



STATE OF WISCONSIN
Department of Employee Trust Funds
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CORRESPONDENCE MEMORANDUM

DATE: August 31, 2015
TO: Audit Committee Members
FROM: Yikchau Sze, Director
Office of Internal Audit
SUBJECT: Pharmacy Benefit Manager Audit

This memo is for Audit Committee review and discussion. No action is required.

Navitus Health Solutions, LLC (Navitus) is the third party administrator that since 2004 has provided pharmacy benefit management services for members enrolled in the State and Wisconsin Public Employers group health insurance programs. Pharmacy benefits accounted for more than \$326 million in total annual costs for the group health insurance programs in 2014.

The Department of Employee Trust Funds (ETF) and the ETF Board retained TRICAST, Inc., to assess Navitus's compliance with the Group Insurance Board's pharmacy benefit management administrative services agreement for the plan years 2013 and 2014.

TRICAST's Executive Summary concludes that TRICAST considers this a passing audit. All variances identified were validated as appropriate by Navitus.

Attachment A is the memo to the Group Insurance Board from Jeff Bogardus, ETF Pharmacy Benefit Programs Manager, highlighting objectives, scope and findings of the audit. Attachment B is the Executive Summary and detailed audit results report from TRICAST.

Jeff Bogardus will be available at the Audit Committee meeting to answer any questions.

Attachment A: TRICAST Audit Memo – Jeff Bogardus
Attachment B: Executive Summary and Audit Results Report - TRICAST

Reviewed and approved by Robert J. Conlin, Secretary

Electronically Signed: 9/14/2015

Board	Mtg Date	Item #
AUD	9.24.15	5



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CORRESPONDENCE MEMORANDUM

DATE: August 7, 2015
TO: Group Insurance Board
FROM: Jeff Bogardus, Manager, Pharmacy Benefit Programs
SUBJECT: Audit of Pharmacy Benefit Manager Services for Plan Years 2013 & 2014 and Medicare Part D for Plan Years 2012 & 2013

This memo is for informational purposes only. No Board action is required.

The Department of Employee Trust Funds (ETF) retained TRICAST, Inc. to conduct a comprehensive, biennial audit to assess compliance with the Group Insurance Board's (Board) pharmacy benefit management (PBM) administrative services agreement with Navitus Health Solutions, LLC (Navitus) for the plan years 2013 and 2014. This is the fourth audit that TRICAST has performed under the current contract, which expires December 31, 2015.

TRICAST was also retained to perform the first audit of the Medicare Part D coverage provided to State and Wisconsin Public Employer (WPE) group health insurance programs' Medicare enrolled members through the Navitus MedicareRx (PDP) plan, an employer group waiver plan (EGWP). The EGWP was implemented for the State and WPE programs effective January 1, 2012. This audit covered the 2012 and 2013 plan years, during which time the EGWP was underwritten by Sterling Life Insurance Company.

As with past audits, TRICAST reviewed 100% of the pharmacy claims processed by Navitus and segmented the audit into five parts:

- Contract Pricing Analysis
- Onsite Review of Pharmacy Network Contracts
- Rebate Audit and Analysis
- Plan Design Audit
- Medicare Part D Employer Group Waiver Plan (EGWP) Audit

Reviewed and approved by Lisa Ellinger, Director,
Office of Strategic Health Policy

Electronically Signed:
8/10/15

Board	Mtg Date	Item #
GIB	08.25.15	5

Findings

TRICAST's Executive Summary (Attachment A) on Page 5 and Audit Results Report (Attachment B) on Page 21, conclude that TRICAST considers this a passing audit. All variances identified were validated as appropriate by Navitus. TRICAST indicated that where the audit revealed discrepancies, Navitus was able to show it appropriately administered the pharmacy benefit programs according to plan design and contractual provisions. Upon request, staff will provide detailed reports produced by TRICAST that support the Executive Summary and Audit Results Report.

Contract Pricing Analysis

Overall more than 8.9 million source claim records were reviewed by TRICAST during this audit. Starting with the contract pricing analysis information on Page 10 of the Audit Results Report, the discounts that Navitus is negotiating for the State and WPE group health insurance programs have continued to improve in most categories. Notable are the increased discounts for specialty drugs as shown in the table on Page 10, when compared to the 2011 and 2012 discounts reported in the previous audit, as highlighted in Table 1 below:

Table 1. Pricing Audit – Achieved Discounts Summary – 2011 and 2012 TRICAST Phase 3 Pharmacy Program Oversight Audit Report, 10/21/14			
2011		2012	
Discounts		Discounts	
Mail	Achieved Discounts	Mail	Achieved Discounts
Brand	AWP – 19.86%	Brand	AWP – 19.85%
Generic	AWP – 81.90%	Generic	AWP – 86.38%
Specialty	AWP – 14.63%	Specialty	AWP – 15.20%
Retail	Achieved Discounts	Retail	Achieved Discounts
Brand	AWP – 14.23%	Brand	AWP – 14.63%
Generic	AWP – 80.09%	Generic	AWP – 79.78%

AWP = Average Wholesale Price

Onsite Review of Pharmacy Network Contracts

TRICAST creates a series of data workbooks for each audit period that shows the contract discount criteria for each pharmacy reviewed. This reflects the provisions of the actual contract between the pharmacy and Navitus. Included in the workbooks is a discount report generated from the actual claims data, which is then compared to the contract for validation. The detailed pharmacy network audit data reports are available for review upon request.

