- All estimates are based upon the information available at a point in time and are subject to unforeseen and random events. Therefore, any projection must be interpreted as having a likely range of variability from the estimate. Any estimate or projection may not be used or relied upon by any other party or for any other purpose than for which it was issued by Mercer. Mercer is not responsible for the consequences of any unauthorized use.



# MERCER

## MAKE TOMORROW, TODAY

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© MERCER 2016

### Amendment No. 3

This Amendment No. 3 ("Amendment"), effective the later of July 1, 2013, ("Effective Date"), is entered into by and between CaremarkPCS Health, L.L.C., a Delaware limited liability company ("Caremark") and City of Providence, Rhode Island ("Client").

#### Recitals

WHEREAS, the parties have entered into that certain Prescription Benefit Services Agreement effective January 1, 2009, as amended from time to time ("Agreement"); and

WHEREAS, the parties previously entered into Amendment No. 2 to, among other terms, revise the Financial Terms of Exhibit A; and

WHEREAS, the parties have identified a scrivener's error in the Financial Terms contained in the Financial Terms in the Exhibit A attached to Amendment No. 2, and desire to correct such error in this Amendment; and

WHEREAS, the parties desire to implement Caremark's Drug Savings Review clinical program as of September 1, 2013 and such program is included in the attached Exhibit A.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein and for other good and valuable consideration, the parties agree to amend the Agreement as follows:

1. Section 1.4 (Contract Year) of the Agreement is hereby amended by deleting such Section in its entirety and inserting the following in its place:

"1.4 "Contract Year" will mean means the full twelve (12) month period commencing on July 1, 2013 and each full consecutive twelve (12) month period thereafter that this Agreement remains in effect,"

2. Exhibit A (Financial Terms) of the Agreement is hereby amended by deleting such exhibit in its entirety and inserting the attached Exhibit A in its place:

3. Exhibit G (Non-ERISA Appeals) of the Agreement is hereby amended by adding the following as a new section 7 at the end thereof:

"7. *External Review.* Caremark has contracted with independent review organizations ("IROs") to provide External Review of benefit determination that are subject to external Review under the Patient Protection and Affordable Care Act ("PPACA"). Caremark's External Review program is designed to comply with the requirements of PPACA and not any specific state department of insurance requirement. If elected by Client, Caremark shall provide for External Review of any adverse determination made pursuant to Sections 5.a or 5.b of this Exhibit G, as required by PPACA. The decision of the independent review organization shall be final and binding on the Plan and Plan Participant, subject only to any judicial review. The fee for External Review services is set forth in Exhibit A of this Agreement. Either party may terminate



at any time the External Review services provided under this Exhibit by providing the other parties with [REDACTED] days prior written notice."

3. If any provision of this Amendment is held to be void or unenforceable, the remaining provisions are considered to be severable and their enforceability is not affected or impaired in any way by reason of such law or holding. The terms and conditions of the Agreement as amended remain in effect except as otherwise stated herein. All capitalized terms used in this Amendment and not otherwise defined shall have the meanings set forth in the Agreement. In the event that any provision of this Amendment conflicts with any of the provisions set forth in the Agreement, the provisions of this Amendment shall govern and control. This Agreement as amended constitutes the entire agreement between the parties with respect to the subject matter hereof, superseding all prior understandings, agreements, contracts or arrangements between the parties, whether oral or written.

\* \* \* \* \*

The parties hereto have caused this Amendment to be executed by their duly authorized representatives.

CAREMARKPCS HEALTH, L.L.C.

