



STATE OF WISCONSIN
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CORRESPONDENCE MEMORANDUM

DATE: April 24, 2013
TO: Group Insurance Board
FROM: Jeff Bogardus, Manager of Pharmacy Benefit Programs
SUBJECT: Audit of Pharmacy Benefit Manager Services for Plan Years 2009 & 2010 and Retiree Drug Subsidy Program for Plan Years 2008 & 2009

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

The Department of Employee Trust Funds retained TRICAST, Inc. to conduct a comprehensive biennial audit to assess compliance with the administrative services agreement with Navitus Health Solutions, LLC (Navitus), as well as Navitus' performance with regard to pharmacy benefits management and reporting for the Retiree Drug Subsidy (RDS) program. The audit was performed on pharmacy benefits for plan years 2009 and 2010, and the RDS program for plan years 2008 and 2009.

TRICAST's audit was segmented into five phases: Contract Pricing Analysis; Onsite Review of Pharmacy Network Contracts; Rebate Analysis; Retiree Drug Subsidy Program Audit; and Plan Design. The audit included reviewing 100% of the pharmacy claims processed by Navitus. Copies of the Executive Summary and the Audit Results report are attached.

Conclusions presented in TRICAST's Executive Summary (page 6) and Audit Results report (page 23) demonstrate 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 that they appropriately administered the pharmacy benefit programs according to plan design and contractual provisions.

Reviewed and approved by Lisa Ellinger, Administrator, Division of Insurance Services.

Electronically Signed 5/3/13

Board	Mtg Date	Item #
GIB	5.21.13	4F

One item that staff would like to note regards the audit of the Retiree Drug Subsidy (RDS) program. The RDS audit assessment conducted by TRICAST included:

- Comparison of claims to Medicare eligible members
- Identification of Part D covered National Drug Codes (NDCs)
- Recalculation of Gross Retiree Cost (GRC), Threshold Reduction (THR), Limit Reduction (LR), Gross Eligible (GE), Estimated Cost Adjustment (ECA), Available Retiree Cost (ARC), and Subsidy Paid (SP)

TRICAST reported that the audit of the RDS program for 2008 and 2009 showed variances of 3.17% and 2.85% respectively. In both instances, the subsidy the State group health insurance program received was greater than what the TRICAST audit assessment calculated. According to TRICAST the variances can be accounted for in the drugs that are included in cost reporting for the RDS program. Navitus appropriately includes all Medicare Part D and Medicare Part B drugs for which claims are paid. However, the TRICAST assessment takes a more conservative approach and only accounts for Medicare Part D drugs.

Finally, TRICAST indicated in their RDS assessment report that the Centers for Medicare and Medicaid Services (CMS), "... *has typically allowed a difference of 10% for all measures; therefore, a 5% or less parameter would be acceptable.*" According to TRICAST, the 10% threshold established by CMS is guidance provided to third party auditors by CMS to flag problems that plan sponsors may have in reporting costs for the RDS program. TRICAST narrows this parameter to 5% to ensure a better audit of the program.

Upon request, Department staff can provide detailed reports that support the Executive Summary and Audit Report included with this memo.

