SCOPE OF PROJECT

The Commonwealth of Pennsylvania is issuing this Invitation for Bid (IFB) to meet the needs of all Commonwealth agencies and, potentially, additional eligible Local Public Procurement Activities (collectively referred to “Authorized Using Agency”) for pharmaceutical distribution services and pharmacy supplies.

It is the Commonwealth’s intent to award this contract to a single Supplier that is a distributor for pharmaceutical distribution services and pharmacy supplies. The intent of this IFB is to select a single supplier who can provide the best procurement solutions ensuring the highest quality at an economical cost for the purchase of pharmaceutical products and services. Supplier shall be the primary point of purchasing, warehousing, data collection, reporting, and distribution of pharmaceuticals and related supplies to the contract users. The estimated annual spend for pharmaceutical purchases for the Commonwealth using agencies is approximately $15,000,000. However, interested Suppliers should note that additional states have expressed interest in participating in this procurement and, if this occurs, the anticipated spend would be escalated.

The Supplier must be knowledgeable and experienced in all the major aspects of pharmaceutical contracting as it relates to this IFB. The Supplier must have a proven record of past performance in negotiating and managing contracts with the pharmaceutical industry, on behalf of governmental customers. The Supplier shall be responsible for establishing and maintaining contracts with various pharmaceutical entities (i.e. drug manufacturers, re-sellers, redistributors) which will establish the acquisition price Authorized Using Agencies will pay to the Supplier. The Supplier will work closely with the Commonwealth to ensure that Authorized Using Agencies receive the correct acquisition pricing. Suppliers’ bids should detail services provided by the supplier to facilitate the auditing, rebilling and proper crediting of Authorized Using Agencies’ accounts.

The Supplier shall provide, at no additional cost to the Commonwealth and/or its Authorized Using Agencies, an automated ordering system that is internet based and will not require any special Hardware and/or Software.

Supplier submitting a bid shall meet the following minimum requirements:

1. The bidder must have been engaged in the business of a Supplier for at least three years.
2. The bidder must have established sales equivalent to the size and scope of this bid.
3. The bidder must provide security measures that the bidder has implemented to prevent the unauthorized use of, or access to, data.

Upon award, selected bidder must provide a list of dedicated full time employees that will be allocated to administer this Supplier contract on a regular basis, including clinical staff, service representative staff and contract administrative staff.
DEFINITION OF TERMS

Authorized Using Agency – Any Commonwealth agency and/or any Local Public Procurement Unit or External Procurement Activity, as defined in the Commonwealth Procurement Code, Section 1901, approved by the Issuing Office to utilize this Contract.

Drop Shipments – Products ordered by the Commonwealth Participating Facilities through the Supplier and shipped directly to the Commonwealth Participating Facilities from the manufacturer/product supplier. The manufacturer/product supplier notifies and bills the Supplier, who then invoices and receives payment from the Commonwealth Participating Facility.

Health Industry Number (HIN) – nine-character, alpha numeric identifier, HIN is extremely flexible. It can identify not only specific health care facilities, but also specific locations and/or departments within them.

The Health Industry Business Communications Council (HIBCC) – is an industry sponsored and supported nonprofit organization. As an ANSI-accredited organization, our primary function is to facilitate electronic communications by developing appropriate standards for information exchange among all health care trading partners.

Manufacturer Back Order (MBO) - A physical order placed by the Supplier to a pharmaceutical manufacturer and which is not shipped to the Supplier from the pharmaceutical manufacturer within seven (7) calendar days.

National Drug Code (NDC) – a unique 11-digit number which is a universal product identifier for human drugs. The NDC identifies the labeler code, product code (strength, dosage form, and formulation), and package code (package size and type). All NDC's reported to the Commonwealth Office must be in the 5-4-2 configuration.

Non-PGPO Product – Any product not covered under the Supplier’s PGPO contract.

Pharmaceutical Group Purchasing Organization (PGPO) - Pharmaceutical Group Purchasing Organization is the Supplier who will establish the acquisition drug prices with the drug’s manufacturer that the end user will pay for drugs purchased for use under this contract.

