

# Gallagher Benefit Services: Pharmacy Consulting Proposal

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## PBM Contract Renewal Services for: Harlem School District

JUNE 9, 2021

**Submitted By:**

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Insurance | Risk Management | Consulting

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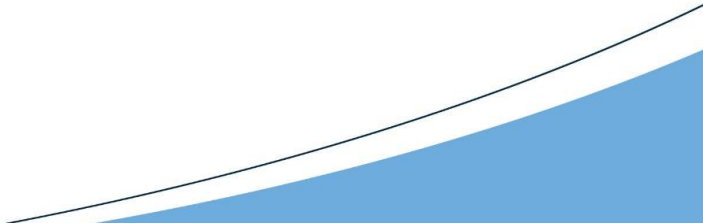
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June 9, 2021

Dear Harlem School District,

On behalf of Gallagher's National Pharmacy Practice, I am pleased to present you with the following proposal for pharmacy benefit manager (PBM) contract and renewal review services. This scope of work is designed to evaluate and assess the overall value of your current prescription drug program and to renegotiate toward better terms and financials in advance of your renewal date of January 1, 2022.

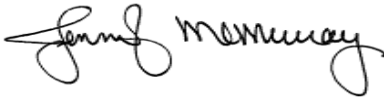
As a specialized division with an unrivaled depth of expertise in the area of pharmacy benefits consulting, Gallagher's Pharmacy Practice is uniquely positioned to be an objective and independent advisor to Harlem School District in this challenging and complex area of benefits management.

Our highly seasoned team of experts are veterans from the PBM industry, including contract/financial analysts, clinicians, and auditors. Our lead consultants for this project have 20+ years of PBM experience.

We are excited to engage in this partnership with Harlem School District. You have my personal and professional commitment that my pharmacy team will meet and exceed your expectations. We look forward to working for Harlem School District to advance and protect your interests with your chosen PBM.

If you have any questions, please contact me anytime.

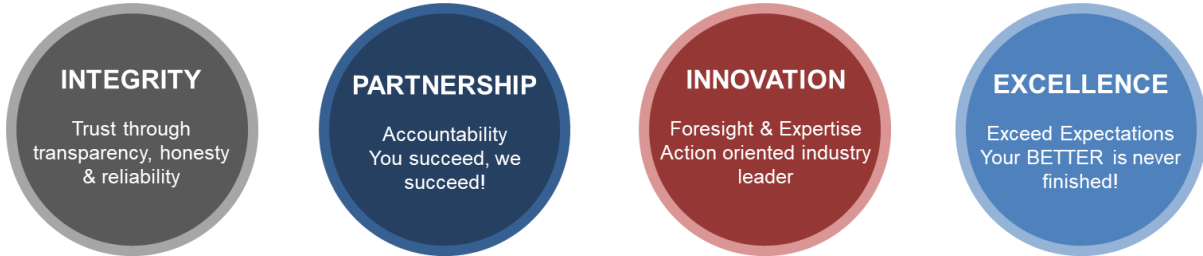
Sincerely,

A handwritten signature in black ink that reads "Jennifer McMurray". The signature is written in a cursive style with a large initial "J" and "M".

Jennifer McMurray, PharmD, CBP  
Pharmacy Consultant  
Gallagher National Pharmacy Practice  
[Jennifer\\_McMurray@ajg.com](mailto:Jennifer_McMurray@ajg.com)  
847-273-3956

## GALLAGHER NATIONAL PHARMACY PRACTICE & CORE MARKET DIFFERENTIATORS

Below are several key factors that differentiate Gallagher's Pharmacy Practice from your typical pharmacy advisor, making us an industry leader and the best partner to meet your strategic goals:



### Unparalleled Experience & Expertise:

Drawing from more than 550+ years of combined hands-on industry experience, our team of healthcare advisors, analysts and other PBM experts provides an insiders edge. Our expertise and diversity in all components of pharmacy benefit management including, financial, clinical, service, and operational perspectives ensures an all-encompassing strategic approach that aligns with the goals of key stakeholders. Our team members have direct career experience working “behind the scenes” at PBMs and health plans in a broad range of capacities, including roles in the areas of underwriting, contracting, clinical program development, auditing, and strategic leadership. Gallagher's Pharmacy Practice insider industry knowledge will provide our clients with the edge required to help thrive in an increasingly complex, cost-conscious industry.

### Superior Vendor Relationships:

Gallagher maintains long-standing, cooperative, and professional relationships with all vendors in the marketplace (from the smallest to the largest, including unique niche vendors). We pride ourselves in treating vendors fairly and with integrity while advocating diligently on behalf of our clients. Through our trusted extensive interactions across the supply chain, we have established positive working relationships with C-suite level leaders within every major PBM. Gallagher leverages these relationships to benefit our clients.