By: Brian C. O'Neil  
Its: SVP  
Date: 10/31/14

LEGAL  
COUNSEL  
REVIEW

CITY OF PROVIDENCE, RHODE ISLAND

By: April Tavernier  
Its: Mayor  
Date: 10/22/14

Approved as to form and correctness:

By: Jeffrey Paduca 10/16/14  
Name: Jeffrey Paduca  
Title: City Solicitor

**Exhibit A**  
**Financial Terms**

**1. Mail, Retail, Rebates and Specialty.**

<b>MAIL/MAINTENANCE CHOICE</b>	
<b>BRAND</b>	AWP - % + dispensing fee
<b>GENERIC</b>	Generic effective rate guarantee of: 7/1/2013 - 6/30/2014: AWP - % + dispensing fee 7/1/2014 - 6/30/2015: AWP - % + dispensing fee 7/1/2015 - 6/30/2016: AWP - % + dispensing fee
<b>ELECTRONIC CLAIM ADMINISTRATION FEE</b>	per Claim
<b>RETAIL NATIONAL NETWORK</b>	
<b>BRAND</b>	7/1/2013 - 6/30/2014: or AWP - % + dispensing fee 7/1/2014 - 6/30/2015: or AWP - % + dispensing fee 7/1/2015 - 6/30/2016: or AWP - % + dispensing fee
	Generic effective rate guarantee of: 7/1/2013 - 6/30/2014: AWP - % + dispensing fee 7/1/2014 - 6/30/2015: AWP - % + dispensing fee 7/1/2015 - 6/30/2016: AWP - % + dispensing fee
<b>ELECTRONIC CLAIM ADMINISTRATION FEE</b>	per Claim
<b>MANUAL CLAIM ADMINISTRATION FEE</b>	per Claim
<b>REBATES</b>	
<b>Qualifying Manufacturer/Design</b>	
<b>MAIL/MAINTENANCE CHOICE</b>	7/1/2013 - 6/30/2014: \$ per Claim 7/1/2014 - 6/30/2015: \$ per Claim 7/1/2015 - 6/30/2016: \$ per Claim
<b>RETAIL</b>	7/1/2013 - 6/30/2014: \$ per Claim 7/1/2014 - 6/30/2015: \$ per Claim 7/1/2015 - 6/30/2016: \$ per Claim

SPECIALTY	\$ [REDACTED] per [REDACTED] Claim
REBATES	Three Tier Non-Qualifying Plan Design
MAIL/MAINTENANCE CHOICE	7/1/2013 – 6/30/2014: \$ [REDACTED] per [REDACTED] Claim 7/1/2014 – 6/30/2015: \$ [REDACTED] per [REDACTED] Claim 7/1/2015 – 6/30/2016: \$ [REDACTED] per [REDACTED] Claim
RETAIL	7/1/2013 – 6/30/2014: \$ [REDACTED] per [REDACTED] Claim 7/1/2014 – 6/30/2015: \$ [REDACTED] per [REDACTED] Claim 7/1/2015 – 6/30/2016: \$ [REDACTED] per [REDACTED] Claim
SPECIALTY	\$63.00 per Brand Claim
REBATES	Three Tier Qualifying Plan Design
MAIL/MAINTENANCE CHOICE	7/1/2013 – 6/30/2014: \$ [REDACTED] per [REDACTED] Claim 7/1/2014 – 6/30/2015: \$ [REDACTED] per [REDACTED] Claim 7/1/2015 – 6/30/2016: \$ [REDACTED] per [REDACTED] Claim
RETAIL	7/1/2013 – 6/30/2014: \$ [REDACTED] per [REDACTED] Claim 7/1/2014 – 6/30/2015: \$ [REDACTED] per [REDACTED] Claim 7/1/2015 – 6/30/2016: \$ [REDACTED] per [REDACTED] Claim
SPECIALTY	\$ [REDACTED] per [REDACTED] Claim
TOTAL REBATES	
TOTAL REBATES (MAIL AND RETAIL COMBINED)	The greater of [REDACTED] of total Rebates, or [REDACTED]
SPECIALTY DRUGS	
OPEN SPECIALTY BENEFIT	See Specialty Drug fee schedule attached as Attachment 1
OVERALL GENERIC DISPENSING RATE ("GDR") GUARANTEE	
MAIL	7/1/2013 – 6/30/2014: [REDACTED] % 7/1/2014 – 6/30/2015: [REDACTED] % 7/1/2015 – 6/30/2016: [REDACTED] %
RETAIL	7/1/2013 – 6/30/2014: [REDACTED] % 7/1/2014 – 6/30/2015: [REDACTED] % 7/1/2015 – 6/30/2016: [REDACTED] %