Wholesale Acquisition Cost (WAC) is the list price for wholesalers, distributors and other direct accounts before any rebates, discounts, allowances or other price concessions that might be offered by the supplier of the product.

CALENDAR OF EVENTS

| IFB Posted | December 27, 2013 |
| IFB Due | January 17, 2014 @ 1:00PM |
METHOD OF AWARD

It is the Commonwealth’s intent to award a single contract to a single supplier. The Commonwealth reserves the right to delete any line item(s) if it is determined that it is in the best interest and/or the most advantageous to the Commonwealth.

TERM OF CONTRACT

The initial term of the Contract shall be from July 1, 2014 through June 30, 2017. Following the initial term, the Commonwealth, with the agreement of the Supplier, shall have the option, upon written notice, to renew for two (2) additional one (1) year renewal periods under the same terms and conditions stated in the original IFB. The Commonwealth shall provide written notice of its intention to renew the Contract to the Supplier not less than 90 days prior to the expiration of the current term of the Contract and the Supplier shall consent to the renewal not less than 60 days prior to the expiration of the current term of the Contract. The renewal may be exercised as individual or multiple year terms. No further documentation is required to be executed to renew the term of the Contract.

PRICING

The Commonwealth recognizes that its needs for various pharmaceutical may not be covered by any single PGPO. Accordingly, the Commonwealth has prepared a Core Item List which represents 80% of the contract annual spend.

Core items listed in the Price Submittal Sheet Attachment A is for evaluation purposes only. The Commonwealth recognizes that the PGPO has a number of items that it would be impossible to evaluate. Therefore, the supplier shall agree to provide all products listed within their PGPO as contracted items.

Supplier must provide pricing for 100 percent of the items designated as Core Item List items as set forth, (unless the product has been discontinued), in the Price Submittal Sheet Attachment A. The Core Item List must be quoted using the Price Submittal Sheet only, no exceptions. Do not submit Supplier catalogs or price lists as the cost submittal.

Pricing for this contract shall be based upon the selected Contractor’s Wholesale Acquisition Cost (WAC) for the medications and a separate fixed service fee based upon medication classification. As such, it is the responsibility of the Contractor to adjust invoices through credits to the facilities to accommodate any rebates, discounts, or price reductions offered by the manufacturers.

PRICE ADJUSTMENT

Supplier shall make available a mechanism by which the Commonwealth can verify a price adjustment either by web messages or manufacturer letters. The Commonwealth recognizes that the manufacturer increases or decreases pricing throughout the year without warning. Therefore, the supplier shall provide to the Commonwealth via internet report or any other
means they use to inform their clients. Supplier is required to update pricing and product information daily in its automated ordering system. The service fee that the supplier provides in Price Submittal Sheet Attachment A shall stay firm until the next tier is reached; after which, the service fee should decrease based on volume purchases as explained in the Price Submittal Sheet Attachment A.

**ACQUISITION PRICE**

The Commonwealth shall not pay an acquisition price higher than the published manufacturer’s Wholesale Acquisition Cost (WAC).

**MINIMUM ORDERS**

Invoiced orders greater than $500 will be shipped at no cost to the Authorized Using Agencies per each delivery. If the facility orders less than $500 then the facility shall be subject to a small order delivery charge per the table below:

<table>
<thead>
<tr>
<th>Order Size</th>
<th>Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under $100</td>
<td>$25.00</td>
</tr>
<tr>
<td>$101 - $200</td>
<td>$20.00</td>
</tr>
<tr>
<td>$201 - $300</td>
<td>$15.00</td>
</tr>
<tr>
<td>$301 - $400</td>
<td>$10.00</td>
</tr>
<tr>
<td>$401 - $500</td>
<td>$5.00</td>
</tr>
<tr>
<td>$500 and above</td>
<td>$0.00</td>
</tr>
</tbody>
</table>

**DROP SHIPMENTS**

Drop shipments may be “net billed” to the facility with applicable service fees from the manufacturer.

**ADDITION/DELETION OF PRODUCTS**

The supplier is responsible for notifying the Commonwealth of all new discontinued products in a timely manner. Additional line items may be added to the PGPO and Non-PGPO items, through mutual agreement of the Supplier and Commonwealth.