### Financial Alignment:

In today's healthcare economy, changing payment paradigms require additional skill sets, nimble strategies, and infrastructure built to meet these challenges. Our team of former PBM financial analysts, underwriters and clinicians serve as a major market differentiator, providing first-hand knowledge of the PBM business model. Subject matter experts recognize all of the nuances and untangle the gimmicks during the bidding process to provide insider guidance on the true competitive value of your contract.

## OUR TEAM: Unparalleled Experience & Expertise

### Harlem School District Account Team

#### Relationship Manager

Mike Parrott  
Area Vice President

#### Lead Pharmacy Consultant

Jennifer McMurray, PharmD, CBP

#### Clinical Lead:

Brad Daignault, Pharm.D

#### Finance & Analytics:

Hilary Sanberg, AVP of PBM  
Pricing and Analytics

#### PBM Audit Lead:

Allison Fanning, AVP of  
Employer Audits

#### Jennifer McMurray, Pharm.D., CBP

*Pharmacy Consultant, Pharmacy Benefit Consulting*

→ **Lead Pharmacy Consultant:** Responsible for Harlem School District's satisfaction with Gallagher's services, and will provide strategic oversight and guidance throughout the engagement(s) and relationship.



Jennifer McMurray is a Pharmacy Consultant for the Gallagher Pharmacy Practice for Arthur J. Gallagher which specializes in pharmacy strategy, the evaluation and procurement of PBM services, and auditing. Specific services include financial analysis, RFP and contract review, claims auditing, clinical/formulary review, training and education, and consulting services for pharmacy initiatives.

Jennifer has over 20 years of experience in pharmacy benefit management as well as total rewards employer benefits. Prior to joining Gallagher, she was Director of Strategy & Planning-Total Rewards for Walgreens, the country's largest pharmacy retailer, where she was responsible for the strategy, planning, implementation, and communication of the healthcare benefits, health & wellness and programs/services for the 250,000 Walgreens team members and their families. Previously, she was Vice President of Clinical Sales/Consulting for Walgreens Health Initiatives (WHI), Pharmacy Benefit Management division of Walgreens, where she was on the executive sales leadership team, responsible for driving the overall strategy for WHI's clinical programs within her team of Clinical Directors across the country. In addition, she was Director of Consultant Relations responsible for educating the consultant community on WHI's products and services. She was also the Clinical Director responsible for identifying and managing WHI's client specific clinical needs. Her areas of focus included analyzing prescription medication trends and assessing cost-containment management strategies (prior authorization, step care therapy, drug utilization review, Specialty pharmacy, formulary analysis, etc.)

Jennifer received her Pharm.D. from the University of Illinois at Chicago. She is also a Certified Benefits' Professional.

## BACKGROUND

Gallagher recommends that the terms of any Agreement with a PBM be analyzed as PBM services and financial offerings change, and often improve, over the course of the term of the original Agreement. Harlem School District is currently contracted with BCBS-Prime to provide pharmacy benefit management services and is requesting a review of their contract and terms in advance of a renewal date of January 1, 2022.

Gallagher's Pharmacy Practice has unrivaled expertise in conducting contract analysis reviews, as detailed in this proposal. We have identified contractual loopholes and PBM techniques that have led our clients and their employees to pay more for prescription drugs than expected. We are eager to help Harlem School District navigate through the PBM contracting process and work on your behalf to advance and protect the interests of all stakeholders.

Most consultant firms perform standard PBM contracting evaluations, where they merely calculate discounts, rebates, dispensing fees, and other components and then engage PBMs themselves to perform a "re-pricing" analysis to assist in comparing each PBM's financial proposal. They rely on the integrity of this information to make decisions and provide recommendations. Gallagher's Pharmacy Practice considers this method of evaluating the marketplace less than best practice. PBM can present financial terms (discounts or rebates) that appear to be superior, when in fact, are inferior and end up actually increasing costs for an employer.

Gallagher's contract and renewal review process will eliminate any hidden costs with Harlem School District' PBM and will drive optimal cost-containment, integrity of terms, and quality of services so that your pharmacy benefit program is best-in-class in the marketplace.

## STATEMENT OF WORK

### PBM Contract and Renewal Process

At Gallagher, we take pride in maintaining long-standing, cooperative, and professional relationships with all vendors in the marketplace, *from the smaller PBMs to the largest, including unique specialty vendors*. We advocate tirelessly for our clients, while sustaining superior relations with our vendors with a fair and unbiased approach. This has allowed Gallagher to establish positive working relationships with C-suite level leaders within every major PBM in the industry, which is leveraged to benefit our clients.

