



STATE OF WISCONSIN
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CORRESPONDENCE MEMORANDUM

DATE: October 22, 2014
TO: Group Insurance Board
FROM: Jeff Bogardus, Manager, Pharmacy Benefit Programs
Mary Statz, Director, Health Benefits and Insurance Plans Bureau
SUBJECT: Audit of Pharmacy Benefit Manager Services for Plan Years 2011 & 2012 and
Retiree Drug Subsidy Program for Plan Years 2010 & 2011

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

The Department of Employee Trust Funds (ETF) retained TRICAST, Inc. to conduct a comprehensive biennial audit to assess compliance with the 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 2011 and 2012, and the RDS program for plan years 2010 and 2011.

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

- Contract Pricing Analysis
- Onsite Review of Pharmacy Network Contracts
- Rebate Audit and Analysis
- Retiree Drug Subsidy Program Audit
- Plan Design Audit

This is the third audit that TRICAST has performed under the current contract.

Findings

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

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

Electronically Signed:
10/30/2014

Board	Mtg Date	Item #
GIB	11.18.14	3E

The rebate analysis for 2011 and 2012 plan years show small variances in the rebates reported by Navitus compared to TRICAST's independent calculation of rebates owed from the top eight drug manufacturers. The variances reflected the audit's expectation that more rebate dollars should have been passed through by Navitus. As TRICAST indicates on page 13 of the Audit Results Report, Navitus submits rebates to drug manufacturers aggregated for Navitus' entire book of business. However, when TRICAST calculates the rebates for their analysis they do so based on our group health insurance programs' claims alone. This can create a variance between the TRICAST calculation and what Navitus passes through to our group health insurance programs. This variance was -0.89% or \$35,041 more rebates expected for 2011, and -1.88% or \$62,291 more rebates expected for 2012. Both are well within acceptable variance limits based on the audit standards TRICAST applies, and we believe this reflects the small amount of imprecision in TRICAST's rebate calculation method because they do not have access to rebate specifics for all other Navitus clients.

Also noteworthy are details of the Retiree Drug Subsidy (RDS) program audit, which can be found on pages 14 and 15 of the Audit Results Report (Attachment B). The RDS audit assessment conducted by TRICAST included:

- Comparison of claims to Medicare eligible members
- Identification of Part D covered National Drug Codes
- Recalculation of Gross Retiree Cost, Threshold Reduction, Limit Reduction, Gross Eligible, Estimated Cost Adjustment, Available Retiree Cost, and Subsidy Paid

TRICAST reported that the audit of the RDS program for 2010 and 2011 showed variances of +0.42% (+\$49,107.97) and -0.19% (-\$22,429.64) respectively. In 2010 the subsidy the State group health insurance program received was greater than the amount TRICAST calculated for the audit, and in 2011 the subsidy received was lower. According to TRICAST, Navitus appropriately includes all claims for Medicare Part D and Medicare Part B drugs, but TRICAST only accounts for Medicare Part D drug claims. This accounts for the variances and reflects the more conservative approach TRICAST uses to evaluate the RDS program.

TRICAST also indicated in its 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 the acceptable threshold parameter to 5% to ensure a better audit of the program.

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

Pharmacy Program Oversight Executive Summary

Created for

State of Wisconsin ETF

October 17, 2014

Table of Contents

<u>I. Auditor's Report</u>	4
<u>II. Auditor's Findings</u>	5
<u>III. Auditor's Conclusions</u>	6

I. Auditor's Report

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

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

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

Phase 3

Client Name	State of Wisconsin ETF
PBM Name	Navitus
RDS Claims Period	01/01/2010 through 12/31/2011
Claim Check Claims Period	01/01/2011 through 12/31/2012
Claim Check Total Claims	6,370,123
Pharmacy Network Period	01/01/2010 through 12/31/2011
Rebate Periods	10/01/2011 through 12/31/2011 and 10/01/2012 through 12/31/2012

II. Auditor's Findings

Retiree Drug Subsidy (RDS) Program Audit

TRICAST calculated 0.42% variance for 2010, and 3.43% variance for 2011. 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 mail claims because the copay methodology is based on day supply which allows members to receive less than a 90 day supply at mail for a reduced copay. The remaining inconsistencies are for drugs that are part of either the RxCents program, Health Care Reform or Tablet Splitting program.
- **Plan Design:** TRICAST noted no discrepancies in day supply, drug exclusions, prior authorizations, quantity limits and gender edits.
- **Pricing:** TRICAST concludes that Navitus is performing per the contract on discounts and dispensing fees. Pricing parameters are aligned with the size and scope expected in the market place for time analyzed.