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

Attachments: A. TRICAST Audit
B. TRICAST Executive Summary



Let the Data Drive Your Decisions

Pharmacy Program Oversight Audit Results

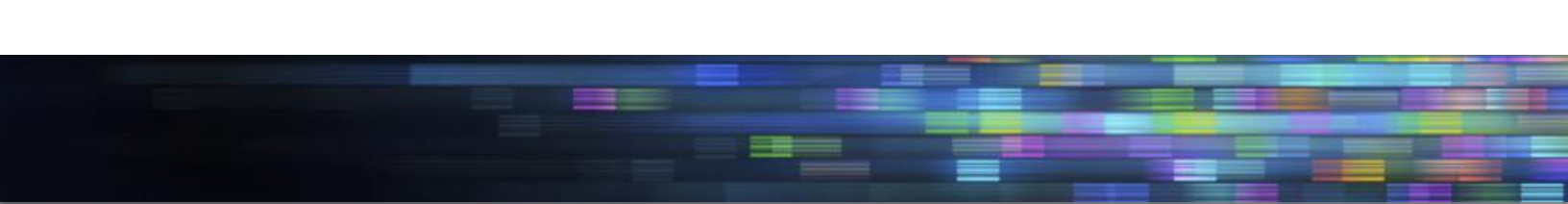
Created for
State of Wisconsin ETF

04/24/2013



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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 Group Insurance Board, provides pharmacy program management for more than 235,000 participating members associated with drugs costs in excess of \$250 million.

Tricast performed a comprehensive biennial audit of Navitus' administration of the pharmacy benefits for ETF. This audit represents phase two of three biennials audits. The audit is segmented into the following phases:

Phase 1 (Completed)

- RDS 2006 and 2007
- Claim Check 2007 & 2008
- Pharmacy Network 2006 and 2007
- Rebates 4Q2007 and 4Q2008

Phase 2 (Current)

- **RDS 2008 and 2009**
- **Claim Check 2009 & 2010**
- **Pharmacy Network 2008 and 2009**
- **Rebates 4Q2009 and 4Q2010**

Phase 3(Future)

- RDS 2010 and 2011
- Claim Check 2011 & 2012
- Pharmacy Network 2010 and 2011
- Rebates 4Q2011 and 4Q2012

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.
- **Lisa Lenda, Coordinator Quality & Analytics** – Manages the overall audit process.
- **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.

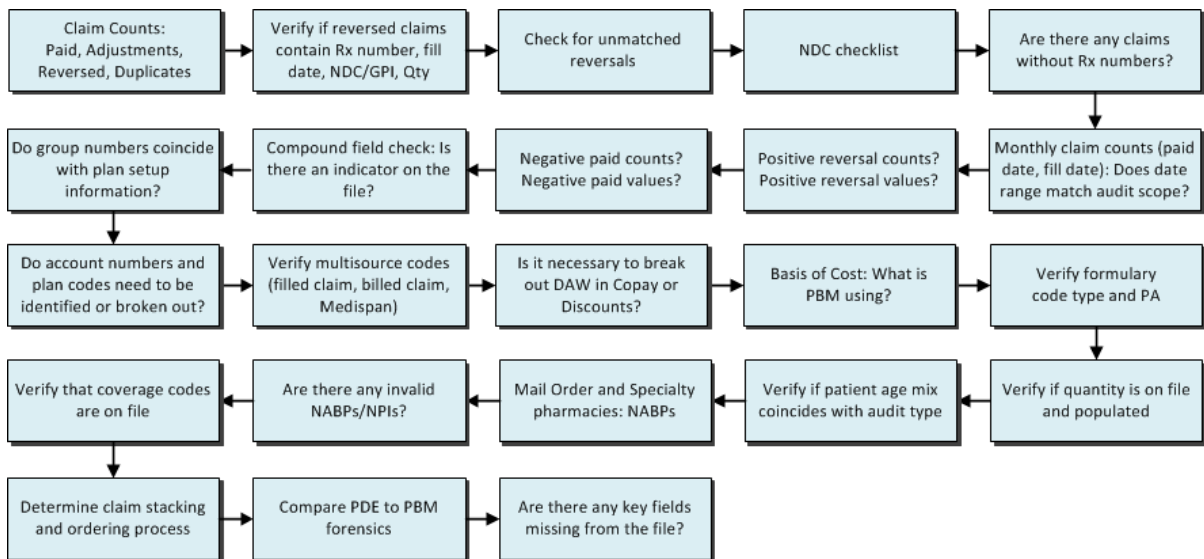
Accurate assessment of all plan design attributes and the appropriate forensic analysis of the claims and eligibility are essential elements that only a full review can provide. Accordingly, every TRICAST report is driven by actual claims re-pricing, not summary reports with simple discounts and arithmetic 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 9,423,702 source claim records from 1/1/2009 through 12/31/2010 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 **Forensic Report_WI ETF.xlsx**.