<sup>1</sup> See Section 3.1 for Rebate conditions.

a. The pricing set forth above is contingent upon the following conditions:

- (i) Participating Pharmacy rates may vary [REDACTED]
- (ii) The Participating Pharmacy may collect from the Plan Participant the lower of the applicable Cost Share or the Participating Pharmacy's Usual and Customary price.
- (iii) Retail and mail network guarantees for brands and generics are measured and reconciled [REDACTED]

- (iv) Caremark's generic pricing program is monitored based on Client's utilization, [REDACTED]
- (v) Caremark may exclude the following from any pricing guarantee:
- [REDACTED]
  - [REDACTED]
  - [REDACTED]
  - [REDACTED]
  - [REDACTED]
- (vi) Rebate guarantees are based upon fully-funded Plan designs (Plans in which there is defined coverage or funding by the provider/insurer), which allow a ninety (90) day supply at mail and Claim utilization and Plan design(s) are as represented by Client
- (vii) Rebates do not apply to Claims processed through pharmacies that participate in the Federal government 340B drug pricing program.
- (viii) The Generic Dispensing Rate ("GDR") guarantees are [REDACTED] Client acknowledges and agrees certain changes to the Plan design or demographics may materially affect Caremark's ability to meet the GDR guarantees (for example, situations where generically available medications are excluded from the benefit such as OTC equivalent strengths). In the event of any changes to the Plan design, or the Plan's demographics, both parties agree to work in good faith to determine if the GDR guarantee(s) should be adjusted to account for such change, whether higher or lower, depending on the actual impact of such change. If a brand does not lose patent expiration when expected due to unforeseen circumstances, including but not limited to litigation, the parties acknowledge and agree an adjustment may need to be made to the GDR guarantees. Any potential amount owed will be determined based on the following formula: [REDACTED] measured) multiplied by total Claims. Specialty Drugs are not included in the GDR guarantee calculation.
- (ix) Zero balance due Claims will be measured and reconciled based on the [REDACTED]

b. Shipping fees and/or postage [REDACTED] if Caremark's third party carrier [REDACTED] its charges to Caremark for shipping fees and/or postage costs.

2. Clinical Programs and Services. As consideration for the clinical services and programs selected by Client as described in the PDD and this Agreement, Client shall pay to Caremark the fees set forth below:

2.1 Core Clinical Services and Programs (available [REDACTED]):

Core Clinical Services and Programs		Cost
(a)	Formulary Management (as described in Section 2.6 of the Agreement)	[REDACTED]
(b)	Safety Programs	
i.	POS Safety Review	[REDACTED]
ii.	Retrospective Safety Review with Pharmacy Claims	
iii.	Safety and Monitoring Solution	
iv.	Physicians Profiling Report	
v.	POS Utilization Management	
	- Dose Optimization	
	- Quantity Limit	
	- Step Therapy	

(c)	Savings Programs		
	i.	Comprehensive Generics Solutions	
	a.	DAW Solution 1 and or 2	
	b.	Generic Copay Incentive	
	c.	Targeted Generic Alternative Messaging	
	d.	Value Drug Savings Tool	
	e.	DAW Penalty	
	ii.	POS Preferred Product Messaging	
	iii.	Generic Step Therapy (Prior Auth fee will apply)	
(d)	Pharmacy Advisor		
	i.	Pharmacy Advisor Support: Adherence	
	ii.	Pharmacy Advisor Support: Ready Fill at Mail(R)	
	iii.	Pharmacy Advisor Support: Closing Gaps in Medication Therapy	