Gallagher will use our PBM market intelligence to negotiate on behalf of Harlem School District a market competitive PBM arrangement and negotiate with Harlem School District' current PBM to develop contract terms and conditions which align with current marketplace best practices.

The key advantage of the analysis for Harlem School District, and what clearly differentiates us from other consulting firms, is our in-depth evaluation of the PBM's contractual terms along with the financial analysis that links that language to the financial results. The following phases constitute the core components of our review process.

#### 1. Contract Analysis and Integrity Check

Gallagher will perform a detailed review of Harlem School District' current PBM contract and recent program performance (typically the past 12 months). This analysis will provide a baseline of the performance and integrity of your current arrangement with the PBM. It will provide Gallagher and Harlem School District with a clear view of the current arrangement, and will help us identify the specific areas that would be beneficial to Harlem School District. These will include all financial and qualitative aspects of vendors offering:

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Pricing & Financial Terms <ul style="list-style-type: none"><li>• Non-completive market language</li><li>• Viable terms missing</li></ul> | <input checked="" type="checkbox"/> Audit Rights <ul style="list-style-type: none"><li>• Deeper analytic review</li></ul>  |
| <input checked="" type="checkbox"/> Definitions   | <input checked="" type="checkbox"/> Re-negotiations  |
| <input checked="" type="checkbox"/> Clinical Management Programs  | <input checked="" type="checkbox"/> Legal Requirements <ul style="list-style-type: none"><li>• Termination rights</li><li>• Caveats against guarantees</li></ul> |
| <input checked="" type="checkbox"/> Rebates   |  |
| <input checked="" type="checkbox"/> Service Performance Guarantees  | <input checked="" type="checkbox"/> Transparency   |

This phase of the review process is designed to close PBM loopholes and eliminate the ambiguity and confusion that often leads to higher pharmacy costs and substandard service.

#### 2. Financial / Claims Analysis

A detailed claims analysis will be conducted spanning claims data for a 12-month period to determine whether there are any shortfalls due to contractual terms and definitions. The following key components will be covered in this analysis:

- NDC 11-digit reference
- Quantity
- AWP
- Dispensing Fee
- Ingredient Cost
- Total Pharmacy U&C Amount
- Pharmacy NABP Number
- Total Plan Cost
- Total Member Cost
- Brand/Generic Indicator
- Mail/Retail Code
- Formulary Indicator
- Specialty Drug Indicator

The primary purpose of this portion of the analysis is to determine whether the actual costs incurred by Harlem School District are different from what the quoted price is in the original Agreement. While “cost” and “price” may superficially appear to be similar terms, they are often very different in the PBM marketplace. It is our experience that quoted price terms do not always match up with true costs, or, what clients actually pay to their PBMs.

### 3. Contract Negotiation

Following the contract review process, Gallagher will directly negotiate improved pricing and contract terms with the on your behalf. The goal of this process is to close any loopholes and/or unacceptable caveats identified during the review phase and to help ensure that Harlem School District’ interests are better protected throughout the renewal term with market-competitive pricing. Our negotiation process is aggressive and works to secure a mutually beneficial Agreement that is highly market-competitive.

### 4. Final Contract Review

Gallagher will conduct a final contract/amendment review to ensure that all of contractual commitments made during the Renewal process are correctly incorporated into the proposed contract/amendment draft. We have negotiated many contracts with the PBMs and other ancillary vendors (retail network providers, specialty vendors, claims processors, clinical vendors) and are very familiar with their standard contracts, as well as contracting best practices that will be incorporated into the agreement(s).

Please note that Gallagher is not a law firm, and as such our review of the service agreement will focus on technical, financial, and operational aspects of the vendor arrangement. We recommend that you have your corporate legal staff (or suitable outside counsel) conduct a parallel review of the agreement to address any legal or business concerns that your organization may have.

### Deliverables

- Contract review process will equip Harlem School District with a detailed presentation that summarizes and thoroughly explains our analysis.
- A narrative and table format will be provided for both summary and detailed information to indicate the performance of your prescription drug program compared to your quoted financial terms.
- Gallagher will immediately follow-up our review process by directly engagement with your PBM to revise the contract. The re-negotiation process will provide a mutually beneficial Agreement that removes unfavorable and ambiguous language that does not work in the best interest of Harlem School District.