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, 2009 through December 31, 2010. The Pricing Audit included:

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

Achieved Discounts 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 time analyzed.

2009		2010	
Discounts		Discounts	
Mail	Achieved Discounts	Mail	Achieved Discounts
Brand Pre AWP*	AWP – 22.03%	Brand	AWP – 19.93%
Brand Post AWP*	AWP – 20.05%		
Generic	AWP – 82.16%	Generic	AWP – 81.93%
Specialty	AWP – 16.32%	Specialty	AWP – 14.62%
Retail	Achieved Discounts	Retail	Achieved Discounts
Brand Pre AWP*	AWP – 16.46%	Brand	AWP - 18.68%
Brand Post AWP*	AWP – 13.65%		
Generic	AWP – 72.23%	Generic	AWP – 75.36%
Total AWP	Claim Ingredient Cost	Total AWP	Claim Ingredient Cost
\$442,755,267	\$254,964,992	\$478,223,145	\$263,340,237
Dispensing Fees		Dispensing Fees	
Dispensing Fees Collected		Dispensing Fees Collected	
	\$7,189,681		\$6,327,854

*AWP Settlement Background

A class action lawsuit was brought against McKesson Corporation, a national drug wholesaler, alleging collusion between McKesson and First Data Bank, a major drug pricing publisher. The activities between the two entities resulted in an increase of the published AWP as a markup of WAC on more than 400 brand drugs from 20% to 25%, starting around 2001. This secretly raised drug prices and generated excess profits for the primary purchasers (pharmacies) since they were acquiring the drugs via WAC pricing which remained consistent, but receiving an additional 5% reimbursement from the third party payors.

The AWP class action settlement was approved by the U.S. District Court for the District of Massachusetts on March 30, 2009. The drug pricing publishers involved have agreed to change the AWP on the affected brand drugs back to 20%, essentially rolling back the prices to pre- collusion levels. The date to roll back the fraudulent increase is September 26, 2009.

Please refer to exhibits **2009_Pricing Audit Report**, **2010_Pricing Audit Report**

Onsite Review of Pharmacy Network Contracts

For ETF, TRICAST audited 100% of claims processed from January 1, 2008 through December 31, 2009. TRICAST concludes that the majority of the pharmacies, including the large chains, was compliant with their contracts and was performing as expected. TRICAST encountered discrepancies with the 2009 dispensing fees paid to Walgreens. Claim samples were provided to Navitus for review and feedback. Feedback provided by Navitus, was as follows:

“The contractual stipulations in the agreement with Walgreens required generics to not exceed a determined level. The additional dispense fee was implemented on March 4, 2009 to fulfill the contractual obligation.

The Walgreens agreement does specify a limit on the allowable generic discount. Navitus and Walgreens determined that in the preceding quarter, the limit was exceeded. Navitus and Walgreens agreed informally to satisfy the dollars of the exceeding the limit by offsetting with dispense fee dollars. The fee dollars was easier to setup and monitor compared to variable ingredient costs by drug.”

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

Please refer to exhibits **Pharmacy Audit 2008, Pharmacy Audit 2009, Pharmacy Audit Navitus Response 08282012 and Pharmacy Audit Navitus Response 09112012.**

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 Q4'09 & Q4'10. The top eight pharmaceutical manufacturers chosen represent 80% of all rebates. In addition, TRICAST reviewed ETF's rebate payment report.