**SERVICE LEVELS**

Raw and Adjusted Fill Rates will be individually calculated on a monthly basis for each Authorized Using Agency’s account(s) serviced by the Supplier. The Supplier must submit a Raw and Adjusted Fill Rate Report using the calculations defined below (Service Level Definitions in this section) by distribution center to the Commonwealth’s Contract Administrator on a monthly basis. See Reporting Section for more information regarding this report.

Supplier stock outages due to cancellations/backorders/non-movement by the Supplier will be considered a failure to perform by the Supplier and may be considered grounds for termination of the contract.
The Commonwealth retains the right to investigate the backorder situation to determine the cause and responsibility of the backorder and to assist the Supplier and the Authorized Using Agency during the MBO period.

Service Level Definition:

- Raw Fill Rates will be calculated by dividing the number of units delivered by the number of units ordered.

\[
\text{Raw Fill Rate} = \frac{\text{Number of Units Delivered}}{\text{Number of Units Ordered}}
\]

- Adjusted Fill Rates will be calculated by dividing the number of units delivered by the number of units ordered minus the number of manufacturer backorder (MBO) units.

\[
\text{Adjusted Fill Rate} = \frac{\text{Number of Units Delivered}}{\text{Number of Units Ordered} - \text{MBO Units}}
\]

ORDERING PROCESS

Supplier shall deliver products to an ordering location next business day or to the required delivery date after receiving a Purchase Order. All orders shall be considered “Fill or Kill”. If product is not available, the ordering agencies must re-enter the item the next business day on a new purchase order.

- Supplier shall not substitute.
- Supplier shall provide a backup plan for ordering due to failure of the primary ordering system. System must be capable of communicating via a regular phone line or through the Internet using the facilities network on a connection to the Internet System which shall have the capability of identifying contract, lesser price, and formulary items for substitution before orders are sent.
- System shall identify contract-priced items with unique codes that identify each individual contract.
- System shall be able to identify alternative in-stock items that could be substituted for omissions on an order.
- System shall have some type of backorder tracking feature to capture items not available and advise when the items become available.
- System shall have the capability of separating items in the order by previously established departments and totes to be separated by the facility.
- System shall have the capability of real-time stock check to confirm available stock quantities on products and an alternative procedure for checking stock to be proposed by Contractor.
EMERGENCY ORDER, PLACEMENT AND DELIVERY

Supplier will be required to provide the Commonwealth and the Authorized Users the name, telephone number, and/or pager number of the Supplier’s representative and backup representative responsible for providing emergency service.

CONFIRMATION OF PURCHASE ORDER

Awarded Supplier is responsible for acknowledging receipt of order and supply of goods within one (1) hour of receipt of Purchase Order via EMAIL or by electronic transmission. Verbal responses will not be acknowledged.

RECEIVING

Delivery scheduling must be communicated on an individual basis per facility due to various receiving hours. Non-compliance of this communication may result in possible rejection of product(s) at time of delivery at the Suppliers expense.

Delivery is to be made to each facility within time frame listed in chart. Supplier may work with facility to establish delivery times if necessary.

<table>
<thead>
<tr>
<th>Facility</th>
<th>Time Frame</th>
</tr>
</thead>
<tbody>
<tr>
<td>Norristown State Hospital</td>
<td>8:30 am – 10:30 am</td>
</tr>
<tr>
<td>Torrance State Hospital</td>
<td>8:15 am – 1:15 pm</td>
</tr>
<tr>
<td>Warren State Hospital</td>
<td>9:30 am – 11:30 am</td>
</tr>
<tr>
<td>Wernersville State Hospital</td>
<td>9:00 am – 11:00 am</td>
</tr>
<tr>
<td>Clarks Summit State Hospital</td>
<td>8:30 am – 10:30 am</td>
</tr>
<tr>
<td>Danville State Hospital</td>
<td>8:00 am – 10:00 am</td>
</tr>
</tbody>
</table>

ORDER INVOICE

Suppliers will submit an invoice with each order. Invoices must be only for the amount of product delivered, not the amount ordered. Quantity ordered and quantity shipped must be based on the packaging associated with the NDC number.

