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## Correspondence Memorandum

**Date:** October 25, 2019

**To:** Group Insurance Board

**From:** Jeff Bogardus, Pharmacy Benefit Programs Manager  
Office of Strategic Health Policy

**Subject:** Audit of Pharmacy Benefit Manager Services and Medicare Part D  
Employer Group Waiver Plan

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

### Background

The Department of Employee Trust Funds (ETF) retained PillarRx Consulting, LLC (PillarRx), formerly known as Tricast, Inc., to conduct comprehensive audits of the administration of all pharmacy benefit programs included as part of the State and Wisconsin Public Employers Group Health Insurance Programs (GHIP). PillarRx considers this most recent audit a passing audit.

PillarRx is an independent auditing firm that specializes in the pharmaceutical marketplace. Their audits assess compliance with the Group Insurance Board's (Board) pharmacy benefit management (PBM) administrative services agreement (contract) with Navitus Health Solutions, LLC (Navitus), as the pharmacy benefit manager. These audits, referred to as "phases" by PillarRx, are conducted annually, on a plan year basis, and include multiple segments that focus on the various PBM services provided by Navitus. This is the eighth audit phase performed by PillarRx.

The current audit report covers the following segments, which are discussed in more detail later in the memo:

- 2018 Commercial (non-Medicare) Pricing and Guarantees Audit and the 2017 Employer Group Waiver Plan (EGWP) Pricing Audit
- 2017 Pharmacy Network Contracts Review
- 2017 Fourth Quarter Drug Manufacturer Rebates
- 2018 Commercial (non-Medicare) Plan Design Audit
- 2017 Medicare Part D Employer Group Waiver Plan (EGWP) Audit
- 2017 Invoice Comparison Audit
- 2018 PBM Operational Performance Review

Reviewed and approved by Eileen K Mallow, Director, Office of Strategic Health Policy

Electronically Signed 11/1/19

Board	Mtg Date	Item #
GIB	11.13.19	12D

Starting with this audit, the Invoice Comparison Audit and the PBM Operational Performance Review are new segments of review by PillarRx and will continue to be reviewed going forward. In the past, these segments were reviewed by ETF; however, they are now included in the annual audits based on ETF's decision to have a more thorough review of these areas conducted by the third-party auditor.

PillarRx provided an executive summary (Attachment A) and the complete audit results report (Attachment B). Pages 5-7 of Attachment B introduce PillarRx and its audit processes. Each segment of the audit is then covered in subsequent sections of the report. PillarRx also provided detailed reports that support the information documented in Attachments A and B. Due to the large volume of information contained in these supporting reports, they have not been included with this memo; however, the supporting reports can be provided to the board upon request.

### **Findings**

Page 5 of Attachment A and page 25 of Attachment B conclude that PillarRx considers this a passing audit. All variances identified were validated as appropriate by Navitus to PillarRx's satisfaction. The following sections of this memo address the various audit segments performed by PillarRx. Page references called out in the rest of this memo all refer to Attachment B.

### **2018 Commercial (non-Medicare) Pricing and Guarantees Audit**

Starting in 2018, the contract between the Board and Navitus included pricing guarantees to ensure savings for the GHIP through drug price discounts. Drug pricing discounts are most commonly negotiated with network pharmacies dispensing prescription drugs to our members. This includes retail pharmacies, mail-order service pharmacies and pharmacies that primarily focus on dispensing specialty medications (i.e., specialty pharmacies).

As part of PillarRx's practice of reviewing 100% of claims processed, more than 1.9 million claims associated with the GHIP commercial coverage were examined during this audit. Table 1 below, taken from page nine of the report, provides the results of PillarRx's analysis that shows Navitus outperformed the pricing discount guarantees in the contract. Two major drivers of this performance in 2018 were:

- The implementation of the narrowed, retail pharmacy network, which excludes CVS/Target pharmacies and other pharmacies outside of Wisconsin.
- The implementation of the mandatory specialty drug program that requires members to utilize one of two preferred specialty pharmacies, which are Lumicera and UW Health Specialty Pharmacy.

By exceeding the discount pricing guarantees, the drug costs associated with claims the GHIP commercial members incurred in 2018 were \$11.8 million lower. Substantial, additional discounts were gained in the retail generic categories as well as the specialty

category. Additional savings to the GHIP are also realized by rebates that Navitus negotiate with drug manufacturers, which is covered later in this memo.

Table 1 – Commercial Discount Pricing Analysis

Key	Over Performance	Acceptable Performance	Under-Performance
	> Greater Than Contracted Rates	— Same as Contracted Rates	< Less Than Contracted Rates

Commercial Discounts (1/1/2018 – 12/31/2018)						
Component Description	# Claims	Contracted Discount Rate	Actual Discount Rate	Contracted Claim Ingredient Cost	Actual Claims Ingredient Cost	Variance
Retail Brands	250,082	Confidential & Proprietary Information Redacted	Confidential & Proprietary Information Redacted	\$100,058,256	\$99,638,701	\$419,555 >
Retail Generics	1,128,614			\$25,886,579	\$23,088,416	\$2,798,163 >
Retail Brands 90 day	55,352			\$22,374,892	\$22,094,891	\$280,001 >
Retail Generics 90 day	408,915			\$17,280,885	\$11,887,446	\$5,393,439 >
Mail Brands	4,942			\$3,562,508	\$3,560,931	\$1,576 >
Mail Generics	22,284			\$1,053,226	\$848,613	\$204,613 >
Specialty (Lumicera & UW)	12,456			\$70,665,394	\$67,966,153	\$2,699,241 >
<b>Total</b>				\$240,881,739	\$229,085,151	\$11,796,588

PillarRx also reviewed the dispensing fees paid to the network pharmacies. The 2018 contract includes guarantees for dispensing fees the GHIP ultimately pays. Table 2 below, taken from page 10 of the report, shows that Navitus also outperformed those guarantees overall.

Table 2 – Commercial Dispensing Fees Analysis

Commercial Dispensing Fees (1/1/2018 – 12/31/2018)					
Component Description	Contracted Disp Fee	# Claims	Total Actual (Collected) Disp Fee	Total Contracted Disp Fee	Total Overage / (Shortfall)
Retail Brands	Confidential & Proprietary Information Redacted	Confidential & Proprietary Information Redacted	\$232,386.90	\$253,929.00	\$21,542.10
Retail Generics			\$1,090,615.36	\$1,156,053.72	\$65,438.36
Retail 90 Brands			\$771.90	\$1,660.53	\$888.63
Retail 90 Generics			\$5,770.76	\$12,306.53	\$6,535.66
Mail Order Brands			\$0.00	\$0.00	\$0.00
Mail Order Generics			\$0.00	\$0.00	\$0.00
Specialty (Lumicera & UW)			\$256.50	\$0.00	-\$256.50
Specialty (Retail)	\$565.47	\$1,226.40	\$660.93		
<b>Total</b>			\$1,330,366.89	\$1,425,176.07	\$94,809.18

2017 Employer Group Waiver Plan (EGWP) Pricing Audit

Table 3 below, taken from page 11 of the report, shows the details of the EGWP pricing analysis, which included the review of just under one million claims. The analysis indicates that Navitus is providing the State and WPE programs with competitive discounts and pricing and is overperforming in both the retail and mail-order categories when compared to PillarRx’s benchmarks. PillarRx establishes the benchmarks by reviewing the performance of other plans that cover more than 100,000 lives.

Table 3 – EGWP Pricing Analysis

<b>2017</b>		PillarRx
<b>Discounts</b>		<b>BENCHMARKS</b>
<b>Mail</b>	<b>Achieved Discounts</b>	<b>Discounts</b>
Brand	AWP – 22.00%	AWP – 24.10%
Generic	AWP – 80.99%	AWP – 78.50%
Specialty	AWP – 17.00%	AWP – 17.00%
<b>Aggregate Over Performance based on Benchmarks \$324,601 *</b>		
<b>Retail</b>	<b>Achieved Discounts</b>	<b>Discounts</b>
Brand	AWP – 17.65%	AWP – 15.60%
Generic	AWP – 82.97%	AWP – 75.50%
<b>Aggregate Over Performance based on Benchmarks \$12,092,121 *</b>		
<b>Total AWP</b>	<b>Actual Claim Ingredient Cost</b>	<b>Calculated Ingredient Cost</b> (Based on benchmark)
\$253,891,378	\$110,920,746	\$121,570,169
<b>Total Over Performance based on Benchmarks \$12,416,722 *</b>		
<b>Dispensing Fees</b>		
<b>Dispensing Fees Collected</b>		
\$982,868.49		

\* Over Performance calculated based on Actual Claim Ingredient Cost compared to the Benchmark Calculated Ingredient Cost.