## 2.2 Enhanced Clinical Programs and Services:

Enhanced Clinical Programs and Services Managing Bad Trend			Fee	Guaranteed Return on Investment ("ROI")
(a)		Evidence Based Utilization		
	i.	Prior Authorization	\$ [REDACTED] per prior authorization	[REDACTED]
	ii.	Appeals (as described in Exhibit G)	\$ [REDACTED] per review of benefit coverage \$ [REDACTED] per review of medical necessity	
	iii.	External Review (as described in Exhibit G)	\$ [REDACTED] per IRO external review requested	
	iv.	Specialty Guideline Management (Specialty) (Effective July 1, 2014)	\$ [REDACTED] per review	
	v.	Drug Savings Review (Effective September 1, 2013)	\$ [REDACTED] PMPM	
<p>Caremark guarantees that the gross savings realized from these services over the Clinical Program Year of the Agreement for the Drug Savings Review Program shall be [REDACTED] of the expense to Client for these services over the Clinical Program Year. In the event Caremark fails to meet the targeted savings, Client shall be [REDACTED] following the end of the applicable Clinical Program Year, [REDACTED] for the Drug Savings Review Program during the Clinical Program Year. "Clinical Program Year" means the twelve (12) month period commencing on the start date of the Drug Savings Review Program and each full consecutive twelve (12) month period thereafter that the Drug Savings Review Program is provided.</p>				
(b)		Prescription Savings Guide	[REDACTED] report mailed to each Plan Participant with savings opportunities of \$ [REDACTED] or more is [REDACTED] under this Exhibit A. Additional reports are available for \$ [REDACTED] per report mailed to each Plan Participant with savings opportunities of \$ [REDACTED] or more.	[REDACTED]

Enhanced Clinical Programs and Services Managing Good Trend			Fee	Guaranteed Return on Investment ("ROI")
(a)		Pharmacy Advisor		
	i.	Pharmacy Advisor Counseling for Diabetes and Cardiovascular disease states at CVS/pharmacy Condition specific messaging plus: • Face-to-face interventions and messaging at CVS/pharmacy • Inbound pharmacist phone support for Plan Participants who utilize mail and other Participating Pharmacies (for Diabetes counseling only)		

NOTE: Caremark reserves the right to adjust any ROI listed in this Section 2.2 if the total number of Plan Participants changes by [REDACTED] or more.

### 2.3 Additional Services:

Card Re-issuance	\$ [REDACTED] /Card
Manual Eligibility Submission	\$ [REDACTED] /Manual Entry
Client Specific Programming	\$ [REDACTED] Hour

The fees, expenses or charges for clinical programs identified in this Exhibit A shall supersede all other commitments or agreements described in any previous document, or Agreement.

Charges or services not identified in this Exhibit A shall be quoted upon request.

### 3. Client Credits:

This Section 3 of Exhibit A sets forth various rebates and credits to be paid or credited by Caremark to Client (collectively "Client Credits") as identified in Section 1 of this Exhibit A. It is the intention of the parties that, for purposes of the Federal Anti-Kickback Statute, these Client Credits shall constitute and shall be treated as discounts against the price of drugs within the meaning of 42 U.S.C. 1320a 7b(b)(3)(A). In addition, Client acknowledges and agrees that, as a condition to its right to receive Client Credits from Caremark, all Client Credits received shall be used exclusively for providing benefits to Plan Participants of the Plan and defraying the reasonable expense of administering the Plan.

#### 3.1 Drug Rebates.

[REDACTED] % / [REDACTED] %  
(Client Allocation / Caremark Retention)

Within [REDACTED] days of the beginning of each calendar quarter, Caremark will remit to Client the [REDACTED] Rebates as identified in Section 1 of this Exhibit A (the "Guaranteed Rebate Amount") to [REDACTED]

Caremark guarantees that Client's share of Rebates shall be the percentage identified above in this Exhibit A (the "Guaranteed Rebate Share"). All Claims [REDACTED] (for purposes of the Guaranteed Rebate Amount. In the event that Rebates paid to Client are less than the Guaranteed Rebate Share, Caremark shall pay to Client the amount of any deficiency. Final reconciliation between Rebates paid and Rebates guaranteed pursuant to this Section shall be performed [REDACTED]

[REDACTED] For subsequent years, any Rebate guarantee shall be determined by annual negotiation by the parties of a mutually acceptable Guaranteed Rebate Amount based on projected market estimates. This Guaranteed Rebate Amount will be effective July 1, 2013 and will remain in effect until [REDACTED] and is contingent upon [REDACTED]