As indicated in the Audit Results Report, TRICAST concluded that the majority of the pharmacies, including the large chains, were compliant with their contracts and were performing as expected. The term "majority" refers to the fact that the 20 pharmacies evaluated, which include chain and independent pharmacies, represent more than 60%

of the total claims for the programs in a given year. TRICAST concluded that the contract terms of the 20 entities reviewed aligned with the actual performance 100% of the time. In many cases, the performance exceeded the guarantee the entity agreed to, which accrues to the benefit of the group health insurance programs in the form of greater discounts and lower dispensing fees charged.

Rebate Audit and Analysis

As with past audits, the rebate analysis for the 2013 plan year shows small variances in the rebates reported by Navitus compared to TRICAST's independent calculation of rebates owed from the top eight drug manufacturers. The variances in this audit reflected TRICAST's expectation that fewer rebate dollars should have been passed through by Navitus.

As TRICAST indicates on Page 12 of the Audit Results Report, Navitus submits rebates to drug manufacturers aggregated for Navitus' entire book of business. Rebates are greater when more claims are submitted to the manufacturer. However, when TRICAST calculates the rebates for their analysis they do so based on our programs' claims alone. This can create a variance between the TRICAST calculation and what Navitus passes through to our programs. TRICAST's variance was -4.1% or \$168,954 less than expected for 2013, which is within acceptable limits based on standards TRICAST applies. We believe this reflects a limitation in TRICAST's rebate calculation method as they do not have access to rebate specifics for all other Navitus clients.

Rebate analysis is ongoing for the 2014 plan year due to the delays inherent with collecting rebates from drug manufacturers on processed claims. An update from TRICAST on the 2014 plan year rebates will be distributed at the November Board meeting.

Plan Design Audit

TRICAST reviews the plan design for the appropriate application of copayments, drug coverage and exclusions; prior authorizations; quantity limits and limitations on prescription fills based on gender (gender edits). There were no discrepancies, unexplained variances or issues of note to point out. Detailed findings are available in the Audit Results Report.

Medicare Part D EGWP Audit

As previously stated, this is the first audit of the EGWP program performed by TRICAST, which included the following:

- Matching source claim files to the Medicare Prescription Drug Event (PDE) record and analyzing claim specifics to ensure that PDE records have been accurately and appropriately generated.
- Review of copayments, which includes analysis of the True Out-Of-Pocket (TrOOP) calculations, formulary match, Low Income Cost Sharing (LICS) calculations and Medicare Part D coverage gap discount calculations.
- Assessing discounts and dispensing fees as part of the EGWP pricing analysis.

As noted on Page 19 of the Audit Results Report, TRICAST discovered 72 claims that did not match to a Medicare PDE. Of these, 16 claims were later validated but 56 claims required action by Navitus to appropriately match the claims to the PDE. Research toward resolution is continuing. TRICAST will verify when these issues have been resolved. This reflects an extremely small percentage of the more than 2.8 million source claims analyzed.

The analysis of copayments showed variances of 0.01% for 2012, and 0.59% for 2013 when verifying the calculations based on guidance developed by the Centers for Medicare and Medicaid Services (CMS). TRICAST states that these very minor variances reflect that, "Navitus is adjudicating claims in accordance with CMS guidance."

The EGWP pricing analysis indicates that Navitus is providing the State and WPE programs with viable discounts and pricing. The EGWP copayment analysis indicates that any variances between what copayments TRICAST expects members to pay and what was actually paid by members are minimal (less 1%). TRICAST concludes that Navitus is processing claims appropriately overall and in accordance with guidelines established by CMS.

Staff will be at the Board meeting to answer any questions.

Attachment A: Executive Summary
Attachment B: Audit Results Report

Pharmacy Program Oversight Executive Summary

Created for
State of Wisconsin ETF

July 29, 2015



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I. Auditor's Report

State of Wisconsin, Department of Employee Trust Funds (ETF) is assessing the performance of its Pharmacy Benefit Manager (PBM), Navitus Health Solutions, LLC (Navitus). ETF is completing this audit to maintain ongoing oversight efforts and obtain a thorough understanding of the performance of the subcontracted PBM.

ETF, on behalf of State of Wisconsin Insurance Board, provides pharmacy program management for more than 235,000 participating members associated with annual drug costs in excess of \$202 million.

Tricast performed a comprehensive biennial audit of Navitus' administration of the pharmacy benefits for ETF. This audit represents phase four.