As with the commercial coverage, this overall performance exceeded benchmarks, resulting in around \$12.4 million lower drug costs for claims incurred by the GHIP’s Medicare members covered by the EGWP program. As a reminder, discount pricing guarantees were not included in the contract until 2018 so future audit reports will assess Navitus’ performance on EGWP pricing based on those guarantees.

2017 Pharmacy Network Contracts Review

Navitus is responsible for managing the GHIP’s network of pharmacies and enters into contracts with pharmacies that participate in the network. For this audit period, PillarRx evaluated the 20 chain pharmacies and the 20 independent pharmacies with the highest plan-paid amounts. PillarRx concluded the pharmacies, including the large chains, were

compliant with the Navitus network contracts and were performing as expected. PillarRx concluded the contract terms of these entities aligned with actual performance. Attachment C lists the pharmacies whose contracts were reviewed.

#### 2017 Fourth Quarter Drug Manufacturer Rebates

Figure 1 on page 13 of the report, PillarRx's rebate analysis for the 2017 plan year, shows small variances in the rebates reported by Navitus, compared to PillarRx's independent calculation of rebates owed from the top eight drug manufacturers. This has been a common issue throughout past audits as well. These variances are minimal, when considering the overall rebate dollars involved. PillarRx found that collectively, the actual rebates and various manufacturer fees passed through to the GHIP by Navitus exceeded what PillarRx would have expected based on their analysis.

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 PillarRx calculates the rebates for its analysis, it is based on GHIP members' claims alone, since PillarRx does not have access to rebate specifics for all other Navitus clients. This difference in how rebates are calculated can create a variance between the PillarRx calculation and what Navitus passes through to the GHIP. PillarRx's analysis found an average variance of 0.13% from the eight contracts reviewed, which translates to Navitus providing about \$4,000 less rebate dollars than PillarRx had calculated from these eight contracts. This is an acceptable variance, based on the standards PillarRx applies.

#### 2018 Commercial (non-Medicare) Plan Design Audit

PillarRx reviews claims processing system configuration for the appropriate application of plan design copayments; drug coverage and exclusions; prior authorizations; quantity limits; and limitations on prescription fills based on gender (gender edits). PillarRx found no major inconsistencies. As indicated on page 15 of the report, any minor inconsistencies with copayments amounted to a 2.4% variance, which "compares very favorably with PillarRx's experience with other clients with similar claims volume."

PillarRx did provide Navitus with claims samples showing copayment inconsistencies between PillarRx's analysis and Navitus' claims processing. These cases were addressed by Navitus appropriately as drug claims that were either (a) associated with a prior authorization for copayment waiver; (b) associated with a member who had already met their out-of-pocket limit; or (c) claims that Navitus recognized as having been processed incorrectly but had already been corrected by Navitus. No discrepancies were identified for the following categories: day's supply, drug exclusions, prior authorizations, quantity limits or gender edits.

#### 2017 Medicare Part D Employer Group Waiver Plan (EGWP) Audit

The Medicare Part D Employer Group Waiver Plan (EGWP) audit reviews the following:

- Matching claim files to 100% of the Medicare Prescription Drug Event (PDE) records and analyzing claim specifics to ensure that PDE records have been accurately and appropriately generated. For 2017, this amounted to nearly 1.5 million PDE records being reviewed associated with 962,455 claims.
- Review of copayments, which includes analysis of the True Out-Of-Pocket (TrOOP) calculations, formulary match, Low Income Cost Sharing calculations and Medicare Part D coverage gap discount calculations.

For a better understanding of terms referred to in this audit segment, please refer to Attachment D.

PillarRx discovered three different situations involving a total of 6,651 claims that required review and follow up by Navitus (refer to page 19 for details). Navitus provided explanations for each of these cases, which PillarRx found to be acceptable. The situations included the following:

- 6,377 source claims that did not have an associated PDE
- 240 source claims that were reversed even though a PDE was accepted by CMS
- 34 source claims for drugs not typically covered under Medicare Part D, but which applied to claims for drugs prescribed for indications approved by the Centers for Medicare and Medicaid Services (CMS)

The EGWP copayment analysis found on page 20 of the report indicates that with a copayment variance of 2%, Navitus' results compare favorably to PillarRx's benchmarking where they typically see 1% to 2% variance. PillarRx provided Navitus with a list of 14 claims that were identified as processing inconsistencies where copayments did not match what was expected from the benefit design. Based on Navitus' responses to PillarRx, and PillarRx's analysis of various calculations, PillarRx determined that claims were adjudicated by Navitus correctly. ETF confirms that any reprocessing of claims required has been completed.

#### 2017 Invoice Comparison Audit and 2018 PBM Operational Performance Review

As indicated earlier, starting with this audit phase PillarRx reviewed Navitus invoices paid by ETF, in addition to Navitus' operational performance. ETF still reviews invoices for reasonableness and approve the invoices for payment and monitor Navitus' performance on an ongoing basis. However, PillarRx's industry experience and ability to perform thorough reviews and analysis of these categories is being called upon to provide another level of assurance that pharmacy benefit management services are being provided according to contractual provisions.

As indicated on page 21 of the report, Navitus is invoicing the GHIP appropriately and accurately. Likewise, on page 24 of the report, PillarRx also concludes that Navitus' practices are, "consistent with industry standards" and that Navitus is meeting the "contractual requirements and performance standards required by the State."

**ETF Response to Audit**

PillarRx concludes, overall, the programs are being administered by Navitus in accordance with contractual provisions and the plan designs and considers this a passing audit. ETF agrees with the audit findings reported by PillarRx and Navitus has been provided with a copy of the findings. While the audit found some discrepancies in the processing of claims, the volume is quite small, compared to the overall number of claims processed by Navitus under both the EGWP and commercial plans. In addition, ETF finds the responses Navitus provided to account for the discrepancies are accurate and appropriate. Over the years, while there have been very few findings that reflected true errors in processing, those errors never had financial impact and Navitus made the pharmacy benefit programs whole immediately after the errors were found.

Staff will be at the Board meeting to answer questions.

Attachment A: Executive Summary – Phase 8

Attachment B: Audit Results – Phase 8

Attachment C: Onsite Review of 2017 Pharmacy Network Contracts

Attachment D: Employer Group Waiver Plan (EGWP) Medicare Part D Terms



**PillarRx**  
C o n s u l t i n g

CUSTOMIZED PHARMACY SOLUTIONS

# Pharmacy Program Oversight Executive Summary

Created for

**State of Wisconsin ETF**

Audit Period:

EGWP Plan: January 1, 2017 – December 31, 2017

Commercial Plan: January 1, 2018 – December 31, 2018

October 25, 2019





CUSTOMIZED PHARMACY SOLUTIONS

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## I. Auditor's Report

State of Wisconsin, Department of Employee Trust Funds (ETF), on behalf of the State of Wisconsin Group Insurance Board (Board), is assessing the performance of the Board's 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 contracted PBM.

ETF provides pharmacy benefit program management for nearly 240,000 participating members associated with annual total drug costs in excess of \$470 million.

PillarRx performed a comprehensive audit of Navitus' administration of the pharmacy benefits for ETF. This audit represents phase eight.

### Phase 8

<b>Client Name</b>	State of Wisconsin ETF
<b>PBM Name</b>	Navitus
<b>EGWP Claims Period</b>	01/01/2017 through 12/31/2017
<b>Commercial Claims Period</b>	01/01/2018 through 12/31/2018
<b>Pharmacy Network Period</b>	01/01/2017 through 12/31/2017
<b>Rebate Periods</b>	10/01/2017 through 12/31/2017

## II. Auditor's Findings

### Commercial Plan Design and Pricing Audits

- **Copay:** Miscellaneous minor inconsistencies were found in collected copays that represented a 2.4% overall variance. The following issues were discovered:
  - Navitus determined that these inconsistencies primarily are for claims that had a member prior authorization (MPA) to override the copay, or for members that met their out of pocket amount, or for claims that were already recognized by Navitus as incorrect and correction put in place.
- **Plan Design:** PillarRx noted no discrepancies in day supply, drug exclusions, prior authorizations, quantity limits and gender edits.
- **Pricing:** PillarRx concludes that Navitus is over performing based on the commercial contract on discounts and dispensing fees. Pricing parameters are aligned with the size and scope expected in the market place for the time analyzed.