The manufacturers reviewed and business segments were as follows:

Q4'09

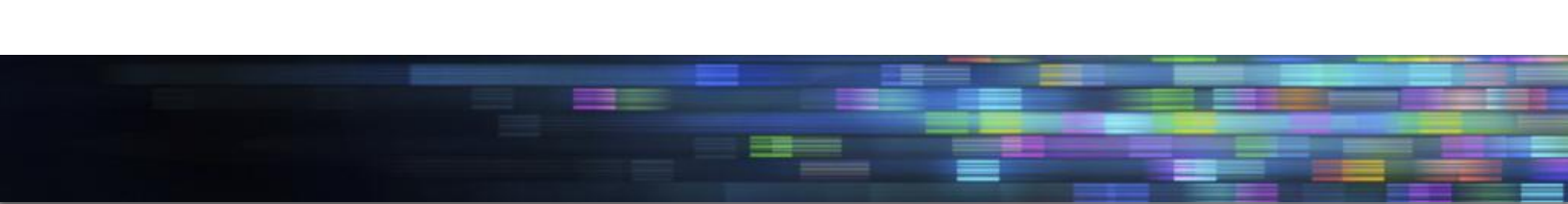
1. Abbott Diabetes Care
2. Astra Zeneca
3. Glaxo Smith Kline
4. Novartis
5. Novo Nordisk
6. Shire
7. Takeda
8. Wyeth

Q4'10

1. Abbott Diabetes Care
2. Glaxo Smith Kline
3. Merck
4. Novartis
5. Novo Nordisk
6. Shire
7. Takeda
8. Wyeth

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 Q4’09 & Q4’10. Utilizing PharmaCAST, the data from the pharmaceutical contracts were run against the rebate invoices and ETF’s claims data for Q4’09 & Q4’10. Results per manufacturer are listed on the next page.

Client: State of Wisconsin					
Rebate Analysis Summary					
Data: Q4'09 & Q4'10					
Q4 2009					
Top 8 Manufacturers by Dollar Amount					
Manufacturer	Rebates Received	Tricast Calculated Rebates	Dollar Variance	Percent Variance	
Abbott Diabetes Care	\$268,788	\$278,904	-\$10,116	-3.8%	
Astra Zeneca	\$220,227	\$222,957	-\$2,730	-1.2%	
Glaxo Smith Kline	\$508,140	\$505,213	\$2,927	0.6%	
Novartis	\$251,159	\$258,031	-\$6,872	-2.7%	
Novo Nordisk	\$427,242	\$433,293	-\$6,052	-1.4%	
Shire	\$453,312	\$421,006	\$32,307	7.1%	
Takeda	\$381,279	\$427,245	-\$45,966	-12.1%	
Wyeth	\$880,078	\$903,386	-\$23,308	-2.6%	
	\$3,390,225	\$3,450,035	-\$59,810	-1.8%	
Q4 2010					
Top 8 Manufacturers by Dollar Amount					
Manufacturer	Rebates Received	Tricast Calculated Rebates	Dollar Variance	Percent Variance	
Abbott Diabetes Care	\$315,738	\$309,395	\$6,343	2.0%	
Glaxo Smith Kline	\$601,969	\$597,428	\$4,540	0.8%	
Merck	\$214,589	\$216,213	-\$1,623	-0.8%	
Novartis	\$329,305	\$325,677	\$3,628	1.1%	
Novo Nordisk	\$641,460	\$644,206	-\$2,746	-0.4%	
Shire	\$522,761	\$468,905	\$53,857	10.3%	
Takeda	\$307,913	\$320,524	-\$12,611	-4.1%	
Wyeth	\$1,466,694	\$1,468,554	-\$1,860	-0.1%	
	\$4,400,430	\$4,350,901	\$49,529	1.1%	
TOTAL Q4 2009 and Q4 2010		\$7,790,654	\$7,800,936	-\$10,282	-0.1%

Q4'09 & Q4'10 Rebate Analysis for ETF Contract

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 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

As shown in the figures on the previous page, TRICAST's analysis of rebates paid by Navitus for ETF in Q4'09 & Q4'10 shows the following:

- Q4 2009: Navitus paid to the ETF less than TRICAST's calculated amount for 6 of the 8 manufacturers. These underpayments were within 3.9% of TRICAST's calculated rebate amount. For two manufacturers, Navitus paid more than TRICAST's calculated amount (0.6% for Glaxo Smith Kline and 7.1% for Shire).
 - **The results confirm a total underpayment to ETF of \$59,810 (1.8%).**
- Q4 2010: Navitus paid to the ETF less than TRICAST's calculated amount for 4 of the 8 manufacturers. These underpayments were within 0.1% of TRICAST's calculated rebate amount. For four manufacturers, Navitus paid more than TRICAST's calculated amount (2.0% for Abbott Diabetes Care, 0.8% for Glaxo Smith Kline, 1.1% for Novartis and 10.3% for Shire).
 - **The results confirm a total overpayment to ETF of \$49,529 (1.1%).**
- Overall, for Q2 2009 and Q4 2010 Navitus paid to the ETF 0.1% less than TRICAST's calculated amount.
 - **The results confirm a total underpayment to ETF of \$10,282 (0.1%).**

Please refer to exhibit **ETF - Q4'09 and Q4'10 FINAL 9-14-12**.

Based on historical rebate audits TRICAST has conducted and our benchmarking, it is acceptable to see results with a variance of plus or minus 1.0%. Overall the rebate audit of the ETF plan was minus 0.1%. TRICAST concludes that Navitus is properly processing and paying rebates to ETF. Navitus is in compliance with their contract with ETF.

Retiree Drug Subsidy Program Audit, 2008 -2009

TRICAST's Retiree Drug Subsidy Assessment for ETF included:

- Comparison of claims to Medicare eligible members
- Identification of Part D covered NDCs
- Recalculation of Gross Retiree Cost (GRC), Threshold Reduction (THR), Limit Reduction (LR), Gross Eligible (GE), Estimated Cost Adjustment (ECA), Available Retiree Cost (ARC), and Subsidy Paid (SP)

CMS has typically allowed a difference of 10% for all measures; therefore, a 5% or less parameter would be acceptable. TRICAST calculated 3.17% variance for 2008, and 2.85% variance for 2009. Both within an acceptable error rate range based on our industry experience.

TRICAST concludes that the subsidy billed and collected on the behalf of the ETF to be within acceptable parameters of our audit.

2008							
Month	Gross Cost	Threshold Reduction	Limit Reduction	Estimated Cost Adjustment	Gross Eligible	Allowable Retiree Cost	Subsidy Amount
200801	\$4,400,493.43	\$2,779,881.07	\$22,991.63	\$360,114.27	\$1,597,620.73	\$1,237,506.46	\$346,501.81
200802	\$4,173,055.26	\$1,007,300.14	\$84,901.36	\$330,597.49	\$3,080,853.76	\$2,750,256.27	\$770,071.76
200803	\$4,646,659.50	\$554,556.37	\$207,752.88	\$363,005.95	\$3,884,350.25	\$3,521,344.30	\$985,976.40
200804	\$4,770,636.98	\$324,026.37	\$391,048.83	\$394,465.38	\$4,055,561.78	\$3,661,096.40	\$1,025,106.99
200805	\$4,755,007.95	\$218,102.58	\$521,600.20	\$401,206.18	\$4,015,305.17	\$3,614,098.99	\$1,011,947.72
200806	\$4,757,016.33	\$158,701.81	\$674,780.20	\$398,024.01	\$3,923,534.32	\$3,525,510.31	\$987,142.89
200807	\$4,929,198.49	\$154,143.16	\$875,385.85	\$416,314.15	\$3,899,669.48	\$3,483,355.33	\$975,339.49
200808	\$4,845,165.50	\$123,536.19	\$1,053,297.92	\$409,365.64	\$3,668,331.39	\$3,258,965.75	\$912,510.41
200809	\$4,972,864.83	\$104,209.46	\$1,269,493.54	\$417,614.58	\$3,599,161.83	\$3,181,547.25	\$890,833.23
200810	\$5,228,278.61	\$96,145.92	\$1,577,906.50	\$444,470.11	\$3,554,226.19	\$3,109,756.08	\$870,731.70
200811	\$4,890,701.83	\$79,315.91	\$1,689,519.41	\$418,691.21	\$3,121,866.51	\$2,703,175.30	\$756,889.08
200812	\$5,680,154.45	\$83,751.97	\$2,221,775.50	\$499,821.16	\$3,374,626.98	\$2,874,805.82	\$804,945.63
	\$58,049,233.16	\$5,683,670.95	\$10,590,453.82	\$4,853,690.13	\$41,775,108.39	\$36,921,418.26	\$10,337,997.11