[REDACTED] In the event these conditions are not met, Caremark reserves the right to equitably adjust the Guaranteed Rebate Share. Caremark may adjust the Guaranteed Rebate Share in an equitable manner if [REDACTED]

To qualify for two-tier Rebates, the Plan Participants under this Agreement must be covered under a two-tier qualifying plan design. A two-tier qualifying plan design consists of an open plan design, with the first tier comprised of generic drugs and the second tier comprised of brand drugs, with [REDACTED] but that includes formulary interventions recommended by Caremark, [REDACTED]

To qualify for three-tier non-qualifying Rebates, the Plan Participants under this Agreement must be covered under a three-tier non-qualifying plan design. A three-tier non-qualifying plan design consists of a plan design with the first tier comprised of Generic Drugs, the second tier comprised of preferred Brand Drugs, and the third tier comprised of non-preferred Brand Drugs, with [REDACTED] between preferred and non-preferred Brand Drug Claims of [REDACTED] and/or [REDACTED] between preferred and non-preferred Brand Drug Claims.

To qualify for three tier qualifying Rebates, the Plan Participants under this Agreement must be covered under a three-tier qualifying plan design. A three-tier qualifying plan design consists of a plan design with the first tier comprised of generic drugs, the second tier comprised of preferred brand drugs, and the third tier comprised of non-preferred brand drugs, with at least [REDACTED] between preferred and non-preferred brand prescriptions, [REDACTED] or a [REDACTED] between the preferred and non-preferred brand (for example, if preferred brand coinsurance was [REDACTED]%, non-preferred brand would need to be [REDACTED]% to qualify).

- 3.2 **Administrative Credit.** Caremark shall provide Client with an administrative allowance in an amount [REDACTED] per Plan Participant. Caremark shall provide a payment of mutually agreed upon administrative allowances relating to expenses incurred in connection with the administration of a Client's prescription benefit management business, provided that Caremark's obligation with respect to such expenses (i) shall [REDACTED] per Plan Participant for Client; and (ii) Client shall be responsible for all expenses [REDACTED]

[REDACTED]

For those eligible expenses directly incurred by Client, Client shall provide Caremark with documentation of such expenses actually incurred in the form of an invoice, an account statement, or other detailed documentation. Expenses applied to this credit shall not exceed fair market value of such expenses. In addition, Client acknowledges and agrees that, as a condition to its right to receive this credit from Caremark, this credit received shall be used exclusively for providing benefits to Plan Participants of the Plan and defraying the reasonable expense of administering the Plan.

- 3.3 Discount Credit. Caremark shall provide Client with an [REDACTED] discount credit of [REDACTED] which shall constitute an additional discount off the prices of drugs dispensed under the Agreement. This discount credit shall be paid to Client as a credit, which will be applied to Client's monthly invoices.



**ATTACHMENT 1 TO EXHIBIT A  
SPECIALTY DRUG FEE SCHEDULE**

Drug Names	AWP Discount Open	See Notes Below
<b>ACROMEGALY</b>		
Octreotide		
Sandostatin		
Somatuline Depot		
Somavert		
<b>ALCOHOL DEPENDENCY</b>		
Vivitrol		
<b>ALLERGIC ASTHMA</b>		
Xolair		
<b>ALPHA-1 ANTITRYPSIN DEFICIENCY</b>		
Aralast		
Glassia		
<b>ANEMIA</b>		
Aranesp		
Epogen		
Procrit		
<b>BOTULINUM TOXINS</b>		
Botox		
Dysport		
Myobloc		
Xeomin		
<b>CARDIAC DISORDERS</b>		
Tikosyn		
<b>CONTRACEPTIVES (SPECIALTY)</b>		
Implanon		
Mirena		
Nexplanon		
<b>CRYOPYRIN ASSOCIATED PERIODIC SYNDROMES</b>		
Arcalyst		
Ilaris		
<b>CYSTIC FIBROSIS</b>		
Kalydeco		
Pulmozyme		
TOBI		
<b>DUPUYTREN'S CONTRACTURE</b>		