Invoicing shall be to each individual agency facility (ordering entity) and shall include: the delivery date, agency purchase order number, product name, strength and unit of measure, quantity, NDC, control classification, identify each product as contract or non-contract, price per unit of measure, extension price (price per unit of measure times quantity), and total invoice price.

RECALLS

Supplier shall provide their recall procedures with this bid; failure to do so may result in rejection of the bid.
RETURNED GOODS

The Supplier shall supply a copy of its returned goods/credit policy; failure to do so may result in rejection of bid.

DEA NUMBER AND HIN NUMBERS

Unless the using Agency purchases controlled substances, the Supplier may not require that a using agency have a Drug Enforcement Administration number assigned to it in order to be eligible for contracted prices. The Supplier may, however, require a Health Industry Number (HIN) from using agencies.

PRODUCT DATING

All products supplied to using agencies must have an expiration date of at least six months later than the delivery date unless the unique stability characteristics of the product require a shorter dating period. However, all products supplied must still be usable on the date received by the using agency.

OWN USE

All pharmaceuticals purchased in accordance with this contract are for use by Authorized Using Agency, and potentially other participating governmental entities. All entities will operate within the boundaries, and dispense pharmaceuticals in accordance with the guidelines established by the Robinson-Patman Act (15 U.S.C. 13(a)) and the "own use" requirements as defined by Abbott Labs v. Portland Retail Druggists (425 U.S. 1 (1976)) and Jefferson County Pharmaceutical Association, Inc. v. Abbott Labs (460 U.S. 150 (1983)). Suppliers agree to comply with these requirements. Absolutely no products will be resold or redistributed outside the aforementioned entities, i.e. the products shall be used for the institutions "own use" as defined in Abbott Labs v. Portland Retail Druggists (425 U.S. 1 (1976)) and Jefferson County Pharmaceutical Association, Inc. v. Abbott Labs (460 U.S. 150 (1983)). Furthermore, all goods and materials purchased in accordance with the Contract will be used in "traditional governmental functions" as that term is used in Jefferson County Pharmaceutical Association, Inc. v. Abbott Labs (460 U.S. 150 (1983)). Facilities that are eligible to purchase legend drugs (drugs requiring a physician’s prescription) will be restricted to those facilities having a licensed pharmacy or equivalent. No pharmaceutical products purchased under this contract will ever be sold.

AUTHORIZED USING AGENCY REPORTS

The Supplier shall provide all reports, either electronically or through a password protected website. These reports shall be made available, as applicable, to the Commonwealth, Bureau of Procurement contract administrator, each governmental entity contract administrator and authorized users.

1. The bidder shall be able to provide a daily audit to each Authorized Using Agency. The Supplier must prepare a report of price discrepancies by each product or service for each facility. It must identify the facility, facility DEA #, date of delivery, the drug,
NDC, invoice number, price invoiced, and if there is a discrepancy between the contract price and the facility price, the Supplier must identify the correct contract price that should have been charged and the difference owed the facility. The Supplier shall provide the total dollar value of the discrepancies for each facility. The Supplier shall be responsible for correcting discrepancies within fifteen (15) days and providing all necessary adjustments to the contract users within ten (10) business days thereafter. The bidder shall provide with the bid, its procedures for resolving price discrepancies and issuing credits.

2. A monthly “Lost Opportunity” report to each Authorized Using Agency which identifies instances where a facility purchased a drug when a lower cost generic equivalent was available. An aggregated “Lost Opportunity” Report for all facilities should also be supplied to the Issuing Office and each governmental entity contract administrator.

3. A monthly Pricing Report to the Issuing Office and each governmental entity contract administrator setting forth the current acquisition prices for this contract for the month. In addition to this pricing report the supplier may be asked to provide a standard prime vendor matrix showing more advantageous pricing that may be available based on rebates, incentives, market share, and committed volumes, etc.

4. A single monthly report to the Issuing Office documenting all contract rebates including the rebate recipient, the amount and the source of the funds.

All travel and other expenses incurred by supplier throughout the contract term shall be at the Supplier’s expense. Neither the Commonwealth nor any Authorized Using Agency will reimburse the supplier for travel at any time, for any reason.