Onsite Review of Pharmacy Network Contracts

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

Rebate Audit

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

III. Auditor's Conclusions

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

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



Let the Data Drive Your Decisions

Pharmacy Program Oversight Audit Results


Created for
State of Wisconsin ETF

October 21, 2014



Contents

Project Summary.....	5
About TRICAST	6
The TRICAST Audit Team.....	6
The TRICAST Audit Process	7
TRICAST Systems Utilized.....	7
Data Mapping and Integration	8
The TRICAST Data Integrity Check	8
Pricing Audit.....	9
Achieved Discounts & Adjudicated Dispensing Fees Summary.....	10
Onsite Review of Pharmacy Network Contracts.....	10
Rebate Audit	11
Onsite Audit	11
Rebate Analysis.....	12
Rebate Calculation Differentials	13
Rebate Analysis Findings.....	13
Retiree Drug Subsidy Program Audit, 2010 -2011	14
Plan Design Audit	16
Copay Summary	18
Drug Coverage Summary	18
Day supply.....	18
Drug Exclusions	19
Prior Authorizations	19
Quantity Limits.....	19
Gender Edits.....	19
Conclusions	21
Pricing Audit.....	21
Onsite Review of Pharmacy Network Contracts.....	21
Rebate Audit	21
Retiree Drug Subsidy Program Audit	21



Plan Design Audit	21
Day supply	21
Drug Exclusions	21
Prior Authorizations	21
Quantity Limits	21
Gender Edits.....	21

Exhibits (available to the Group insurance Board upon request)

TRICAST Data Integrity Check	1
Forensic Report_WI ETF	1
Contract Pricing Analysis	2
2011 Pricing Audit Report	2
2012 Pricing Audit Report	2
Onsite Review of Pharmacy Network Contracts	3
2010 Chain Discount Report.....	3
2011 Chain Discount Report.....	3
2010 Independent Discount Report	3
2011 Independent Discount Report.....	3
Retiree Drug Subsidy Program Audit, 2010-2011	4
RDS Report 2010_Part D RDS	4
RDS Report 2011_Part D RDS	4
Copays	5
State of WI 2011 Copay	5
State of WI 2012 Copay	5
Drug Coverage Audit Report	6
State of WI 2011 Drug Coverage	6
State of WI 2012 Drug Coverage	6

Project Summary

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

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

Tricast performed a comprehensive biennial audit of Navitus' administration of the pharmacy benefits for ETF. This audit represents phase three 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 (Completed)

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

Phase 3 (Current)

- **RDS 2010 and 2011**
- **Claim Check 2011 and 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, Director of Client Services** – Manages overall audit process, provides recommendations, ongoing support and oversight of plan.
- **Stacy Ausprung, Business Analyst** - Manages the audit process and performs analysis and process management.
- **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.

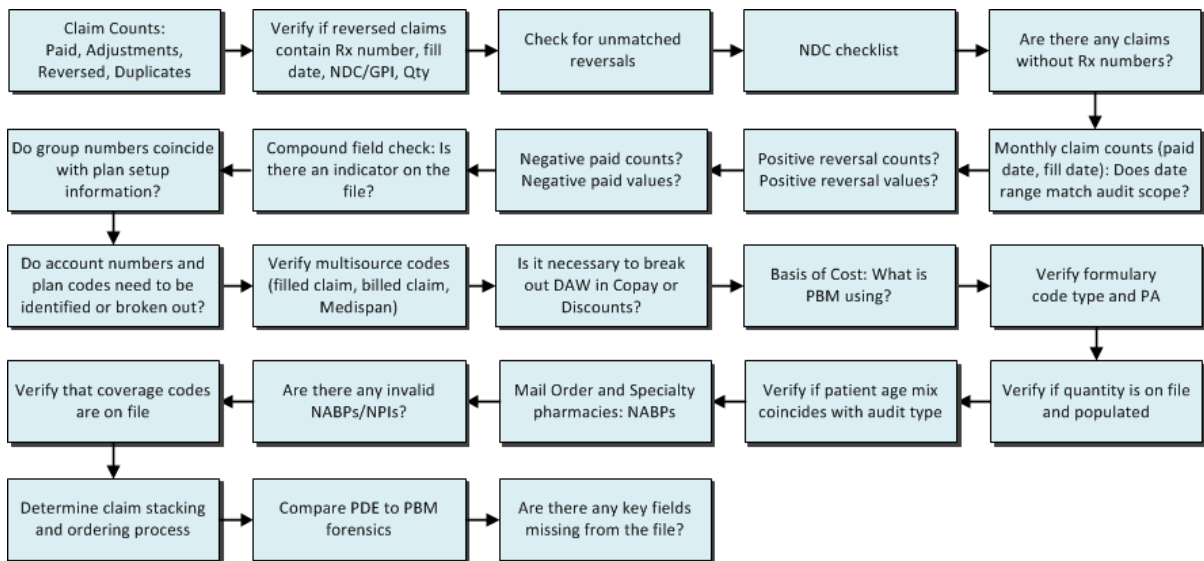
Accurate assessment of all plan design attributes and the appropriate forensic analysis of the claims and eligibility are essential elements that only a full review can provide. Accordingly, every TRICAST report is driven by actual claims re-pricing, not summary reports with simple discounts and arithmetic 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 6,383,696 source claim records from 1/1/2011 through 12/31/2012 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, 2011 through December 31, 2012. The Pricing Audit included:

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

Achieved Discounts & Adjudicated Dispensing Fees Summary

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

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

2011		2012	
Discounts		Discounts	
Mail	Achieved Discounts	Mail	Achieved Discounts
Brand	AWP – 19.86%	Brand	AWP – 19.85%
Generic	AWP – 81.90%	Generic	AWP – 86.38%
Specialty	AWP – 14.63%	Specialty	AWP – 15.20%
Retail	Achieved Discounts	Retail	Achieved Discounts
Brand	AWP – 14.23%	Brand	AWP – 14.63%
Generic	AWP – 80.09%	Generic	AWP – 79.78%
Total AWP	Claim Ingredient Cost	Total AWP	Claim Ingredient Cost
\$520,518,490	\$270,858,501	\$401,525,206	\$202,809,761
Dispensing Fees		Dispensing Fees	
Dispensing Fees Collected		Dispensing Fees Collected	
\$5,836,062		\$3,705,430	

Please refer to exhibits **2011_Pricing Audit Report, 2012_Pricing Audit Report**

Onsite Review of Pharmacy Network Contracts

For ETF, TRICAST audited 100% of claims processed from January 1, 2010 through December 31, 2011. TRICAST concludes that the majority of the pharmacies, including the large chains, were compliant with their contracts and were performing as expected.

Please refer to exhibits **Pharmacy Audit 2010_2011, 2010 Chain Discount Report, 2010 Independent Discount Report, 2011 Chain Discount Report and 2011 Independent Discount Report.**

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 Health Solutions, LLC and the top eight pharmaceutical manufacturers by drug spend specific to the ETF arrangement for contract years 2011 and 2012. In addition, TRICAST reviewed ETF's rebate payment report.

The elements of the pharmaceutical contracts analyzed included:

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

Rebate Analysis

TRICAST utilized its proprietary application, PharmaCAST, to analyze Navitus Health Solutions, LLC's administration of rebates for ETF in 2011 and 2012. Utilizing PharmaCAST, the data from the pharmaceutical contracts were run against the rebate invoices and ETF's claims data for 2011 and 2012.

Results per manufacturer are listed in Figures 1 and 2 below.

Top 8 Manufacturers

Manufacturer	Rebates Billed by PBM	Tricast Calculated Rebates	Variance
Manufacturer 1	\$411,145	\$416,887	-\$5,742
Manufacturer 2	\$342,860	\$338,379	\$4,480
Manufacturer 3	\$615,947	\$618,496	-\$2,549
Manufacturer 4	\$313,468	\$313,386	\$83
Manufacturer 5	\$816,119	\$832,447	-\$16,328
Manufacturer 6	\$447,518	\$456,790	-\$9,272
Manufacturer 7	\$689,939	\$692,302	-\$2,362
Manufacturer 8	\$280,337	\$283,688	-\$3,351
	\$3,917,333	\$3,952,374	-\$35,041