Drug Names	AWP Discount Open	See Notes Below
Xiaflex		
ELECTROLYTE DISORDERS		
Samsca		
GOUT		
Krystexxa		
GROWTH HORMONE & RELATED DISORDERS		
Genotropin		
Humatrope		
Increlex		
Norditropin		
Nutropin		
Omnitrope		
Salzen		
Serostim		
Tev-Tropin		
Zorhiva		
HEMATOPOETICS		
Mozobil		
Neumega		
HEMOPHILIA, VON WILLEBRAND DISEASE, & RELATED BLEEDING DISORDERS		
Advate		
Alphanate		
AlphaNine SD		
Bebulin		
BeneFIX		
Corifact		
Felba		
Helixate FS		
Hemofil-M		
Humate-P		
Koate-DVI		
Kogenate FS		
Monarc M		
Monoclata-P		
Mononine		
NovoSeven		

Drug Names	AWP Discount Open	See Notes Below
Proflinine SD		
Proplex T		
Recombinate		
Refacto		
RiaSTAP		
Stimate		
Wflate		
Xyntha		
HEPATITIS C		
Copegus		
Infergen		
Inciwak		
Pegasys		
Peg-Intron		
Rebetol		
RibaPak		
Ribasphere		
RibaTab		
Ribavirin		
Victrelis		
HEREDITARY ANGIOEDEMA		
Berlnert		
Cinryze		
Firazyr		
HIV MEDICATIONS		
Egrifta		
Fuzeon		
HORMONAL THERAPIES		
Eligard		
Firmagon		
leuprolide acetate		
Lupron		
Lupron Depot		
Lupron Depot-Ped		
Supprelin LA		
Trelstar		
Vantas		

Drug Names	AWP Discount Open	See Notes Below
Viadur		
Zoladex		
IDIOPATHIC THROMBOCYTOPENIC PURPURA		
Nplate		
Promacta		
IMMUNE DEFICIENCIES & RELATED DISORDERS		
Carimune		
Cytogam		
Flebogamma		
Gamastan S/D		
Gammagard liquid		
Gammagard S/D		
Gammaked		
Gammaplex		
Gamunex		
HepaGam B		
Hizentra		
HyperHEP B		
HyperRHO S/D		
Immune Globulin		
MICRhoGAM		
Nabi-HB		
Octagam		
Panglobulin		
Polygam S/D		
Privigen		
RhoGAM		
Rhophylac		
Vivaglobin		
WinRho SDF		
INFECTIOUS DISEASE		
Actimmune		
Alferon N		
INFERTILITY		
Bravelle		
Cetrotide		
Chorionic Gonadotropin		

Drug Names	AWP Discount Open	See Notes Below
Follistim AQ		
Ganirelix Acetate		
Gonal-F		
Luvris		
Menopur		
Novarel		
Ovidrel		
Pregnyl		
Repronex		
INFLAMMATORY BOWEL DISEASE		
Cimzia		
IRON OVERLOAD		
Deferoxamine		
Desferal		
Exjade		
LYSOSOMAL STORAGE DISEASES		
Aldurazyme		
Cerezyme		
Cystagon		
Elaprase		
Fabrazyme		
Lumizyme		
Myozyme		
Naglazyme		
VPRIV		
RETINAL DISORDERS		
Eylea		
Lucentis		
Macugen		
Visudyne		
MOVEMENT DISORDERS		
Apokyn		
Xenazine		
MULTIPLE SCLEROSIS		
Ampyra		
Avonex		
Betaseron		

Drug Names	AWP Discount Open	See Notes Below
Copaxone		
Extavia		
Gilenya		
Mitoxantrone		
Novantrone		
Rebif		
Tysabri		
NEUTROPENIA		
Leukine		
Neulasta		
Neupogen		
ONCOLOGY - INJECTABLE		
Adcetris		
Arzerra		
Avastin		
Dacogen		
Elspar		
Erbitux		
Fusilev		
Halaven		
Herceptin		
Intron A		
Istodax		
Ixempra		
Jevtana		
Oncaspar		
Proleukin		
Rituxan		
Roferon-A		
Sylatron		
Temodar (Injectable)		
Thyrogen		
Torisel		
Treanda		
Valstar		
Vectibix		
Velcade		