Phase 4

Client Name	State of Wisconsin ETF
PBM Name	Navitus
EGWP Claims Period	01/01/2012 through 12/31/2013
Commercial Claims Period	01/01/2013 through 12/31/2014
Total Claims	8,951,500
Pharmacy Network Period	01/01/2012 through 12/31/2013
Rebate Periods	10/01/2014 through 12/31/2014

II. Auditor's Findings

Employer Group Waiver Plan (EGWP) Audit

- **PDE Analysis:** TRICAST found 72 source claims out of 2,841,893 total source claims without an associated Prescription Drug Event (PDE). Navitus will be following up on these source claims to ensure they are associated with a PDE.
- **Copayment Analysis:** TRICAST's copay analysis includes verifying the True Out-Of-Pocket (TrOOP) calculation, formulary match, Low Income Cost Sharing (LICS) calculations and Coverage Gap discount calculations based on CMS guidance. TRICAST calculated 0.01% variance for 2012, and 0.59% variance for 2013. TRICAST concludes that Navitus is adjudicating claims in accordance with CMS guidance.
- **Pricing:** TRICAST concludes that Navitus is performing as expected on discounts and dispensing fees. Pricing parameters are aligned with the size and scope expected in the market place for the time period analyzed.

Commercial Audit

- **Copay:** Miscellaneous minor inconsistencies were found in collected copays that represented a less than 1% of an overall variance. The following issues were discovered:
 - A system issue was discovered for Health Care Reform (HCR) regarding age requirements that were reading incorrectly. The issue was corrected on 5/23/13 and members who overpaid were reimbursed
 - A specific specialty Generic Product Identifier (GPI) was setup incorrectly. The system was updated on 7/11/13 and only 7 claims were affected.
 - The remaining inconsistencies are for drugs that are part of the RxCents program, Tablet Splitting program or compound claims that were part of the generic waiver program.
- **Plan Design:** TRICAST noted no discrepancies in day supply, drug exclusions, prior authorizations, quantity limits and gender edits.
- **Pricing:** TRICAST concludes that Navitus is performing per the contract on discounts and dispensing fees. Pricing parameters are aligned with the size and scope expected in the market place for time analyzed.

Onsite Review of Pharmacy Network Contracts

TRICAST concludes that the majority of the pharmacies, including the large chains, was compliant with their contracts and was performing as expected.

Rebate Audit

TRICAST concludes that Navitus is processing and paying rebates for ETF in compliance with the contracts with the manufacturers.

III. Auditor's Conclusions

TRICAST considers this a passing audit. All variances identified were validated as appropriate by Navitus. After review of Navitus' responses to our findings, we are comfortable that the prescription drug benefits for the State and Wisconsin Public Employers group health insurance programs are being administered per the plan design documentation.

TRICAST will continue to review pricing, rebates, EGWP and Commercial plan design on behalf of the State of Wisconsin, Department of Employee Trust Funds.



Let the Data Drive Your Decisions

Pharmacy Program Oversight Audit Results


Created for
State of Wisconsin ETF

07/29/2015



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Project Summary

State of Wisconsin, Department of Employee Trust Funds (ETF) is assessing the performance of its' Pharmacy Benefit Manager (PBM), Navitus Health Solutions, LLC (Navitus). ETF is completing this audit to maintain ongoing oversight efforts and obtain a thorough understanding of the performance of the subcontracted PBM.

ETF, on behalf of State of Wisconsin Insurance Board, provides pharmacy program management for more than 235,000 participating members associated with drugs costs in excess of \$202 million.

TRICAST performed a comprehensive biennial audit of Navitus' administration of the pharmacy benefits for ETF. This audit represents phase four. The audit is segmented into the following phases:

Phase 4(Current)

- **EGWP Program 2012 and 2013**
- **Pricing and Plan Design Commercial 2013 and 2014**
- **Pharmacy Network 2012 and 2013**
- **Rebate Audit 4th Quarter 2013**

Phase 5 (2015)

- EGWP Program 2014
- Pricing and Plan Design Commercial 2015
- Pharmacy Network 2014
- Rebate Audit 4th Quarter 2014

About TRICAST

TRICAST, Inc. is a leading pharmacy data, analytics, and consulting firm founded in 1997. TRICAST has leveraged more than 25 years of technology and claims processing expertise, extensive client insight and a team of industry experts to offer forward-thinking, full-scope pharmacy benefit oversight solutions to our clients.

We provide audit services as the core of our business, and have assessed multiple types of pharmacy programs. Our broad experience across payors of widely differentiated size and type, combined with our focused experience in pharmacy, enables us to deliver a comprehensive assessment of pharmacy programs.

The TRICAST Audit Team

TRICAST specializes in the pharmaceutical marketplace. Each TRICAST team member provides unique skills to maximize the effectiveness and scope of the pharmacy program services we provide. Several of TRICAST's staff members have come directly from executive positions in government programs and Medicare Part D operations and compliance.