### Onsite Review of Pharmacy Network Contracts

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

### Rebate Audit

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

### Employer Group Waiver Plan (EGWP) Audit

- **PDE Analysis:** PillarRx audited 100% of the Prescription Drug Event (PDE) records processed from January 1, 2017 through December 31, 2017 and found 6,377 source claims without an associated PDE. Navitus noted the reason that an associated PDE was not found was due to a rejected PDE, or per CMS guidelines a PDE is not submitted for EGWP plans' supplemental coverage. PillarRx also found possible PDE discrepancies associated with 492 claims, which Navitus addressed.
- **Pricing:** PillarRx 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.
- **Copayment Analysis:** PillarRx'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.



CUSTOMIZED PHARMACY SOLUTIONS

PillarRx calculated less than 2% variance for 2017. PillarRx concludes that Navitus is adjudicating claims in accordance with CMS guidance.

### Invoice Reconciliation Audit

Upon reconciliation for 1/1/2017 – 12/31/2017 invoices, PillarRx found that all invoiced dollars and claim counts matched what was found on the claim records for the given period. PillarRx concludes that the Navitus is invoicing the State accurately.

### Operational Review

PillarRx concludes that the Navitus policies and procedures were consistent with industry standards and allowed Navitus to meet contractual requirements and performance standards required by the State.

## **III. Auditor's Conclusions**

PillarRx 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.

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

PillarRx considers the State of Wisconsin ETF relationship with Navitus to be well founded. Performance on pricing exceeds benchmarks in the industry and adherence to the benefit structure also compares most favorably to the market.



CUSTOMIZED PHARMACY SOLUTIONS

This document has been prepared in good faith on the basis of information provided to PillarRx Consulting, without any independent verification. If the data, information, and observations received are inaccurate or incomplete, our review, analysis, and conclusions may likewise be inaccurate or incomplete. Our conclusions and recommendations are developed after careful analysis and reflect our best professional judgment.

This document is the proprietary work product of PillarRx Consulting and is provided for your internal use only. No further use or distribution to any third party is authorized without PillarRx Consulting's prior written consent.

PillarRx Consulting representatives may from time to time provide observations regarding certain tax and legal requirements including the requirements of federal and state health care reform legislation. These observations are based on our good-faith interpretation of laws and regulations currently in effect and are not intended to be a substitute for legal or tax advice. Please contact your legal counsel and tax accountant for advice regarding legal and tax requirements.



# **Prescription Benefit Management Audit**

## **State of Wisconsin ETF**

Administered by: Navitus Health Solutions, LLC

Audit Period:

EGWP Plan: January 1, 2017 – December 31, 2017

Commercial Plan: January 1, 2018 – December 31, 2018

October 25, 2019



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## **Exhibits**

### **Contract Pricing Analysis**

1. 2018 Commercial Discount-Fees Report
2. 2017 Wrap Pricing Report

### **Onsite Review of Pharmacy Network Contracts**

3. 2017 Chain Discount Report Commercial
4. 2017 Independent Discount Report Commercial
5. 2017 Chain Discount Report EGWP
6. 2017 Independent Discount Report EGWP

### **EGWP Copays**

7. State of WI 2017 EGWP

### **Commercial Copays**

8. State of WI 2018 Copay

### **Invoice Reconciliation**

9. 2017 State of WI Invoice Comparison





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## Project Summary

State of Wisconsin, Department of Employee Trust Funds (ETF), on behalf of the State of Wisconsin Group Insurance Board (Board) is assessing the performance of the Board's 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 contracted PBM.

ETF provides pharmacy benefit program management for nearly 240,000 participating members associated with annual total drugs costs in excess of \$470 million.

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

### Phase 8 (2017/2018)

- Pricing Audit (Commercial 2018; EGWP 2017)
- Pharmacy Network Contracts Review (2017)
- Manufacturer Rebate Audit (4<sup>th</sup> Quarter 2017)
- Commercial Plan Design Audit (2018)
- EGWP Program Audit (2017)
- Invoice Reconciliation Audit (2017)
- Operational Review



## About PillarRx

PillarRx Consulting (formerly TRICAST, LLC) is a leading pharmacy data, analytics, and consulting firm founded in 1997. PillarRx 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 PillarRx Audit Team

PillarRx specializes in the pharmaceutical marketplace. Each PillarRx team member provides unique skills to maximize the effectiveness and scope of the pharmacy program services we provide. Several of PillarRx'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.
- **Stacy Ausprung, Director Client Services** - Manages the audit process and performs analysis, process management, ongoing support and oversight of plan.
- **Julie Weissmann, Pharmacy Audit Specialist** – Reviews the audit process and performs analysis.
- **Tom Rieger, Data Analyst** – PBM data expert; reviews data and validates performance.



CUSTOMIZED PHARMACY SOLUTIONS

## The PillarRx Audit Process

The most critical element of a successful audit is an understanding of the data on which it is based. PillarRx'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.

## PillarRx Systems Utilized

PillarRx'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 PillarRx 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, PillarRx 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 PillarRx audit re-adjudicates 100% of all claims data—not just a sampling—using PillarRx 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 PillarRx 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

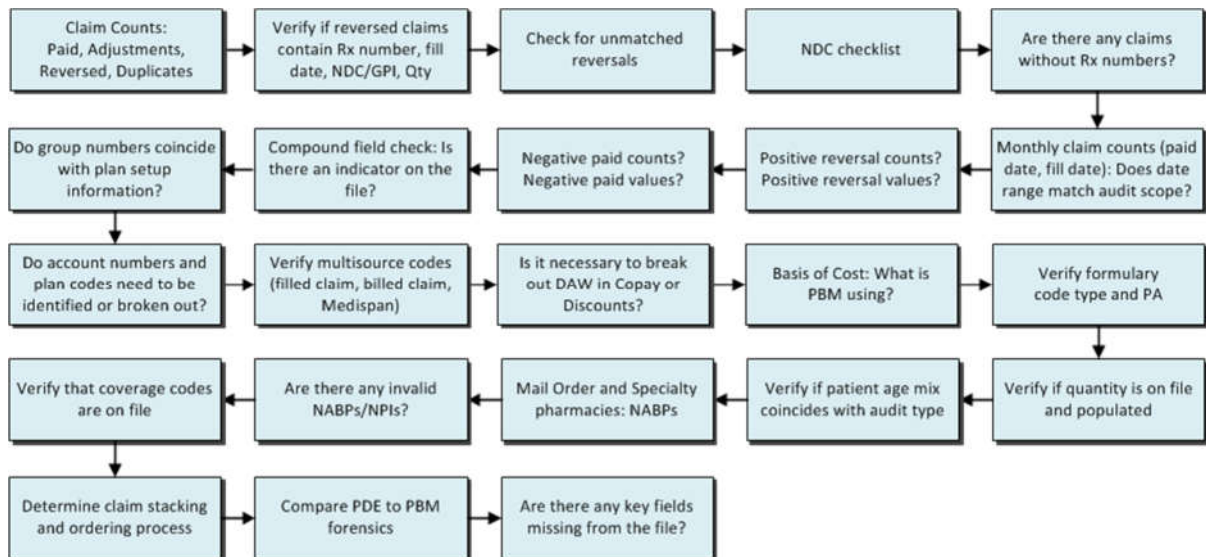
PillarRx audited 100% of ETF’s claims, including reversed and rejected claims, prior authorizations, and formulary indicators. All claim records for the following plans were reviewed.

EGWP Plan (1/1/2017 – 12/31/2017) – 963,163 claims reviewed

Commercial Plan (1/1/2018 - 12/31/2018) – 1,902,397 claims reviewed

## The PillarRx Data Integrity Check

The first deliverable from PillarRx 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.