## PRICING PROPOSAL

There will be no direct out-of-pocket expenses to Harlem School District for the projects outlined below. We will request BCBS-Prime to incorporate our consulting fees into their bid. Harlem School District will only pay our fees directly in the event that:

1. Harlem School District extends their PBM contract negotiating separately outside of this Renewal project, or
2. Harlem School District contracts with another PBM, carrier, or contract outside of this Renewal, or
3. BCBS-Prime does not agree upfront to cover our consulting fees for this project but Harlem School District approves to allow BCBS-Prime to provide renewal offer to Gallagher as part of this renewal project. *\*Please note, should BCBS-Prime indicate they are not willing to pay these fees as part of their renewal offer, we will notify Harlem School District and seek direction/approval regarding how to proceed.*

Service Component	*Consulting Fee
<b>BCBS-Prime PBM Contract &amp; Renewal Services</b>	\$24,950

*\*This fee is inclusive of any reasonably incurred expenses associated with the scope of work described in the proposal, except for travel (if needed) which would be billed separately.*

### Project Change Control:

In the process of engagement, additional work may be required based upon discovery or changes requested by Harlem School District. If variations from the original Scope of Work are deemed necessary and material, a mutually agreed-upon change request addendum will be created. Gallagher will provide a change request addendum for Harlem School District to review and sign before any work outside the original scope is performed or additional expenses are incurred or invoiced to Harlem School District.

### Confidentiality:

Gallagher agrees to maintain, as strictly confidential, all information relating to Harlem School District. Harlem School District' information is proprietary to Harlem School District and shall be used solely by Gallagher in connection with the services set forth in Agreement. Gallagher will execute the appropriate Confidentiality/Non-Disclosure Agreements deemed necessary to complete the project.

### Liability:

Under no circumstance will Gallagher be liable to Harlem School District for costs of procurement of substitute goods or services; lost profits; lost sales or business expenditures; investments; or commitments in connection with any business, loss of any goodwill, or for any indirect, special, incidental, or consequential damages arising out of or related to this agreement or use of Gallagher's services, however caused, on any theory of liability, and whether or not Gallagher has been advised of the potential of such damage.

## OUR COMMITMENT

As the Harlem School District looks to improve your organizations financial arrangement, our firm believes that we are in the best possible position to help you and your team. By partnering with Gallagher, your organization will benefit from the following key differentiators:

- Bandwidth & Strength:** Work with some of the largest payers in the nation providing PBM and specialty pharmacy consulting
- Experience:** Team of seasoned professionals with the depth, experience, and market exposure to provide the best practices related to the competitiveness of each offer
- Accountability:** PBM specialists and analysts track key plan metrics ensuring contractual commitments are kept and a proven track record that maximizes plan performance
- Partnership and Commitment:** We succeed, only if you succeed!

We look forward to the opportunity to walk you through each element of the proposal at your convenience to ensure we have fully addressed all of your business needs.

By signing below, Harlem School District certifies its acceptance of the statement of work, terms, and fee described in the preceding proposal for consulting services.

Accepted this (month/day) \_\_\_\_\_, 2021.

Harlem School District

Gallagher's National Pharmacy Practice

By: \_\_\_\_\_

By: \_\_\_\_\_

Signature: \_\_\_\_\_

Signature: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

### Disclosure

*Consulting and insurance brokerage services to be provided by Gallagher Benefit Services, Inc. and/or its affiliate Gallagher Benefit Services (Canada) Group Inc. Gallagher Benefit Services, Inc., a non-investment firm and subsidiary of Arthur J. Gallagher & Co., is a licensed insurance agency that does business in California as "Gallagher Benefit Services of California Insurance Services" and in Massachusetts as "Gallagher Benefit Insurance Services." Investment advisory services and corresponding named fiduciary services may be offered through Gallagher Fiduciary Advisors, LLC, a Registered Investment Adviser. Gallagher Fiduciary Advisors, LLC is a single-member, limited-liability company, with Gallagher Benefit Services, Inc. as its single member. Certain appropriately licensed individuals of Arthur J. Gallagher & Co. subsidiaries or affiliates, excluding Gallagher Fiduciary Advisors, LLC, offer securities through Kestra Investment Services (Kestra IS), member FINRA/SIPC and or investment advisory services through Kestra Advisory Services (Kestra AS), an affiliate of Kestra IS. Neither Kestra IS nor Kestra AS is affiliated with Arthur J. Gallagher & Co., Gallagher Benefit Services, Inc. or Gallagher Fiduciary Advisors, LLC. Neither Kestra AS, Kestra IS, Arthur J. Gallagher & Co., nor their affiliates provide accounting, legal, or tax advice.*