- **Greg Rucinski R.Ph., President and CEO**- Sponsors the process.
- **Scott Morgan, R.Ph., Vice President of Pharmacy Services** – Performs a lead role in the coordination and implementation of the client audit and eligibility reviews from a clinical perspective.
- **Stacy Ausprung, Business Analyst** - Manages the audit process and performs analysis, process management, ongoing support and oversight of plan.
- **Regina Ackley, Business Analyst** – Manages the rebate audit process and performs rebate analysis and process management.
- **Tom Rieger, Data Analyst** – PBM data expert; reviews State of WI's data and validates performance.

The TRICAST Audit Process

The most critical element of a successful audit is an understanding of the data on which it is based. TRICAST's service offerings are built upon our proven, reliable technology, utilizing software solutions that have been developed in-house by our team of Information Technology experts.

TRICAST Systems Utilized

TRICAST's family of software applications offers integrated communication and decision support in a single data warehouse that supports our clients' analytic and reporting needs. All TRICAST applications are created in-house by our own development staff. We apply our deep experience in pharmacy benefit management with considerable skill sets in software design to create a standardized approach to all our .NET applications. As a result, TRICAST offers a complete suite of web-based products that enable us to deliver expert pharmacy benefit program auditing, development and oversight services that are unmatched in the industry.

A TRICAST audit re-adjudicates 100% of all claims data—not just a sampling—using TRICAST software that mimics a PBM's original claim adjudication. We don't stop at just the paid claims either, because we also include the "raw" claims transactions in our analysis. We feel that the addition of this raw data is critical to our understanding of the PBM's claims processing accuracy, and it helps us create a platform for rapid resolution and recovery.

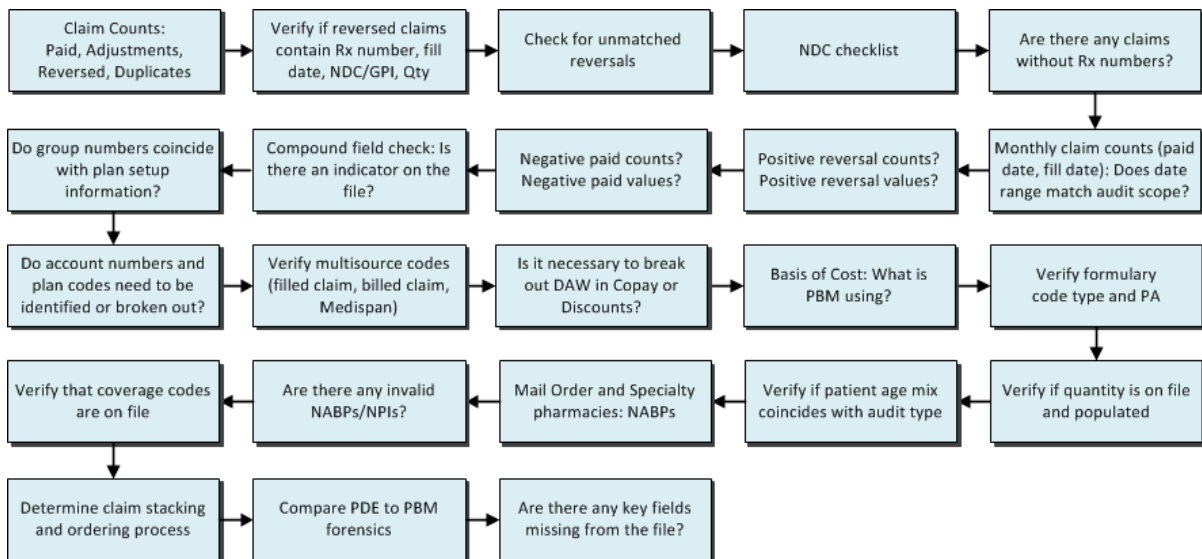
Accurate assessment of all plan design attributes and the appropriate forensic analysis of the claims and eligibility are essential elements that only a full review can provide. Accordingly, every TRICAST report is driven by actual claims re-pricing, not summary reports with simple discounts and arithmetic applied. Only by re-adjudicating 100% of the PBM's claims can we review and benchmark variances.

Data Mapping and Integration

TRICAST audited 100% of ETF's claims, including reversed and rejected claims, prior authorizations, and formulary indicators. A total of 8,951,500 source claim records for both EGWP (1/1/2012 – 12/31/2013) and commercial (1/1/2013 - 12/31/2014) were reviewed.

The TRICAST Data Integrity Check

The first deliverable from TRICAST is a multi-part review of the mapping and statistics of your data, a process we call **data forensics**. The data forensics process is illustrated in the diagram shown here.



Please refer to exhibit **SoWI2014 Forensic.xlsx**. Please note that the forensic report was produced using the initial claim load that was available at the time the forensic report was scheduled to run and thus does not contain all of the 2014 claims reviewed.

