

Amendment One to the Contract for Pharmacy Medical Services Including PDL

This Amendment to the Contract for **Pharmacy Medical Services Including PDL** (“Contract”) is effective as of **the date last signed below**, between the Iowa Department of Human Services (“Department”) and **the Iowa Foundation for Medical Care** (“Contractor”).

Whereas, the Department has joined the Sovereign States Drug Consortium (SSDC), which now provides supplemental drug rebate negotiation services to be paid for directly by the Department, and

Whereas, the Department no longer needs to pay Contractor for supplemental rebate negotiation services,

Therefore, the parties agree as follows:

Section 1. Section 6.1 of the Contract is hereby amended to read as follows:

6.1 Performance Based Contract

Contractor acknowledges that this is a fixed price performance based Contract and that the Contractor is obligated to perform all of the Contractor’s Responsibilities and meet all of the Contractor Performance Standards in this Contract. DHS acknowledges that it is responsible for meeting all State Responsibilities in the RFP and this Contract.

The price for Implementation is \$1,200,000.

The prices for Operations and Transition in the Base Term are:

SFY 2005	\$1,000,000
SFY 2006	\$2,100,000
SFY 2007	\$1,600,000
SFY 2008	\$1,462,500

DHS is obligated to pay the stated amounts.

The prices for the two (2) Renewal Option Years are:

SFY 2009	\$1,500,000
SFY 2010	\$1,500,000

In addition to the price identified herein, A) If the Contractor requested equipment and supplies in their Bid Proposal for the Implementation, the Department will provide the equipment and supplies if approved; B) During the Operations, Transition, and Renewal Option Years, if applicable, the Department will provide the Contractor the equipment and supplies specified in **Attachment 2**.

The Change Service Request (CSR) hourly rate is \$85.

Prior to June 30, 2005, DHS and the Contractor shall agree on sources of, and methodologies for evaluating, and the format for reporting, the performance of the Contractor. All performance reports shall be a matter of public record.

Without limiting any other provision of the RFP or of this Contract, payment of the Contractor's Compensation may, in the sole discretion of DHS, be tied to contract performance as follows:

Implementation Payment: One-twelfth (1/12) of sixty percent (60.0%) of the Implementation Price shall be earned monthly during the first twelve (12) months of the Contract term. Payment shall be made upon presentation of evidence that progress has been made by the Contractor consistent with the Contractor's Work Plan for the Implementation Phase. Twenty percent (20.0%) of the Implementation Price shall become earned ten (10) business days following the Contractor's commencement of the Operations Phase. Fifteen percent (15.0%) of the Implementation Price shall become earned forty (40) business days following the Contractor's commencement of the Operations Phase. Five percent (5.0%) of the Implementation Price shall become earned five (5) business days following certification of the Iowa MMIS system by the Centers for Medicare and Medicaid Services (CMS).

Operations and Transition Payment: One Twelfth (1/12) of the annual operations and transition payment shall be earned monthly and invoiced the month following the month in which services are performed. During any state fiscal year DHS may withhold up to twelve (12%) percent of the Contractor's annual compensation for operations and transition services for failure to perform, provided, however, that DHS may withhold no more, under this section 6.1 of the Contract, than the following:

July:	0% of Annual Compensation
July through August:	0% of Annual Compensation
July through September:	3% of Annual Compensation
July through October:	4% of Annual Compensation
July through November:	5% of Annual Compensation
July through December:	6% of Annual Compensation
July through January	7% of Annual Compensation
July through February	8% of Annual Compensation
July through March	9% of Annual Compensation
July though April	10% of Annual Compensation
July though May	11% of Annual Compensation
July through June	12% of Annual Compensation

No amount shall be withheld when failure to perform is due solely to another's action or failure to act, including, without limitation, DHS' action or failure to act.

The amount withheld for failure to perform a requirement or to meet a standard under this Contract shall be released to the Contractor upon presentation to DHS of satisfactory evidence of successful implementation of a plan to correct the performance failure for which the amount was withheld. If there is any amount withheld at the end of a fiscal year it shall be released to the Contractor upon successful implementation of the plan of correction in the subsequent fiscal year. If there is an amount withheld at termination of this Contract or at the end of the Contract term, the amount withheld shall be placed in escrow, and the Contractor and the State shall agree on steps the Contractor shall take to earn the balance in escrow.