REPORTING

The Supplier shall provide electronic access to all purchasing data relating to the products that are purchased by each Authorized Using Agency facility. Electronic access should provide a system for reporting each individual facility’s purchases, as well as being capable of running reports of select groups of facilities. The Authorized Using Agencies must be able to manipulate the data to build reports based on each Agency’s individual needs/requirements directly through the system or through the ability to transfer data into spreadsheets in a Microsoft Office compatible format. The data should include the following data elements: the date purchased, product name, product NDC, classification, controlled substance classification, therapeutic classification, package size, quantity of packages purchased, price, an indication of whether the product was contract or non-contract, invoice date, along with the name of the facility and address where the products were delivered. The Supplier must provide the Authorized Using Agencies with electronic access to 80/20 reports. The data shall at all times be available to the Authorized Using Agencies with reasonable exceptions considered. Data shall be available from date of invoice to contract termination, plus three (3) years.

USE OF CONTRACT BY NON-COMMONWEALTH ENTITIES

It is the Commonwealth’s intent for any contract resulting from this IFB to be a cooperative agreement that can be utilized by members of its COSTARS Program and other external procurement activities as defined by Section 1901 of the Commonwealth Procurement Code, 62 Pa. C.S. § 1901 et seq. The general requirements for participation for COSTARS members and external procurement activities can be found in Paragraph I.9 IFB-027.1 (COSTARS PROGRAM), I.10 IFB-028.1 Participating Addendum with an External Procurement Activity. The Commonwealth will be acting as the lead in state on this contract and will be responsible for its administration. However, the Commonwealth’s administration of the Contract will in no way obligate or make the Commonwealth responsible for any actions arising from the use of the Contract by additional states or governmental entities within those states.
No COSTARS member or external procurement activity may use any contract resulting from this IFB without the approval of the Commonwealth’s Contract Administrator. Such approval shall be sought through an “Intent to Participate” form that can be obtained from the Commonwealth’s Contract Administrator. Only after such form has been received and approved will the requesting agency be permitted to purchase from the Contract. Prior to signing the “Intent to Participate Form”, all communication regarding pricing between the awarded Contractors and the entity interested in using the Contract shall be done through the Commonwealth Contract Administrator.

TRAINING

The Supplier will provide initial and refresher staff training to promote efficient and effective pharmacy operations to all Authorized Using Agencies. The Supplier will propose training programs which include subjects, locations of training, and whether the training program will take a direct approach to training (Supplier or representative conducts all of the training), or train the trainer approach (Supplier or representative trains agency staff who in turn train other agency staff). Supplier will have to travel to some or all of the facilities to conduct training.

TRANSITION ASSISTANCE

If this contract is not renewed at the end of this term or is terminated prior to the completion of the term, the Supplier must provide for a reasonable period of time after the expiration or termination of this project or contract, all reasonable transition assistance requested by the Commonwealth, to allow for the expired or terminated portion of the services to continue without interruption or adverse effect, and to facilitate the orderly transfer of such services to the Commonwealth or a new Supplier. Such transition assistance will be deemed by the parties to be governed by the terms and conditions of the Contract.

CREATION AND RETENTION OF RECORDS

The Supplier must create and maintain records of the services covered by this contract, including financial records, supporting documents, and such other records as are required by law or other authority.

Records must be retained for a period of ten (10) years from the date on which the service was rendered. If any litigation, review, claim or audit is started before the expiration of the three year period, the records must be retained until all litigation, reviews, claims or audit findings involving the records have been resolved.

The Supplier must provide Commonwealth and its authorized agents with reasonable access to records the Supplier maintains for purposes of this contract. The Supplier must make the records available at all reasonable times at the Supplier’s general offices. Records developed for the purposes of Commonwealth and must be developed, maintained, and disposed of as provided in this contract or as otherwise directed by the Commonwealth.
INQUIRES

Direct all questions concerning this contract to the Issuing Officer/Contract Administrator named below:

Cheryl Barth  
Department of General Services  
Bureau of Procurement  
555 Walnut Street, 6th Floor  
Harrisburg, PA 17101-1914  
717-703-2934 (phone)  
717-783-6241 (fax)  
cbarth@pa.gov