## Pricing Audit

In the Pricing Audit, PillarRx uses our experience and software applications to assess Navitus' financial performance and thoroughly analyze PBM relationships for contract compliance. This step provides assurance that Navitus' financial performance is sound and encompasses a claim analysis of 100% of the plan's claims. For ETF, PillarRx audited 100% of claims processed for the commercial plan from January 1, 2018 through December 31, 2018 and EGWP plan from January 1, 2017 through December 31, 2017. The Pricing Audit included:

- **Achieved Discounts**
  - Brand and Generic Mail Order
  - Brand and Generic Retail
  - Specialty
  - Zero Balance Claims (Member paid 100% of prescription cost)
  - Compound Claims (Prescriptions made/compounded by pharmacist)
  - Subscribers Claims (Direct Member Reimbursement)
- **Adjudicated Dispensing Fees**
  - Brand and Generic Mail Order
  - Brand and Generic Retail
  - Specialty
  - Claims paid at Maximum Allowable Cost (MAC) rates

## Achieved Discounts & Adjudicated Dispensing Fees Summary

### Reconciliation of Pricing Guarantees Objective

The Reconciliation of Pricing Guarantees determined if the discount savings and other price controls with guaranteed performance levels in the Navitus contract with the State were met and if not met, that accurate credit or payment was made to the State within the timeframe specified in the contract.

### Reconciliation of Pricing Guarantees Scope

Using the terms of the State contract with Navitus, we accumulated all prescription claims by type and distribution method for the period specified in the contract and balanced the total discount savings against the specified minimum discount guarantees. Similarly, all other performance guarantees were mapped against the actual prescription claims as adjudicated during the prescribed contract periods for performance guarantees. This reconciliation included the following contractual guarantees:

- AWP discounts applied for all drugs against third party pricing sources;
- Specialty drug allowance; and
- Dispensing fees.

### Reconciliation of Pricing Guarantees Methodology

PillarRx used its proprietary AccuCAST® system to electronically compile total discount savings by silo (drug type and distribution method) and compare them to the contract guarantees in the Navitus contract. Navitus had an overall over performance for the guarantees.

### Reconciliation of Pricing Guarantees Findings

The following tables demonstrate our findings relative to pricing guarantees.

Key	Over Performance <i>&gt; Greater Than Contracted Rates</i>	Acceptable Performance <i>— Same as Contracted Rates</i>	Under-Performance <i>&lt; Less Than Contracted Rates</i>
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Commercial Discounts (1/1/2018 – 12/31/2018)							
Component Description	# Claims	Contracted Discount Rate	Actual Discount Rate	Contracted Claim Ingredient Cost	Actual Claims Ingredient Cost	Variance	
Retail Brands	250,082	Confidential & Proprietary Information Redacted	Confidential & Proprietary Information Redacted	\$100,058,256	\$99,638,701	\$419,555	>
Retail Generics	1,128,614			\$25,886,579	\$23,088,416	\$2,798,163	>
Retail Brands 90 day	55,352			\$22,374,892	\$22,094,891	\$280,001	>
Retail Generics 90 day	408,915			\$17,280,885	\$11,887,446	\$5,393,439	>
Mail Brands	4,942			\$3,562,508	\$3,560,931	\$1,576	>
Mail Generics	22,284			\$1,053,226	\$848,613	\$204,613	>
Specialty (Lumicera & UW)	12,456			\$70,665,394	\$67,966,153	\$2,699,241	>
<b>Total</b>				<b>\$240,881,739</b>	<b>\$229,085,151</b>	<b>\$11,796,588</b>	

**Commercial Dispensing Fee Findings**

The dispensing fee was the amount contractually agreed upon by the State and Navitus as the amount to be paid by the plan to the pharmacy for dispensing a prescription.

As shown in the following table, the dispensing fee analysis identified fees were under charged by Navitus for the commercial plan 1/1/18 – 12/31/18, which is a plan savings for the State.

<b>Commercial Dispensing Fees (1/1/2018 – 12/31/2018)</b>					
<b>Component Description</b>	<b>Contracted Disp Fee</b>	<b># Claims</b>	<b>Total Actual (Collected) Disp Fee</b>	<b>Total Contracted Disp Fee</b>	<b>Total Overage / (Shortfall)</b>
Retail Brands	Confidential & Proprietary Information Redacted	Confidential & Proprietary Information Redacted	\$232,386.90	\$253,929.00	\$21,542.10
Retail Generics			\$1,090,615.36	\$1,156,053.72	\$65,438.36
Retail 90 Brands			\$771.90	\$1,660.53	\$888.63
Retail 90 Generics			\$5,770.76	\$12,306.53	\$6,535.66
Mail Order Brands			\$0.00	\$0.00	\$0.00
Mail Order Generics			\$0.00	\$0.00	\$0.00
Specialty (Lumicera & UW)			\$256.50	\$0.00	-\$256.50
Specialty (Retail)			\$565.47	\$1,226.40	\$660.93
<b>Total</b>					<b>\$1,330,366.89</b>

Please refer to exhibit: **2018 Commercial Discount-Fees Report.**

## EGWP Pricing Analysis

PillarRx 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 for all dispensing fees.

PillarRx 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.

2017		PillarRx
<b>Discounts</b>		<b>BENCHMARKS</b>
<b>Mail</b>	<b>Achieved Discounts</b>	<b>Discounts</b>
Brand	AWP – 22.00%	AWP – 24.10%
Generic	AWP – 80.99%	AWP – 78.50%
Specialty	AWP – 17.00%	AWP – 17.00%
<b>Aggregate Over Performance based on Benchmarks \$324,601 *</b>		
<b>Retail</b>	<b>Achieved Discounts</b>	<b>Discounts</b>
Brand	AWP – 17.65%	AWP – 15.60%
Generic	AWP – 82.97%	AWP – 75.50%
<b>Aggregate Over Performance based on Benchmarks \$12,092,121 *</b>		
<b>Total AWP</b>	<b>Actual Claim Ingredient Cost</b>	<b>Calculated Ingredient Cost</b> <small>(Based on benchmark)</small>
\$253,891,378	\$110,920,746	\$121,570,169
<b>Total Over Performance based on Benchmarks \$12,416,722 *</b>		
<b>Dispensing Fees</b>		
<b>Dispensing Fees Collected</b>		
\$982,868.49		

Please refer to exhibit: **2017 Wrap Pricing Report.**

\* Over Performance calculated based on Actual Claim Ingredient Cost compared to the Benchmark Calculated Ingredient Cost.



## Onsite Review of Pharmacy Network Contracts

After reviewing the top 20 contracts between Navitus and the pharmacies, including the large chains, PillarRx concludes that all parties were compliant with their contracts and were performing as expected. PillarRx reviewed the specific network contracts with the actual results to provide assurance that the contracts adhere to the discount passed through.

Please refer to exhibits:       **2017 Chain Discount Report Commercial**  
  **2017 Independent Discount Report Commercial**  
  **2017 Chain Discount Report EGWP**  
  **2017 Independent Discount Report EGWP**

## Rebate Audit

PillarRx'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 in payments 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 PillarRx's proprietary PharmaCAST® software to compare the pharmaceutical contracts to ETF's claims utilization. Both components are outlined below.

PillarRx conducted an extensive review of the agreements and amendments between Navitus and the top eight pharmaceutical manufacturers by drug spend specific to the ETF arrangement for Q4 2017. In addition, PillarRx 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. PillarRx 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

PillarRx utilized its proprietary application, PharmaCAST, to analyze Navitus’ administration of rebates for ETF in Q4 2017. Utilizing PharmaCAST, the data from the pharmaceutical contracts were run against the rebate invoices and ETF’s claims data for Q4 2017. Results per manufacturer are listed in Figure 1 below.