Pricing Audit

In the Pricing Audit, TRICAST uses our experience and software applications to assess Navitus' financial performance and thoroughly analyze PBM relationships for contract compliance. This step provides assurance that the Navitus' financial performance is sound and encompasses a claim analysis of 100% of the plan's claims. For ETF, TRICAST audited 100% of claims processed from January 1, 2013 through December 31, 2014. The Pricing Audit included:

- **Achieved Discounts**
 - Brand and Generic Mail Order
 - Brand and Generic Retail
 - Specialty
 - Zero Balance Claims
 - Compound Claims
 - Subscribers Claims
- **Adjudicated Dispensing Fees**
 - Brand and Generic Mail Order
 - Brand and Generic Retail
 - Specialty
 - Claims paid at MAC

Achieved Discounts & Adjudicated Dispensing Fees Summary

TRICAST has assessed discounts and dispensing fees against a standard template PBM contract for a client of this size with the understanding that Navitus is passing through all discounts and billing the ETF.

TRICAST concludes that Navitus is performing as expected on discounts and dispensing fees. Pricing parameters are aligned with the size and scope expected in the market place for the time period analyzed.

2013		2014	
Discounts		Discounts	
Mail	Achieved Discounts	Mail	Achieved Discounts
Brand	AWP – 19.89%	Brand	AWP – 19.95%
Generic	AWP – 87.18%	Generic	AWP – 85.93%
Specialty	AWP – 16.33%	Specialty	AWP – 16.93%
Retail	Achieved Discounts	Retail	Achieved Discounts
Brand	AWP – 15.07%	Brand	AWP – 15.50%
Generic	AWP – 80.29%	Generic	AWP – 75.50%
Total AWP	Claim Ingredient Cost	Total AWP	Claim Ingredient Cost
\$432,044,141	\$209,607,774	\$466,062,092	\$228,567,004
Dispensing Fees		Dispensing Fees	
Dispensing Fees Collected		Dispensing Fees Collected	
\$3,247,214		\$2,783,210	

Please refer to exhibits **2013_Pricing Audit Report, 2014_Pricing Audit Report**

Onsite Review of Pharmacy Network Contracts

TRICAST concludes that the majority of the pharmacies, including the large chains, were compliant with their contracts and were performing as expected.

Please refer to exhibits:

Pharmacy Audit 2012_2013, 2012 Chain, 2012 Independent, 2013 Chain and 2013 Independent.

Rebate Audit

TRICAST's rebate assessment for ETF included:

- Validating rebate calculations
- Providing feedback regarding whether the rebates met expectations, and
- Verifying compliance with contractual percent of rebate collection passed through to client

The project consisted of an onsite audit to review the pharmaceutical manufacturer rebate contracts and invoices as well as performing an analysis using TRICAST's proprietary PharmaCAST® software to compare the pharmaceutical contracts to ETF's claims utilization. Both components are outlined below.

Onsite Audit

TRICAST conducted an extensive onsite review of the agreements and amendments between Navitus and the top eight pharmaceutical manufacturers by drug spend specific to the ETF arrangement for contract year Q4 2013. In addition, TRICAST reviewed ETF's rebate payment report.

The elements of the pharmaceutical contracts analyzed included:

- Base rebates – Defined as a rebate provided under any circumstance.
- Market share rebate – Defined as an additional rebate provided when the manufacturer product performance is compared to competitive drugs in the defined therapeutic class. This definition is manufacturer specific and is typically referred to as "Market Basket." Market share calculations may be compared to "National Market Share"; the client/carrier market of a previous quarter; and/or a combination of both, whichever is higher or lower.
- Formulary type – Typically defined as open/preferred/closed; this will also have an impact on the base and market share rebate percentages.
- Administration fees – Additional monies that may be retained by the PBM from the manufacturers. TRICAST assesses whether these fees were shared with the client/carrier or retained by the PBM.
- Market share calculations – Calculations defined by the client/carrier data or the book of business definition of the PBM.
- Other fees – Fees identified in the contract or through other documentation for disease management sponsorship, sales quotas, or other fees received from the pharmaceutical manufacturers or their intermediaries.

Rebate Analysis

TRICAST utilized its proprietary application, PharmaCAST, to analyze Navitus' administration of rebates for ETF in Q4 2013. Utilizing PharmaCAST, the data from the pharmaceutical contracts were run against the rebate invoices and ETF's claims data for Q4 2013.

Results per manufacturer are listed in Figure 1 below.