If the total amount withheld for failure to perform a requirement or meet a standard under or this Contract is greater than one hundred dollars (\$100.00) for more than three (3) consecutive months during or after the term of the Contract the Contractor shall forfeit five (5%) of the withheld amount to DHS.

Attachment 5, Contractor Responsibilities, Item #11 on pages 46-48 Contractor Supplemental Drug Rebate Services is hereby amended to read as follows:

11. Provide the following Supplemental Drug Rebate services:
 - Conduct meetings with the DHS, concurrent with the development of the PDL, to develop a competitive supplemental drug rebate strategy to negotiate with the pharmaceutical manufacturers. This process must be approved by DHS. It is not the Departments intent to simply accept the rate submitted by a manufacturer.
 - The Contractor shall serve as the DHS's agent during analysis of state supplemental rebate agreements with pharmaceutical manufacturers in a format approved by DHS. The resulting contract regarding supplemental drug rebates shall be between the manufacturer and the DHS and shall be presented to DHS for approval and execution. One hundred percent (100%) of the supplemental drug rebates collected on behalf of the state must be remitted to the DHS. The Supplemental Rebate Contract will be written using the template provided by DHS, as authorized by CMS.
 - The Contractor shall accept and handle all contract discussions and inquiries from manufacturers, consulting with the DHS as needed.
 - The Contractor shall maintain all the original agreements, and provide DHS with access to all supplemental rebate agreements and related documentation within twenty-four hours of request. The Contractor must maintain electronic copies of all executed supplemental rebate agreements.

- Ensure that supplemental rebates are over and above the federal rebates and in compliance with federal law.
- Provide opportunities for a manufacturer to amend the amount of its rebate agreement.
- The terms of the supplemental rebate agreement with each pharmaceutical manufacturer shall be confidential, separate from any of the Contractor's other clients and shall not be disclosed except to DHS or its designee.
- Provide supplemental drug rebate-billing data quarterly in a DHS approved format in accordance with timelines established by DHS. Ensure system interface with IME POS contractor for the receipt of data to track and invoice the supplemental rebates.
- Provide all supplemental drug rebate functions referenced in 5.3.2.5 of RFP MED-04-015 and the amendments, through June 29, 2005 at which point the IME POS contractor will assume these functions. The Pharmacy Medical Services Contractor must assist in the transition of this function to the IME POS contractor.
- Establish and operate a process for accurate reporting and monitoring of negotiated supplemental rebates.
- During implementation phase provide weekly written reports concerning negotiation of supplemental drug rebates.
- Provide to DHS monthly and ad hoc reports on the performance and savings associated with the PDL and supplemental rebates. Reports will be delivered to DHS in a format and on a schedule approved by DHS.
- Provide quarterly supplemental rebate projection reports with projections of quarterly savings broken down by supplemental rebates and market shift data. This report must utilize a DHS approved methodology for determining savings. Reports will be delivered to DHS in a format and on a schedule approved by DHS.
- Provide quarterly rebate analysis and suggestions for enhancing rebates and/or lowering net pharmacy costs. This includes review and analysis of utilization data for performance under PDL drug classes, and areas for improvement for both clinical impact and cost effectiveness of PDL classes. Reports will be delivered to DHS in a format and on a schedule approved by DHS.

Section 2. Ratification. Except as expressly amended and supplemented herein, the Contract shall remain in full force and effect, and the parties hereby ratify and confirm the terms and conditions thereof.

Section 3. Authorization. Each party to this Amendment represents and warrants to the other that:

- 3.1 It has the right, power, and authority to enter into and perform its obligations under this Amendment.
- 3.2 It has taken all requisite actions (corporate, statutory, or otherwise) to approve execution, delivery and performance of this Amendment, and this

Amendment constitutes a legal, valid and binding obligation upon itself in accordance with its terms.

Section 4. Execution. IN WITNESS WHEREOF, in consideration of the mutual covenants set forth above and for other good and valuable consideration, the receipt, adequacy and legal sufficiency of which are hereby acknowledged, the parties have entered into the above Amendment and have caused their duly authorized representatives to execute this Amendment.

Iowa Foundation for Medical Care

By: _____

Date: _____

Name:

Title:

State of Iowa, acting by and through the Iowa Department of Human Services

By: _____

Date: _____

Kevin Concannon, Director, Department of Human Services