Figure 1. Q4 2017 Rebate Analysis for ETF

### Top 8 Manufacturers

Manufacturer	Rebate Dollars	PillarRx Calculated Rebates	Variance
Commercial MFR #1	\$2,352,009	\$2,351,618	(\$392)
Commercial MFR #2	\$1,772,286	\$1,778,866	\$6,580
Commercial MFR #3	\$1,556,219	\$1,558,006	\$1,787
Commercial MFR #4	\$1,090,777	\$1,088,637	(\$2,140)
Medicare D MFR #1	\$713,806	\$717,059	\$3,253
Medicare D MFR #2	\$602,093	\$602,926	\$833
Medicare D MFR #3	\$308,799	\$301,333	(\$7,466)
Medicare D MFR #4	\$266,780	\$268,327	\$1,546
	<b>\$8,662,769</b>	<b>\$8,666,772</b>	<b>\$4,001</b>

## Rebate Calculation Differentials

PillarRx has found that differences can occur in the rebate amounts billed to manufacturers by a PBM and the rebate amount calculated by PillarRx 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



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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 the plan's claims. Our analysis is based on the PBM's contractual rebate agreements with manufacturers for that plan only, and may be lower 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 PillarRx 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 2017.
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.

PillarRx 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, PillarRx reviewed Navitus' management of the benefit in place during the review period of January 1, 2018 through December 31, 2018. As a first step in the audit, PillarRx 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.

PillarRx'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 (DS)
  - Drug Exclusions
  - Prior Authorization
  - Quantity Limits

### Copay Summary

Copayments, or copays, indicate the dollar amount required from the insured when he or she purchases a prescription drug. A PillarRx 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.

PillarRx's analysis determined that copays of \$21,787,981 were collected in 2018 with no major inconsistencies found. Miscellaneous minor inconsistencies were found in collected copays that represented a 2.4% overall variance. This compares very favorably with PillarRx's experience with other clients with similar claims volume.

PillarRx provided Navitus with samples of the claims in which copay inconsistencies were identified. Navitus determined that these inconsistencies primarily are for drugs that are:

- claims that had a member prior authorization (MPA) to override the copay,
- members that met their out of pocket amount,
- claims that were already recognized by Navitus as incorrect and a correction was put in place (See below for Navitus response)
  - SIR 5753 was regarding a setup error that was identified where Specialty MOOP (Level 4) should not have applied to the Group MOOP (Levels 1 and 2). When the copays were updated for Specialty, it was not indicated that the Specialty MOOP should accumulate separately from the other Levels. This was corrected in our adjudication system on 8/7/18.

- The State of Wisconsin added a benefit effective 1-1-18 for certain drugs to be allowed at 100% Contracted Rate Member Pay (Infertility, Weight Loss, ED and Cosmetic.) These were initially set up to apply to the deductible and MOOPs, however they should not apply to the deductible or any MOOP. Our Benefit Configuration team updated the adjudication system on 1/24/18 retroactively to 1/1/18, and then our Manual Claims team reversed/reprocessed any impacted claims to correct member accumulator buckets.

Plan Year	Plan	Copays Collected	Copays per Plan Design	Total Variance	Variance Percent
2018	HDHP	\$1,670,400	\$1,782,146	\$111,746	6.7%
2018	HMO	\$20,117,581	\$20,533,622	\$416,141	2.1%
	TOTAL	\$21,787,981	\$22,315,767	\$527,886	2.4%

Please refer to exhibit: **State of WI 2018 Copay.**

## Drug Coverage Summary

### Day supply

PillarRx's analysis did not find any claims outside of the day supply stipulated in the plan design documentation that did not have a member prior authorization (MPA) to override the days supply edit.

**No action is required.**

### Drug Exclusions

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

**No discrepancies noted. No action is 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 PillarRx analysis looks at the prior authorization (PA) requirements in a plan, compares them to the claims data, and looks for trends and discrepancies.

In 2018, 181 claims were identified as potential discrepancies. Discrepant claim samples were provided to Navitus for review, and comment. According to Navitus, members either had a standard prior authorization in place, claims did not require a prior



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authorization based upon the quantity or age of patient, or they are consider “Pay & Chase Claims by Medicaid”. PillarRx agrees with Navitus’ response.

**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.

PillarRx’s quantity limit analysis examines plan information and dosage rules, compares them to the actual claims, and then notes any discrepancies or trends.

In 2018, 9 claims were identified as potential discrepancies. Discrepant claim samples were provided to Navitus for review, and comment. According to Navitus, members either had a standard prior authorization in place, or Navitus already determined there was an error and corrected it. In this case, SIR 5211, was initiated by Navitus.

**No discrepancies noted. No action required.**

### **Gender Edits**

In this review, PillarRx 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.**

## Employer Group Waiver Plan (EGWP) Audit, 2017

PillarRx's EGWP Assessment for ETF included:

- Matching source claim files to the Prescription Drug Event (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 PDE, Monthly Membership Report (MMR), and Transaction Reply Report (TRR) data is loaded into PillarRx'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

PillarRx audited 100% of the PDE records (1,484,988) processed from January 1, 2017 through December 31, 2017. Since the PDE files provided to PillarRx were the PDE submission files and not the actual PDE response files, PillarRx did not receive rejected PDE's.

PillarRx found 6,377 source claims without an associated PDE record which was provided to Navitus for review. Navitus reviewed all source claims that did not have an associated PDE record and provided the following responses:

- 3 claims were submitted to CMS and were rejected. The claims were entered manually.
- 6,371 claims did not require a PDE. Per CMS guidance, PDEs are not submitted for claims covered by the EGWP plan's supplemental coverage (wrap only claims).
- 3 claims had an accepted PDE, under an earlier iteration of the claim.

PillarRx found 240 reversed source claims that had an accepted PDE and Navitus provided the following response:

- 4 claims Rejected due to member eligibility. On 9/15/2017, the member's eligibility was retro-termed back to 5/31/2017. Due to eligibility CMS had on file, the delete PDE was rejected due to the 706 edit: This DOS does not fall in a valid P2P period. The beneficiary must be enrolled in this contract on the DOS.
- 236 claims were reversed and later reprocessed. A PDE was accepted on the final paid claim.

PillarRx found 34 claims not typically covered under Medicare D, that had a corresponding PDE for the claims. Navitus provided the following responses:

- 30 claims were for Cialis. Cialis when prescribed for impotence is a CMS excluded indication. Cialis can be prescribed for other indications that are covered by Medicare. Per Navitus these claims were covered under CMS guidelines.
- 4 claims were for Chorionic Gonadotropin. Chorionic Gonadotropin when prescribed for fertility or impotence are CMS excluded indications. Chorionic Gonadotropin can be prescribed for other indications that are covered by Medicare. Per Navitus these claims were covered under CMS guidelines.

PillarRx found 218 claims with a rejected or deleted PDE. Navitus provided the following response:

- 200 source claim corresponded with a Wrap Claim ID, which had the accepted PDE.
- 15 claims were covered by the EGWP plan's supplemental coverage (wrap claim); the Source Claim ID on record is for the final paid claim. The claim had previously been processed under Med D, and a delete PDE was submitted when the claim reprocessed as a wrap only claim.



- 3 claims were reprocessed and due to timing, an adjusted PDE was not submitted to CMS. Instead, a delete PDE and subsequent new original PDE were submitted for the claim.

Less than ½ percent of all PDEs had an issue, Navitus addressed the issues satisfactorily. PillarRx concludes that PDE records have been accurately and appropriately generated.

### **EGWP Copayment Analysis**

PillarRx's analysis determined that the actual copay amount of \$9,537,633 was collected in 2017 with no major inconsistencies found. Miscellaneous minor inconsistencies were found in collected copays that represented a 2% overall variance. PillarRx calculated the copay amount of \$9,728,631, a difference of \$190,998 under collection. This compares very favorably with PillarRx's experience with other clients with similar claims volume, whose variance ranges from 1% to 2%.

PillarRx provided Navitus with 14 (of 962,455) sample claims in which copay inconsistencies were identified. Navitus' responses for why claims adjudicated correctly or incorrectly are outlined below:

- COB claims therefore claim paid correctly.
- Member Prior Authorization entered

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

Please refer to exhibit: **State of WI 2017 EGWP**.



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## Invoice Reconciliation Audit

### Invoice Reconciliation Objective

The Invoice Reconciliation is conducted to evaluate if the plan paid amount for all claims adjudicated during the pre-determined claims cycle period matches the amount being invoiced to the State Health Plan.

### Invoice Reconciliation Scope

PillarRx analyzed 100% of the claim data for each invoice period under review.