Top 8 Manufacturers

Manufacturer	Rebates Billed by PBM	Tricast Calculated Rebates	Variance
Manufacturer 1	\$420,384	\$421,414	-\$1,030
Manufacturer 2	\$726,846	\$726,801	\$45
Manufacturer 3	\$312,205	\$288,542	\$23,663
Manufacturer 4	\$700,742	\$574,000	\$126,742
Manufacturer 5	\$228,846	\$212,330	\$16,516
Manufacturer 6	\$692,381	\$697,304	-\$4,923
Manufacturer 7	\$158,617	\$145,216	\$13,401
Manufacturer 8	\$882,907	\$888,367	-\$5,460
	\$4,122,928	\$3,953,974	\$168,954

Figure 1. Q4 2013 Rebate Analysis for ETF

Rebate Calculation Differentials

TRICAST has found that differences can occur in the rebate amounts billed to manufacturers by a PBM and the rebate amount calculated by TRICAST for an individual health plan. The primary reason for these differences lies in the common practice by PBMs of submitting rebate-eligible claims to a manufacturer for the PBM's book of business rather than for each plan individually. This typically works to the advantage of the plans, as the amount of rebates paid by the manufacturer will be based on a larger pool of claims. The PBM then pays rebates to each plan separately based on each plan's claims. TRICAST's analysis is based on the PBM's contractual rebate agreements with manufacturers for that plan only, and may be lower or higher than the amount billed by the PBM when rebate-eligible claims for its entire book of business are submitted to the manufacturers.

Rebate Analysis Findings

The TRICAST audit team performed the following rebate analysis for ETF:

1. Reviewed the top eight pharmaceutical manufacturer agreements and amendments specific to the ETF arrangement for Q4 2013.
2. Analyzed 100% of the claims data of the pharmaceutical manufacturer contracts.
3. Reconciled the audit claims data and the rebate payment report to determine whether the appropriate rebate amounts were paid to ETF.

TRICAST found that Navitus overpaid ETF in the amount of \$168,954. In the context of the total rebates billed to the manufacturers and paid to ETF, this relatively small difference (4.1%) is within the range that TRICAST expects to see when a PBM is processing and paying rebates in compliance with the contracts with the manufacturers.

TRICAST concludes that Navitus is processing and paying rebates for ETF in compliance with the contracts with the manufacturers.

Commercial Plan Design Audit

In the Commercial Plan Design Audit, TRICAST reviewed Navitus' management of the benefit in place during the review period of January 1, 2013 through December 31, 2014. As a first step in the audit, TRICAST re-adjudicated 100% of ETF's historical claims processed by Navitus during the review period, including reversed and rejected claims, prior authorizations, and formulary indicators.

TRICAST's AccuCAST application is able to audit plan design continuously, which is valuable to clients in determining their PBM's performance over time. The Plan Design Audit captures the following criteria:

- Benefit / Adjudication Parameters
 - Copayment Rules
 - Day Supply
 - Drug Exclusions
 - Prior Authorization
 - Quantity Limits

The plan design for ETF was reviewed. The copay summary is below:

Patient Pay Table				
30 Days Retail*	Navitus 90-Day Retail Network ONLY allowed after 3 30-DS fills*	Specialty - See Specialty Section	Mail Order	Deductible/MOOP - See MOOP section for more info - See Formulary below for 20% coinsurance items
L1 = \$5 L2 = \$15 L3 = \$35 L4 = \$50	L1 = \$15 L2 = \$45 L3 = \$105 L4 = \$150	30 DS = Retail Copays 90 DS = Applicable Retail or Mail Order Copays	L1 = \$10 L2 = \$30 L3 = \$105 L4 = \$150	ETF001 = \$410/\$820 ETF002 = \$1000/\$2000 ETF003 = No MOOP ETF004 = \$410/\$820 ESP MOOP = \$1000/\$2000

Formulary	<p>Level 1: Formulary generics and certain low cost brand</p> <p>Level 2: Formulary brands and certain high cost generics</p> <p>Level 3: Non-formulary products; "O" drugs with DAW2 are not covered; DAW1 are Level 3</p> <p>Level 4: Non formulary Specialty products filled at both Diplomat and any other participating pharmacy and covered ED medications</p> <p>Level 4 ESP: Formulary specialty products. Reduced copay of \$15 when filled at Diplomat</p> <p>20% Coinsurance: Diabetic supplies, diaphragms, peak flow meters</p> <p>Femring/Estring is 3 copays for 90 DS</p>
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Copay Summary

Copayments, or copays, indicate the dollar amount required from the insured when he or she purchases a prescription drug. A TRICAST copay adjudication review compares the plan designs from the Pharmacy Benefit Manager (PBM) and the client and, after rules based on the plan designs are created, compares them to claims to ensure that they have been properly adjudicated.

TRICAST's analysis determined that copays of \$20,336,257 were collected in 2013 and \$19,798,532 was collected in 2014, with no major inconsistencies found. Miscellaneous minor inconsistencies were found in collected copays that represented a less than 1% of an overall variance. This compares very favorably with TRICAST's experience with other clients with similar claims volume.

TRICAST provided Navitus with samples of the claims in which copay inconsistencies were identified. Navitus determined that these inconsistencies primarily occurred in retail claims. Navitus agreed to two system issues. First, for Health Care Reform (HCR) Navitus found a system issue regarding age requirements that were reading incorrectly. The issue was corrected on 5/23/13 and members who overpaid were reimbursed. The second issue was that a specific specialty Generic Product Identifier (GPI) was setup incorrectly. The system was updated on 7/11/13 and only 7 claims were affected. The remaining inconsistencies are for drugs that are part of the RxCents program, Tablet Splitting program or compound claims that were part of the generic waiver program.