Figure 1. Q4 2011 Rebate Analysis for ETF

Manufacturer	Navitus Rebates	Tricast Rebates	Variance
Manufacturer 1	\$242,868	\$257,450	-\$14,583
Manufacturer 2	\$386,953	\$389,153	-\$2,200
Manufacturer 3	\$299,785	\$303,647	-\$3,863
Manufacturer 4	\$539,135	\$547,225	-\$8,090
Manufacturer 5	\$184,423	\$188,471	-\$4,048
Manufacturer 6	\$186,072	\$188,594	-\$2,522
Manufacturer 7	\$668,794	\$682,813	-\$14,020
Manufacturer 8	\$832,042	\$845,637	-\$13,596
	\$3,340,071	\$3,402,991	-\$62,921

Figure 2. Q4 2012 Rebate Analysis for ETF

Rebate Calculation Differentials

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

Rebate Analysis Findings

As shown in the figures on the previous page, TRICAST's analysis of rebates paid by Navitus Health Solutions, LLC for ETF in 2011 and 2012 shows that Navitus Health Solutions, LLC paid to the ETF slightly less than TRICAST's calculated amount. The results confirm a total underpayment to ETF of \$35,041 reflecting a difference of 0.89% in 2011 and \$62,921 reflecting a difference of 1.88% in 2012, both of which are within acceptable variance limits.

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

Retiree Drug Subsidy Program Audit, 2010 -2011

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 0.42% variance for 2010, and -0.19% variance for 2011. 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.

2010							
Month	Gross Cost	Threshold Reduction	Limit Reduction	Estimated Cost Adjustment	Gross Eligible	Allowable Retiree Cost	Subsidy Amount
201001	\$4,993,362.10	\$3,038,247.37	\$18,975.40	\$191,806.06	\$1,936,139.33	\$1,744,333.27	\$488,413.32
201002	\$4,970,721.51	\$1,199,886.59	\$121,236.85	\$322,576.38	\$3,649,598.07	\$3,327,021.69	\$931,566.07
201003	\$5,495,079.58	\$678,228.95	\$331,246.42	\$391,619.78	\$4,485,604.21	\$4,093,984.43	\$1,146,315.64
201004	\$5,395,731.23	\$373,511.35	\$522,406.89	\$409,797.10	\$4,499,812.99	\$4,090,015.89	\$1,145,204.45
201005	\$5,325,650.98	\$248,288.31	\$656,125.54	\$406,410.03	\$4,421,237.13	\$4,014,827.10	\$1,124,151.59
201006	\$5,568,054.77	\$205,112.65	\$892,946.52	\$411,695.29	\$4,469,995.60	\$4,058,300.31	\$1,136,324.09
201007	\$5,390,563.78	\$163,440.01	\$1,013,975.45	\$390,640.38	\$4,213,148.32	\$3,822,507.94	\$1,070,302.22
201008	\$5,527,421.55	\$134,625.89	\$1,265,420.36	\$392,745.42	\$4,127,375.30	\$3,734,629.88	\$1,045,696.37
201009	\$5,467,695.43	\$117,130.36	\$1,470,138.22	\$363,501.86	\$3,880,426.85	\$3,516,924.99	\$984,739.00
201010	\$5,484,763.82	\$106,691.68	\$1,694,000.98	\$373,461.92	\$3,684,071.16	\$3,310,609.24	\$926,970.59
201011	\$5,586,873.63	\$96,076.35	\$1,953,478.70	\$357,393.98	\$3,537,318.58	\$3,179,924.60	\$890,378.89
201012	\$6,021,160.45	\$90,371.40	\$2,446,604.52	\$343,000.81	\$3,484,184.53	\$3,141,183.72	\$879,531.44
	\$65,227,078.83	\$6,451,610.91	\$12,386,555.85	\$4,354,649.01	\$46,388,912.07	\$42,034,263.06	\$11,769,593.66