### Invoice Reconciliation Methodology

PillarRx loaded the claims for each invoice period being analyzed and captured all fields relevant to the plan paid amount in order to conduct a comparative analysis. PillarRx's first step was to net out paid claims, reversed claims, and adjusted claims as appropriate. PillarRx then summarized the claims amounts in the same manner and hierarchy as was found the invoice layout.

### Invoice Reconciliation Findings

Upon reconciliation for 1/1/2017 – 12/31/2017 invoices, PillarRx found that all invoiced dollars and claim counts matched what was found on the claim records for the given period.

Please refer to exhibit: **2017 State of WI Invoice Comparison**

### Invoice Reconciliation Conclusion

PillarRx concludes that the Navitus is invoicing the State accurately.

## Operational Review

PillarRx conducted a review of Navitus' internal policies and procedures relative to the performance standards outlined in the PBM contract. The objective of Operational Review is to verify that Navitus' policies and procedures meet the State's contractual requirements and are compliant with all applicable laws, regulations, and industry standards.

### Operational Review Scope

Operational areas reviewed by PillarRx included:

- i. Direct Member Reimbursement
- ii. Claims Processing Time
- iii. Claims Processing System Availability
- iv. Call Answer Timeliness
- v. Call Abandonment Rate
- vi. Open Call Resolution Turn-Around-Time
- vii. Inquiry Resolution Tracking Document/Log
- viii. Electronic Written Inquiry Response

\*Please note that Financial Accuracy, Processing Accuracy, and Accumulator Files are addressed as part of the Pricing Audit.

### Operational Review Methodology

An Operational Review Questionnaire as well as a document request for applicable policies and procedures and performance metrics was sent to Navitus. PillarRx reviewed Navitus' responses and supporting documentation to validate operational processes, procedures and reporting.

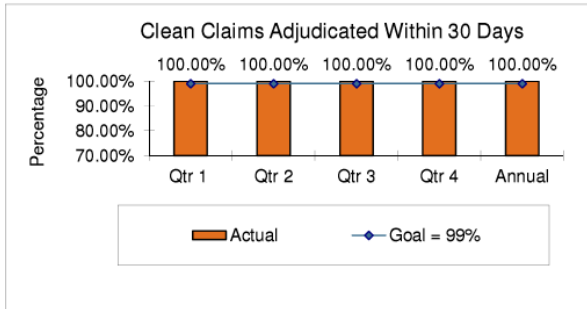
### Operational Review Findings

PillarRx reviewed Navitus' policies, workflows, desk-top procedures and ongoing performance monitoring and reporting. PillarRx found all policies to be well-defined and documentation was found to be thorough and accurately represented the process and workflow that occurs.

PillarRx noted that Navitus has detailed and timely performance monitoring and reporting in place for all areas reviewed, except for the "Open Call Resolution Turn-Around-Time" and "Inquiry Resolution Tracking". Navitus stated that the PBM contract does not currently include these two areas as tracked performance standards so that is why reporting is not available at this time.

### Direct Member Reimbursement (DMR) Claims Processing

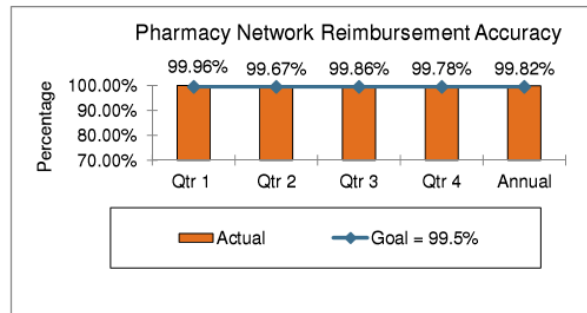
The percentage of time "clean" claims\* are adjudicated within 30 days. This is a manual process where the member sends in a claim form and the member is directly reimbursed. \*Clean claims means all information is present to adjudicate the claim.



**Result: Performance Standard Achieved**

### Pharmacy Network (Electronic) Reimbursement Accuracy

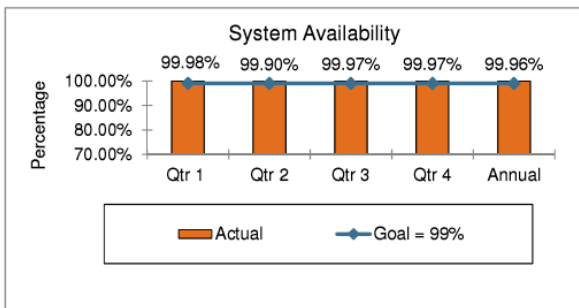
The percentage of time claims paid (including reversals and adjustments) to a Network Pharmacy are paid in accordance with the pharmacy contract reimbursement provisions effective at the time the claim is adjudicated.



**Result: Performance Standard Achieved**

### System Availability

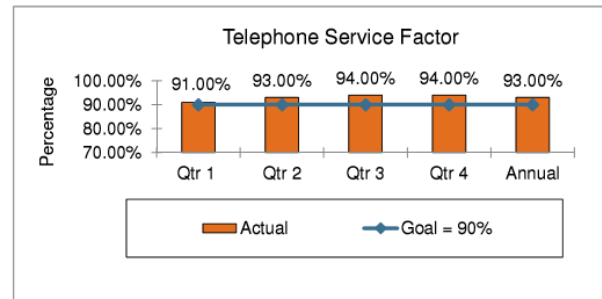
The percentage of time the claims processing system is available for the adjudication of on-line claims submitted by Network Pharmacies.



**Result: Performance Standard Achieved**

### Call Center Metrics - Telephone Service Factor (TSF)

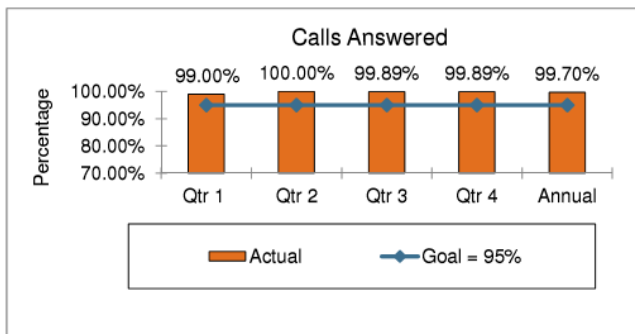
The percentage of calls answered within the 15 second threshold. Telephone Service Factor = Calls Answered in Threshold / Calls Answered



**Result: Performance Standard Achieved**

### Call Center Metrics - Calls Answered vs. Abandoned

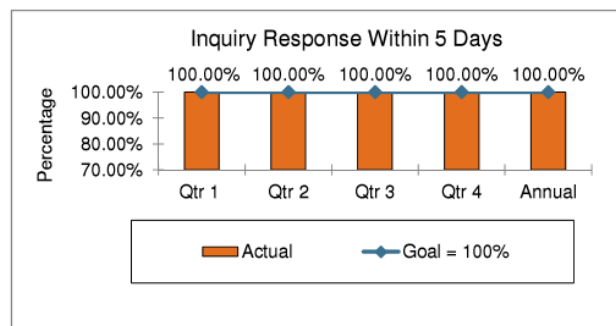
The percentage of calls answered (not abandoned). This measure excludes "short" abandons (callers who abandon within 30 seconds.)



**Result: Performance Standard Achieved**

### Member Written Inquiries Responded to within 5 Days

Time written inquiries from members (excluding grievance requests) are responded to within 5 business days.



**Result: Performance Standard Achieved**



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### **Operational Review Conclusion**

PillarRx concludes that the Navitus policies and procedures were consistent with industry standards and allowed Navitus to meet contractual requirements and performance standards required by the State.

## Conclusions

PillarRx 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.

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

PillarRx considers the State of Wisconsin ETF relationship with Navitus to be well founded. Performance on pricing exceeds benchmarks in the industry and adherence to the benefit structure also compares most favorably to the market.

### **Pricing Audit**

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

### **Onsite Review of Pharmacy Network Contracts**

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

### **Rebate Audit**

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

### **EGWP Audit**

PillarRx concludes that Navitus is adjudicating claims in accordance with CMS guidance.

### **Plan Design Audit**

PillarRx concludes that Navitus is adjudicating claims according to the plan design.

### **Invoice Reconciliation Audit**

PillarRx concludes that the Navitus is invoicing the State accurately.