Drug Names	AWP Discount Open	See Notes Below
Vldaza		
Xgeva		
Yervoy		
Zometa		
ONCOLOGY - ORAL/TOPICALS		
Afinitor		
Erivedge		
Gleevec		
Hycamtin		
Inlyta		
Jakafi		
Nexavar		
Oforta		
Revlimid		
Sprycel		
Sutent		
Tarceva		
Targretin		
Tasigna		
Temodar (Oral)		
Thalomid		
Tykerb		
Votrient		
Xalkori		
Xeloda		
Zolanza		
Zelboraf		
Zytiga		
OSTEOARTHRITIS		
Euflexxa		
Hyalgan		
Orthovisc		
Supartz		
Synvisc		
OSTEOPOROSIS		
Forteo		
Prolia		

Drug Names	AWP Discount Open	See Notes Below
Reclast		
Pain Management		
Prialt		
PAROXYSMAL NOCTURNAL HEMOGLOBINURIA		
Soliris		
PHENYLKETONURIA		
Kuvan		
PRE-TERM BIRTH		
Makena		
PSORIASIS		
Amniovive		
Stelara		
PULMONARY ARTERIAL HYPERTENSION		
Adcirca		
Epoprostenol Sodium for Injection		
Sterile Diluent for Epoprostenol Sodium for Injection		
Letairis		
Remodulin		
Revatio		
Tracleer		
Tyvaso		
Ventavis		
RENAL DISEASE		
Sensipar		
RESPIRATORY SYNCYTIAL VIRUS		
Synagis		
RHEUMATOID ARTHRITIS		
Actemra		
Enbrel		
Humira		
Kineret		
Orencia		
Remicade		
Simponi		
SEIZURE DISORDERS		
HP Acthar Gel		
Sabril		

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Drug Names	AWP Discount Open	See Notes Below
SYSTEMIC LUPUS ERYTHEMATOSUS		
Benlysta		
DEFAULT RATE		
DISPENSING FEE APPLICABLE TO ALL CLAIMS		

**NOTES:**

1 - Multiple dosage forms & injectable devices are available

**AVERAGE WHOLESALE PRICE:**

Unless notified otherwise by Caremark, the following default pricing will apply for Specialty Drugs.

- New Specialty Drugs that fall into an existing therapeutic class will be priced at the [REDACTED]  
- If there is no true therapeutic class rate (i.e., multiple AWP discounts for the drugs within a given therapeutic class), the new drug will be priced at the [REDACTED]

- Any existing products or newly FDA-approved products that do not fall into an existing therapeutic class will be billed and reimbursed [REDACTED]

Notwithstanding anything to the contrary, from the date Client requests a Specialty Drug which is not set forth in this fee schedule, Caremark reserves the right to adjust the pricing [REDACTED]

The rates for specialty medications may vary if filled by a pharmacy other than a specialty pharmacy owned or affiliated with Caremark.

MAC\*: Certain dosage forms and strengths may not be included on the PBM retail MAC list. These products will price at the [REDACTED]

**PER DIEMS, NURSING & EQUIPMENT:**

Nursing Charges: [REDACTED] per visit up to [REDACTED] hours, [REDACTED] for each hour thereafter. Alternatively, Caremark can refer any medically necessary nursing services to the Client's contracted nursing agency, in which case nursing services will be billed separately by those agencies.

In further consideration of the fees and charges to be paid to Caremark under this Agreement, Caremark will bill any applicable per diems to the Plan Participant's medical benefit. In the event it is not possible to bill such per diems to the Plan Participant's medical benefit or it is determined there is no coverage for such drugs, Caremark shall bill Client directly for any per diem associated with Specialty Drugs.

**PRODUCT SHORTAGE:**

In the event of an industry-wide product shortage, Caremark reserves the right to adjust pricing upon notice to the Client.