2009							
Month	Gross Cost	Threshold Reduction	Limit Reduction	Estimated Cost Adjustment	Gross Eligible	Allowable Retiree Cost	Subsidy Amount
200901	\$4,953,443.62	\$3,009,632.80	\$18,950.91	\$435,533.27	\$1,924,859.91	\$1,489,326.64	\$417,011.46
200902	\$4,749,543.23	\$1,103,722.69	\$131,044.05	\$391,826.25	\$3,514,776.49	\$3,122,950.24	\$874,426.07
200903	\$5,292,828.60	\$623,741.39	\$328,279.68	\$416,218.16	\$4,340,807.53	\$3,924,589.37	\$1,098,885.02
200904	\$5,222,981.30	\$358,790.88	\$456,103.48	\$401,225.02	\$4,408,086.94	\$4,006,861.92	\$1,121,921.34
200905	\$5,329,923.74	\$245,830.14	\$638,485.11	\$441,206.78	\$4,445,608.49	\$4,004,401.71	\$1,121,232.48
200906	\$5,441,389.45	\$180,795.85	\$876,582.85	\$438,144.89	\$4,384,010.75	\$3,945,865.86	\$1,104,842.44
200907	\$5,454,760.61	\$151,274.57	\$999,616.48	\$487,060.79	\$4,303,869.56	\$3,816,808.77	\$1,068,706.46
200908	\$5,552,293.36	\$126,505.54	\$1,342,218.94	\$492,268.44	\$4,083,568.88	\$3,591,300.44	\$1,005,564.12
200909	\$5,398,881.26	\$112,016.13	\$1,442,474.38	\$485,688.03	\$3,844,390.75	\$3,358,702.72	\$940,436.76
200910	\$5,556,452.58	\$98,100.53	\$1,784,943.38	\$429,182.96	\$3,673,408.67	\$3,244,225.71	\$908,383.20
200911	\$5,536,403.38	\$90,056.50	\$2,011,135.42	\$429,230.77	\$3,435,211.46	\$3,005,980.69	\$841,674.59
200912	\$6,036,294.21	\$81,020.17	\$2,441,750.32	\$471,157.08	\$3,513,523.72	\$3,042,366.64	\$851,862.66
	\$64,525,195.34	\$6,181,487.19	\$12,471,585.00	\$5,318,742.44	\$45,872,123.15	\$40,553,380.71	\$11,354,946.60

Please refer to exhibits **RDS Report 2008_Part D RDS** and **RDS Report 2009_Part D RDS**.

Plan Design Audit

In the Plan Design Audit, TRICAST reviewed Navitus' management of the benefit in place during the review period of January 1, 2009 through December 31, 2010. 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 Claim Check application is able to audit plan design continuously, which is invaluable to clients in determining their PBM's performance over time. However, for State of Wisconsin, TRICAST audited the plan design for the time period under review. 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 copy summary is below:

Benefit Effective Date	January 1, 2009			
Benefit Type	Three-Level Benefit			
Days Supply Dispensed	Participating Retail Pharmacy: Up to 30 days Mail Order: Up to 90 days			
Benefit Structure		Participating Retail Pharmacy (up to 30 days) Member Pays...	Mail Order (up to 90 days) Member Pays...	Applies to Out-of-Pocket Maximum
	Level 1 – Formulary generics and certain low cost brand name drugs	\$5 copayment	\$10 copayment	YES
	Level 2 – Formulary brand name drugs and certain higher cost generic drugs	\$15 copayment	\$30 copayment	YES
	Level 3 – Covered Non-Formulary drugs	\$35 copayment	\$105 copayment	NO
	Formulary blood glucose monitors	\$0	\$0	N/A
	Disposable diabetic supplies (syringes, needles, alcohol swabs, lancets, lancing devices, blood or urine test strips)	20% coinsurance of total prescription price	20% coinsurance of total prescription price	YES
	Diaphragms; and spacers/peak flow meters	20% coinsurance of total prescription price	20% coinsurance of total prescription price	YES
Annual Out-of-Pocket Maximum	Plan	Annual Out-of-Pocket Maximum Member Pays...		
	Participants enrolled in an HMO or in Medicare Plus \$1,000,000	\$385 Individual \$770 Family		
	State Participants enrolled in State Maintenance Plan (SMP)	\$385 Individual \$770 Family		
	State Participants enrolled in the Standard Plan	\$1,000 Individual \$2,000 Family		
	Local Participants enrolled in the Standard Plan or State Maintenance Plan (SMP)	No annual out-of-pocket maximum		
	IMPORTANT:			
<ul style="list-style-type: none"> Once the out-of-pocket maximum is reached, you pay \$0 for Level 1 and Level 2 prescription drugs, insulin and diabetic supplies. Level 3 copayments do NOT apply toward the out-of-pocket maximum and will continue after the out-of-pocket maximum is reached. 				

Benefit Effective Date		January 1, 2010			
Benefit	Three-Level Benefit				
Benefit Structure		Participating Retail Pharmacy (up to 30 days) Member Pays...	Participating Retail Pharmacy (up to 90 days) Member Pays....	Mail Order (up to 90 days) Member Pays...	Applies to Out-of-Pocket Maximum
	Level 1 – Formulary generics and certain low cost brand name drugs	\$5 copayment	\$15 copayment	\$10 copayment	YES
	Level 2 – Formulary brand name drugs and certain higher cost generic drugs	\$15 copayment	\$45 copayment	\$30 copayment	YES
	Level 3 – Covered Non-Formulary drugs	\$35 copayment	\$105 copayment	\$105 copayment	NO
	Formulary blood glucose monitors	\$0	\$0	\$0	N/A
	Disposable diabetic supplies (syringes, needles, alcohol swabs, lancets, lancing devices, blood or urine test strips)	20% coinsurance of total prescription price	20% coinsurance of total prescription price	20% coinsurance of total prescription price	YES
	Diaphragms; and spacers/peak flow meters	20% coinsurance of total prescription price	20% coinsurance of total prescription price	20% coinsurance of total prescription price	YES
Annual Out-of-Pocket Maximum	Plan	Annual Out-of-Pocket Maximum Member Pays...			
	Participants enrolled in an HMO or in Medicare Plus \$1,000,000	\$410 Individual \$820 Family			
	State Participants enrolled in State Maintenance Plan (SMP)	\$410 Individual \$820 Family			
	State Participants enrolled in Standard Plan	\$1,000 Individual \$2,000 Family			
	Local Participants enrolled in the Standard Plan or State Maintenance Plan (SMP)	No annual out-of-pocket maximum			
	IMPORTANT:				
<ul style="list-style-type: none"> Once the out-of-pocket maximum is reached, you pay \$0 for Level 1 and Level 2 prescription drugs, insulin and diabetic supplies. Level 3 copayments do NOT apply toward the out-of-pocket maximum and will continue after the out-of-pocket maximum is reached. 					

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 \$31,950,448 were collected in 2009 and \$32,117,550 were collected in 2010, 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 claims from members who transferred group numbers in mid-year. For these members, Navitus appropriately performs a manual transfer of out-of-pocket dollars. TRICAST was not provided with records of these manual out-of-pocket transfers, and therefore set the member accumulator to zero for these members.