### **Operational Review**

PillarRx concludes that the Navitus policies and procedures were consistent with industry standards.



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This document has been prepared in good faith on the basis of information provided to PillarRx Consulting, without any independent verification. If the data, information, and observations received are inaccurate or incomplete, our review, analysis, and conclusions may likewise be inaccurate or incomplete. Our conclusions and recommendations are developed after careful analysis and reflect our best professional judgment.

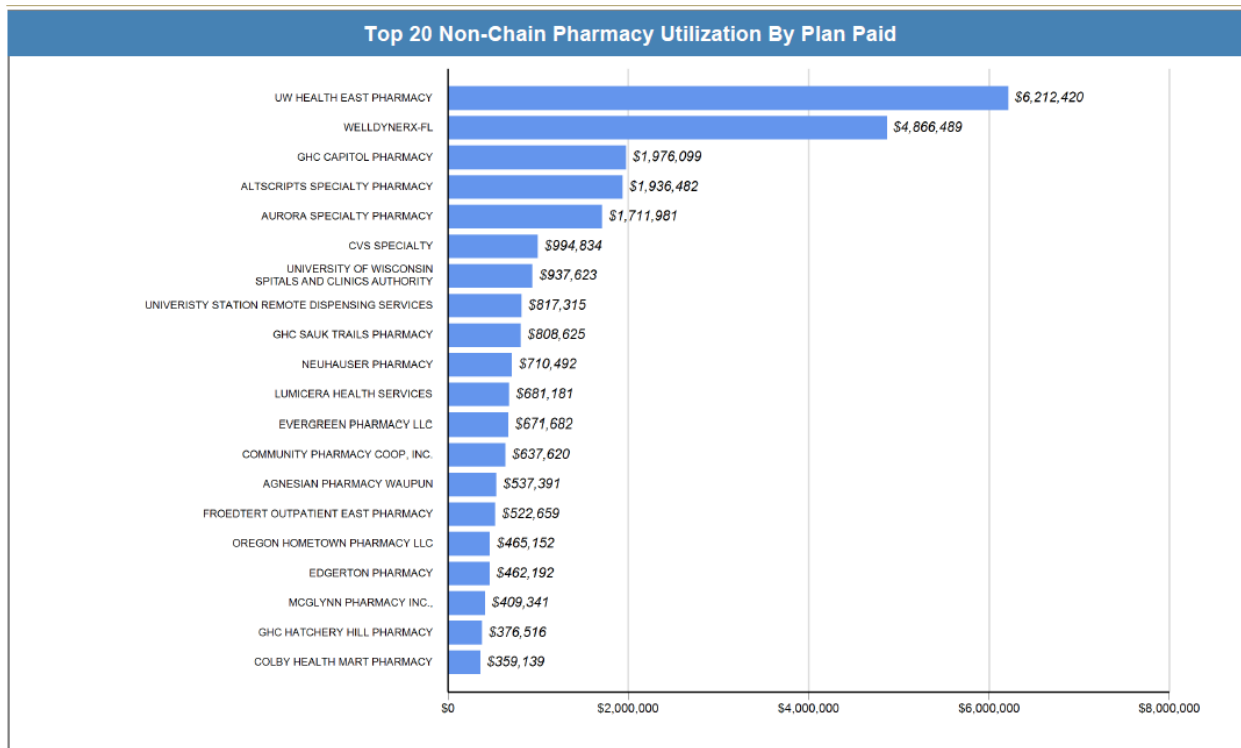
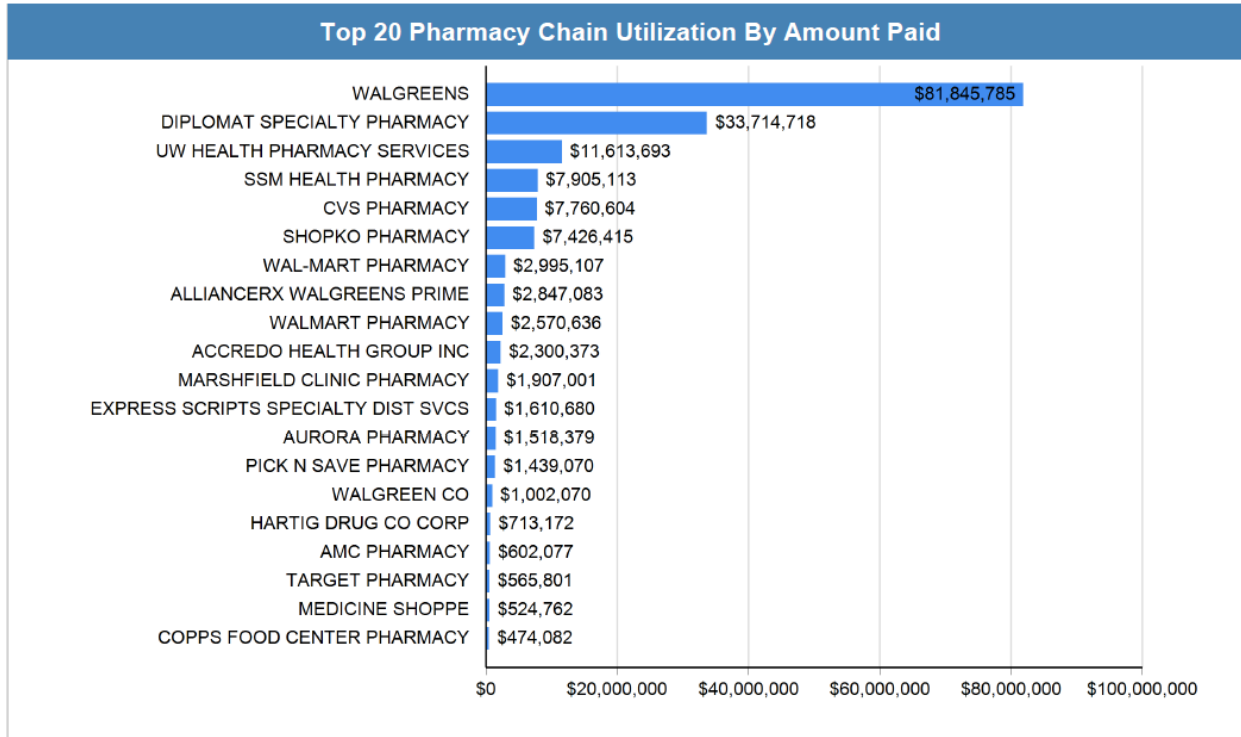
This document is the proprietary work product of PillarRx Consulting and is provided for your internal use only. No further use or distribution to any third party is authorized without PillarRx Consulting's prior written consent.

PillarRx Consulting representatives may from time to time provide observations regarding certain tax and legal requirements including the requirements of federal and state health care reform legislation. These observations are based on our good-faith interpretation of laws and regulations currently in effect, and are not intended to be a substitute for legal or tax advice. Please contact your legal counsel and tax accountant for advice regarding legal and tax requirements.