Plan Year	Copays Collected	Copays per Plan Design	Total Variance	Variance Percent
2013	\$20,336,257	\$20,418,673	-\$82,416	-0.40%
2014	\$19,798,532	\$19,954,284	-\$155,752	-0.78%

Please refer to exhibits:

State of WI 2013 Copay and State of WI 2014 Copay

Drug Coverage Summary

Day supply

TRICAST provided Navitus with 17 claims that were identified as potential discrepancies. Discrepant claim samples were provided to Navitus for review, and comment. According to Navitus, all of the claims in question were charging the appropriate copay as they were paid at long term care facilities and a 31 day supply would charge one retail copay.

TRICAST is in agreement with the explanation. No action is required.

Drug Exclusions

Exclusion criteria describe what medications a plan covers, or does not cover. A TRICAST review of these criteria is done to ensure plan adherence.

In 2013, 376 claims and in 2014, 603 claims were identified as potential discrepancies. Discrepant claim samples were provided to Navitus for review, and comment. According to Navitus, members had a standard prior authorization in place and not a member prior authorization (MPA), claims were for compound drugs or claims were part of the 20% preferred diabetic list.

No discrepancies noted. No action required.

Prior Authorizations

The process of obtaining advanced approval of coverage for a health care service or medication. Without this prior approval, a health plan may not provide coverage, or pay for, a medication. A TRICAST analysis looks at the prior authorization (PA) requirements in a plan, compares them to the claims data, and looks for trends and discrepancies.

No discrepancies noted. No action required.

Quantity Limits

Certain drugs have quantity limits to encourage appropriate drug usage, enhance drug therapy and reduce client costs by increasing the member cost share. The quantity limit is the maximum quantity that can be dispensed over a given period of time. Quantity limits are often applied to inhalers, injectables, patches, and other pre-packaged units, and to medications that are prescribed on an “as-needed” basis such as migraine therapy. TRICAST quantity limit analysis examines your plan information and dosage rules, compares them to the actual claims, and then notes any discrepancies or trends.

No discrepancies noted. No action required.

Gender Edits

In this review, TRICAST identifies cases where prescriptions for drugs that are FDA-approved for only female patients were dispensed to male patients, and for drugs that are FDA-approved for only male patients were dispensed to female patients. Gender edits are designed to prevent potential harm to members and promote appropriate utilization. The approval criteria are based on information that comes directly from the FDA and medical literature.

No discrepancies noted. No action required.

Please refer to exhibits:

State of WI 2011 Drug Coverage and State of WI 2012 Drug Coverage.

Employer Group Waiver Plan (EGWP) Audit, 2012-2013

TRICAST's EGWP Assessment for ETF included:

- Matching source claim files to the PDE record
- Analyzing claim specifics to ensure that PDE records have been accurately and appropriately generated
- Review of copayments/coinsurance to include True Out-Of-Pocket (TrOOP) calculations, formulary match, Low Income Cost Sharing (LICS) calculations and GAP discount calculations

Audit Process

The audit process is outlined below.

Set-up

1. The Prescription Drug Event (PDE), Monthly Membership Report (MMR), and Transaction Reply Report (TRR) data is loaded into TRICAST's AccuCAST system.
2. The LICS subsidy amount data from the TRR file is merged with the MMR data.
3. Plan set-up designations are created based on the distinct CMS plan designation.

LICS Calculations

1. The PDE data is run using the appropriate calendar year settings. To determine which members are LICS members, LICS amount calculations are added to the process and a match is generated on eligible members using the merged MMR/TRR data.
2. All covered claims are processed against the Defined Standard (DS) to calculate what the DS copay and plan paid should be. The LICS amount is then calculated using LICS rules for the selected calendar year.

PDE Analysis

Due to the complicated PDE files that Navitus receives from a third party (Sterling), TRICAST will review a sample number of members for 2012 and complete a full 2013 PDE audit (100% claim review). TRICAST provided Navitus with a random sample of 30 claims for 30 different members chosen from various phases in the benefit to verify the 2012 PDE records.

After a thorough review of the 2012 sample PDE records and correspondence with Navitus, TRICAST considers 2012 PDE's to be accurate.

TRICAST audited 100% of the PDE records processed from January 1, 2013 through December 31, 2013. Since the PDE files provided to TRICAST were not the actual PDE response files, TRICAST included rejected PDE's for stacking purposes and stacked the claims by the Gross Drug Cost accumulator.

TRICAST found 72 source claims out of 2,841,893 total source claims without an associated PDE record which was provided to Navitus for review. TRICAST also noticed that 1,140 claims had a PDE record however no matching source claim. After researching these claims further, the PDE's had a rejected status and the final status of those claims were reversals.