Plan Year	Copays Collected	Copays per Plan Design	Total Variance	Variance Percent
2009	\$31,950,448	\$31,960,313	\$9,865	0.0309%
2010	\$32,117,550	\$32,111,426	(\$6,124)	-0.0191%

Please refer to exhibits **State of WI 2009 Copay** and **State of WI 2010 Copay**

Drug Coverage Summary

Day supply

In 2010, 23 claims were identified as potential discrepancies. Discrepant claim samples were provided to Navitus for review, and comment. According to Navitus, there were two classifications why the claims processed outside of plan rules: vacation overrides, and manual claims either for diabetic testing supplies where Medicare is primary or resubmitted claims.

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.

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.

577 potential discrepant claim samples were provided to Navitus for review and comment. Upon their review Navitus noted that gender edits were not in place until 1/14/2009 on the plan, but were retro dated back to 1/1/2009. Ten claims processed before the gender edits were attached to the plan. Total plan paid \$1,589.35. The remaining claims were reviewed and approved by a clinical pharmacist.

No significant discrepancies noted. No action required.

Please refer to exhibits **State of WI 2009 Drug Coverage, State of WI 2010 Drug Coverage, ETF Audit Summary 2009, and ETF Audit Summary 2010.**

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 plan is being administered per the plan design documentation.

TRICAST will continue to review pricing, rebates, retiree drug subsidy and 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.

Retiree Drug Subsidy Program Audit

TRICAST calculated 3.17% variance for 2008, and 2.85% variance for 2009. TRICAST concludes that the subsidy billed and collected on the behalf of the ETF to be within acceptable parameters of our audit.

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.

Pharmacy Program Oversight Executive Summary

Created for

State of Wisconsin ETF

December 17, 2012

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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 Group Insurance Board, provides pharmacy program management for more than 235,000 participating members associated with annual drug costs in excess of \$250 million.

Tricast performed a comprehensive biennial audit of Navitus' administration of the pharmacy benefits for ETF. This audit represents phase two of three biennials audits.

Phase 2

Client Name	State of Wisconsin ETF
PBM Name	Navitus
RDS Claims Period	01/01/2008 through 12/31/2009
Claim Check Claims Period	01/01/2009 through 12/31/2010
Claim Check Total Claims	9,423,702
Pharmacy Network Period	01/01/2008 through 12/31/2009
Pharmacy Network Total Claims	2,677,795
Rebate Periods	10/01/2009 through 12/31/2009 and 10/01/2010 through 12/31/2010

II. Auditor's Findings

Retiree Drug Subsidy (RDS) Program Audit

TRICAST calculated 3.17% variance for 2008, and 2.85% variance for 2009. TRICAST concludes that the subsidy billed and collected on the behalf of the ETF to be within acceptable parameters of our audit.

Claim Check Audit

- **Copay:** Miscellaneous minor inconsistencies were found in collected copays that represented a less than 1% of an overall variance. Navitus determined that these inconsistencies primarily occurred in claims from members who transferred group numbers in mid-year. For these members, Navitus appropriately performs a manual transfer of out-of-pocket dollars. This compares very favorably with TRICAST's experience with other clients with similar claims volume.
- **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 encountered discrepancies with 2009 dispensing fees paid to Walgreens. Claim samples were provided to Navitus for review and feedback.

Navitus advised of a contractual stipulation with Walgreens requiring a generic discount threshold, which was exceeded. Navitus and Walgreens agreed informally to satisfy the dollars of the exceeding the limit by offsetting with dispense fee dollars. The fee dollars was easier to setup and monitor compared to variable ingredient costs by drug. TRICAST is in agreement with the explanation and no other action is needed.

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

Rebate Audit

Based on historical rebate audits TRICAST has conducted and our benchmarking, it is acceptable to see results with a variance of plus or minus 1.0%. Overall the rebate audit of the ETF plan was minus 0.1%. TRICAST concludes that Navitus is properly processing and paying rebates to ETF. Navitus is in compliance with their contract with ETF.

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 State of Wisconsin, Department of Employee Trust Funds plan is being administered per the plan design documentation.

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