# Attachment C

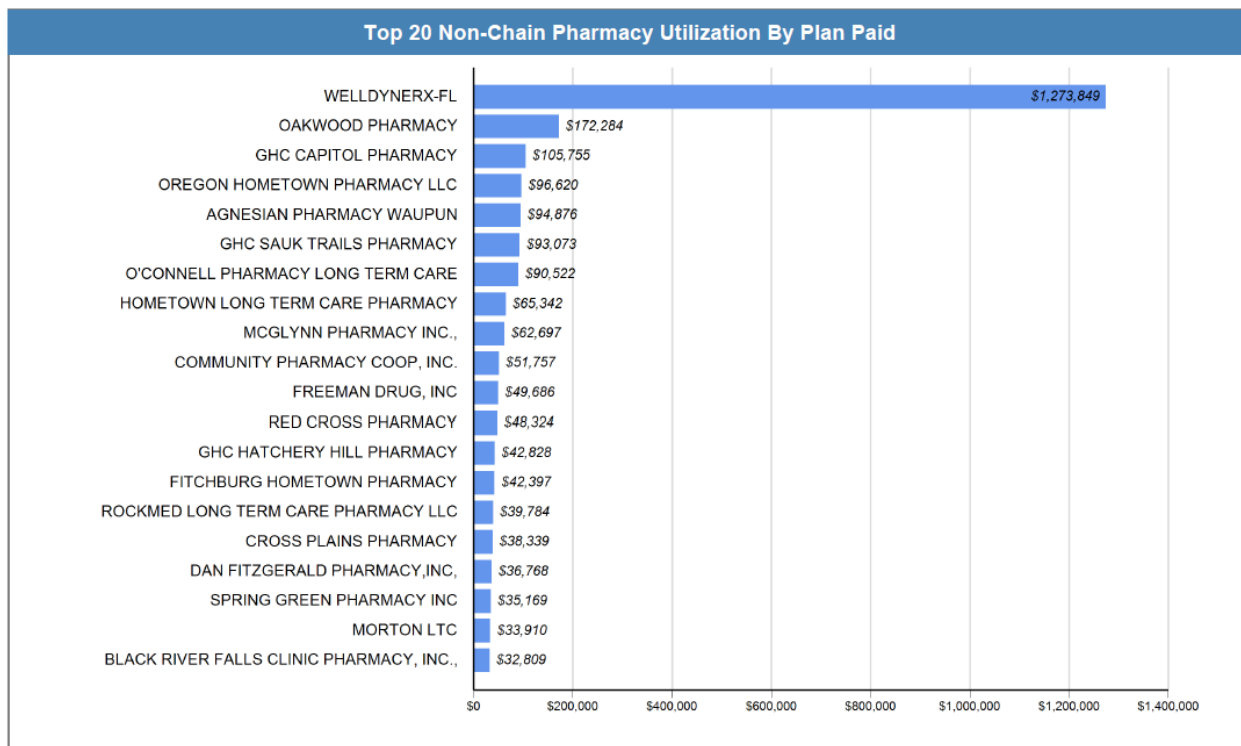
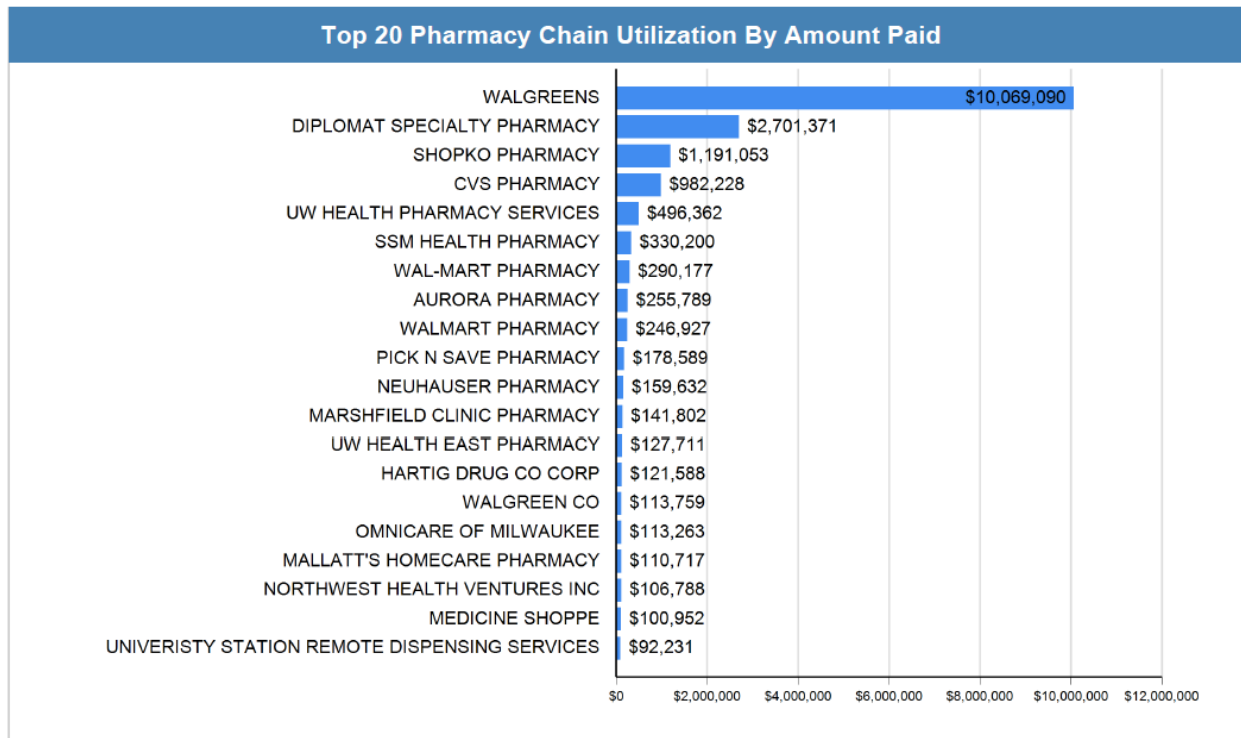
## Onsite Review of Pharmacy Network Contracts

### GHIP Commercial (Non-Medicare) Coverage





# GHIP EGWP (Medicare) Coverage



## Attachment D

### Employer Group Waiver Plan (EGWP) Medicare Part D Terms

#### Medicare Prescription Drug Event (PDE)

When a Medicare beneficiary (i.e. GHIP member) with Part D coverage fills a prescription, the prescription drug plan – Navitus MedicareRx – submits a record to the Centers for Medicare & Medicaid Services (CMS). The PDE record contains prescription drug cost and payment data that enables CMS to make payments to plans and otherwise administer the Part D benefit. The record includes:

- Service date
- Drug identification – National Drug Code (NDC) Product ID
- Quantity dispensed
- Days supply
- Cost
- Payment
- Variables that link to other CMS programs:
- Plan Contract ID/Plan Benefit Package ID  
*links to Plan Characteristics file*
- Chronic Conditions Data Warehouse (CCW) Product ID (NDC code)  
*links to the Drug Characteristics database*
- Beneficiary ID (i.e. GHIP Member's ID)  
*links to Medication Therapy Management & Plan Election characteristics files and  
links to CMS utilization, enrollment & assessment data for Medicare/Medicaid*
- Formulary Drug Identifier  
*links to the CMS Part D Formulary files*
- CCW Pharmacy ID or NCPDP ID  
*links to the Pharmacy Characteristics file*
- CCW-assigned Prescriber Identifier  
*links to the Prescriber Characteristics file*

#### True Out-Of-Pocket (TrOOP) Costs

TrOOP costs include all payments for Medications listed on a Medicare Part D plan's formulary and purchased at a Network or participating Pharmacy. This includes payments made by the Medicare beneficiary and payments made by others on the Medicare beneficiary's behalf. TrOOP is used to determine when a Medicare beneficiary moves through the four phases of Medicare Part D coverage:

1. Deductible Phase
2. Initial Coverage Phase
3. Coverage Gap Phase ("Donut-Hole")
4. Catastrophic Coverage Phase

### Low-Income Cost Sharing (LICS)

A subsidy program for Medicare Part D Plans to help pay for the cost of drugs for certain Medicare Beneficiaries (those who qualify for extra help through the Low-Income Subsidy (LIS) program). LICS pays for most or all cost-sharing liabilities for the LIS enrollees.

For example, when a LIS enrollee goes to the pharmacy, they pay nothing for their drug. This means the Medicare Part D plan pays the full cost. The LICS subsidy reimburses the Medicare Part D plan for the LIS enrollee's copayment the plan covered.

### Coverage Gap Discount Payments

The Medicare Coverage Gap Discount Program (Discount Program) makes manufacturer discounts available to eligible Medicare beneficiaries who are prescribed covered Part D drugs, while in the coverage gap phase (a.k.a. the "donut-hole"). In order to participate in the Discount Program, manufacturers must sign an agreement with CMS to provide the discount on all its applicable drugs (i.e. prescription drugs approved or licensed under new drug applications or biologic license applications). Beginning in 2011, only those applicable drugs covered under a signed manufacturer agreement with CMS can be covered under Part D.

Similar to the LICS payments, Medicare beneficiaries who enter the coverage gap phase will only pay their copayment and the Medicare Part D plan covers the remaining undiscounted cost of the drug. The Drug Manufacturer then reimburses the Medicare Part D plan sponsor for the discounted amount through Coverage Gap Discount Payments. This does not apply to LIS enrolled members because they will not reach the "donut-hole".