Navitus reviewed all 72 source claims that didn't have an associated PDE record and provided the following responses:

- **Claim processed after claims pulled for TRICAST** (16 claims)
 - Claims for the audit were pulled prior to the PDEs being created for these claims
 - These do have a corresponding PDE record; was just a timing issue

- **Invalid adjudication group issue** (16 claims)
 - The adjudication group was termed on the plan
 - The PDE process here was unable to read the adjudication group stamped on the claim when termed; the process couldn't assign a group to the PDE as a result
 - These claims were previously identified and are being resubmitted to ensure a PDE is generated

- **No subgroup on file until 4/1/2013** (40 claims)
 - Subgroup is driven by information received by Sterling (Navitus owns this process now for 2015)
 - Our QA process monitored that subgroups were attached but missed that these were inactive
 - These claims are being resubmitted to ensure a PDE is generated

TRICAST concludes that PDE records have been accurately and appropriately generated except for the 56 claims noted above, which Navitus ensured would have a PDE generated. Navitus has confirmed that claims related to "invalid adjudication group" and "no subgroup on file" have successfully been reprocessed and a PDE was generated.

EGWP Pricing Analysis

TRICAST has assessed discounts and dispensing fees against a standard template PBM contract for an EGWP client of this size with the understanding that Navitus is passing through all discounts and billing the ETF.

TRICAST concludes that Navitus is performing as expected on discounts and dispensing fees. Pricing parameters are aligned with the size and scope expected in the market place for the time period analyzed.

2012		2013	
Discounts		Discounts	
Mail	Achieved Discounts	Mail	Achieved Discounts
Brand	AWP – 20.99%	Brand	AWP – 19.95%
Generic	AWP – 88.2%	Generic	AWP – 88.25%
Specialty	AWP – 15.4%	Specialty	AWP – 17.51%
Retail	Achieved Discounts	Retail	Achieved Discounts
Brand	AWP – 14.84%	Brand	AWP – 15.38%
Generic	AWP – 82.42%	Generic	AWP – 83.17%
Total AWP	Claim Ingredient Cost	Total AWP	Claim Ingredient Cost
\$165,592,112	\$77,972,096	\$184,253,958	\$83,448,247
Dispensing Fees		Dispensing Fees	
Dispensing Fees Collected		Dispensing Fees Collected	
\$1,721,175		\$1,482,383	

Please refer to exhibits:

2012_Wrap Pricing Report, 2013_Wrap Pricing Report

EGWP Copayment Analysis

TRICAST's analysis determined that copays of \$7,320,346 were collected in 2012 and \$7,467,701 was collected in 2013, with no major inconsistencies found. Miscellaneous minor inconsistencies were found in collected copays that represented a less than 1% of an overall variance. This compares very favorably with TRICAST's experience with other clients with similar claims volume.

TRICAST provided Navitus with sample claims in which copay inconsistencies were identified. Navitus determined that claims were adjudicating correctly due to COB claims, the Tablet Splitting program and a MPA override allowing the member to pay the reduced copay.

TRICAST's copay analysis includes verifying TrOOP calculation, formulary match, Low Income Cost Sharing (LICS) calculations and GAP discount calculations based on CMS guidance. TRICAST reviewed all responses from Navitus and agrees that copays are adjudicating according to plan design and CMS guidance.

Plan Year	Copays Collected	Copays per Plan Design	Total Variance	Variance Percent
2012	\$7,320,346	\$7,321,171	-\$825	-0.01%
2013	\$7,467,701	\$7,423,543	\$44,158	0.59%

Please refer to exhibits **SoWI EGWP Report 2012** and **SoWI EGWP Report 2013**.

Conclusions

TRICAST considers this a passing audit. All variances identified were validated as appropriate by Navitus. After review of Navitus' responses to our findings, we are comfortable that State of Wisconsin, Department of Employee Trust Funds plans are being administered per the plan design documentation.

TRICAST will continue to review pricing, rebates, EGWP and Commercial plan design on behalf of the State of Wisconsin, Department of Employee Trust Funds.

Pricing Audit

TRICAST concludes that Navitus is performing per the contract on discounts and dispensing fees. Pricing parameters are aligned with the size and scope expected in the market place for time analyzed.

Onsite Review of Pharmacy Network Contracts

TRICAST concludes that the pharmacies, including the large chains, were compliant with their contracts and was performing as expected.

Rebate Audit

TRICAST concludes that Navitus is processing and paying rebates for ETF in compliance with the contracts with the manufacturers.

EGWP Audit

TRICAST calculated 0.01% variance for 2012, and 0.59% variance for 2013. TRICAST concludes that Navitus is adjudicating claims in accordance with CMS guidance.

Plan Design Audit

Day supply

No discrepancies noted. No action is required.

Drug Exclusions

No discrepancies noted. No action required.

Prior Authorizations

No discrepancies noted. No action required.

Quantity Limits

No discrepancies noted. No action required.

Gender Edits

No significant discrepancies noted. No action required.