2011							
Month	Gross Cost	Threshold Reduction	Limit Reduction	Estimated Cost Adjustment	Gross Eligible	Allowable Retiree Cost	Subsidy Amount
201101	\$5,273,738.00	\$2,963,031.81	\$27,229.26	\$209,347.07	\$2,283,476.93	\$2,074,129.86	\$580,756.36
201102	\$4,918,880.17	\$1,174,606.33	\$191,480.97	\$298,247.79	\$3,552,792.87	\$3,254,545.08	\$911,272.62
201103	\$5,584,342.51	\$710,159.65	\$386,737.15	\$369,168.21	\$4,487,445.71	\$4,118,277.50	\$1,153,117.70
201104	\$5,341,015.20	\$370,779.51	\$644,005.82	\$357,886.89	\$4,326,229.87	\$3,968,342.98	\$1,111,136.03
201105	\$5,500,432.08	\$270,236.18	\$792,781.20	\$366,920.76	\$4,437,414.70	\$4,070,493.94	\$1,139,738.30
201106	\$5,605,888.07	\$223,045.48	\$1,021,657.16	\$365,167.96	\$4,361,185.43	\$3,996,017.47	\$1,118,884.89
201107	\$5,283,896.21	\$173,353.19	\$1,164,543.41	\$329,789.68	\$3,945,999.61	\$3,616,209.93	\$1,012,538.78
201108	\$5,696,541.90	\$179,486.41	\$1,474,397.33	\$337,202.47	\$4,042,658.16	\$3,705,455.69	\$1,037,527.59
201109	\$5,657,108.89	\$161,832.22	\$1,660,419.56	\$313,671.80	\$3,834,857.11	\$3,521,185.31	\$985,931.89
201110	\$5,687,695.40	\$154,712.05	\$1,897,315.58	\$296,580.19	\$3,635,667.77	\$3,339,087.58	\$934,944.52
201111	\$5,664,192.43	\$124,319.34	\$2,072,065.20	\$292,048.90	\$3,467,807.89	\$3,175,758.99	\$889,212.52
201112	\$6,357,195.71	\$118,123.01	\$2,667,676.46	\$356,446.44	\$3,571,396.24	\$3,214,949.80	\$900,185.94
	\$66,570,926.57	\$6,623,685.18	\$14,000,309.10	\$3,892,478.16	\$45,946,932.29	\$42,054,454.13	\$11,775,247.16

Please refer to exhibits **SoWI RDS Report 2010** and **SoWI RDS Report 2011**.

Plan Design Audit

In the Plan Design Audit, TRICAST reviewed Navitus' management of the benefit in place during the review period of January 1, 2011 through December 31, 2012. 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 copay summary is below:

Patient Pay Table				
30 Days Retail*	Navitus 90-Day Retail Network ONLY allowed after 3 30 DS fills*	Specialty - See Specialty Section	Mail Order	Deductible/MOOP - See MOOP section for more info - See Formulary below for 20% coinsurance items
L1 = \$5 L2 = \$15 L3 = \$35	L1 = \$15 L2 = \$45 L3 = \$105	30 DS = Retail Copays 90 DS = Applicable Retail or Mail Order Copays	L1 = \$10 L2 = \$30 L3 = \$105	ETF001 = \$410/\$820 ETF002 = \$1000/\$2000 ETF003 = No MOOP ETF004 = \$410/\$820 See ETF subgroup NVTETF004 MC Cheater if primary claim rejects *Effective 1/1/12: ETF requires manual claims for COB for members in this subgroup

Formulary	<p>Level 1: Formulary generics and certain low cost brand</p> <p>Level 2: Formulary brands and certain high cost generics</p> <p>Level 3: Non-formulary products; "O" drugs with DAW2 are not covered; DAW1 are Level 3</p>
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Copay Summary

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

TRICAST's analysis determined that copays of \$30,819,994 were collected in 2011 and \$21,737,336 were collected in 2012, 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 mail claims because the copay methodology is based on day supply which allows members to receive less than a 90 day supply at mail for a reduced copay. The remaining inconsistencies are for drugs that are part of either the RxCents program, Health Care Reform or Tablet Splitting program.

Plan Year	Copays Collected	Copays per Plan Design	Total Variance	Variance Percent
2011	\$30,819,994	\$30,823,900	\$3,906	0.012%
2012	\$21,737,336	\$21,757,626	\$20,290	0.093%

Please refer to exhibits **State of WI 2011 Copay and State of WI 2012 Copay**

Drug Coverage Summary

Day supply

In 2011, 247 claims and in 2012, 135 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 pharmacies were unable to receive certain package sizes due to shortages.

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

Drug Exclusions

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

In 2011, 45 claims and in 2012, 205 claims were identified as potential discrepancies. Discrepant claim samples were provided to Navitus for review, and comment. According to Navitus, members were allowed one time overrides due to shortages in medication and members being grandfathered.

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.

Ninety potential discrepant claim samples were provided to Navitus for review and comment. Upon their review Navitus noted that some members had the incorrect gender entered into their system. Navitus has updated their records accordingly, and adhered to appropriate dispensing of the drugs for the claims in question.



No significant discrepancies noted. No action required.

Please refer to exhibits **State of WI 2011 Drug Coverage** and **State of WI 2012 Drug Coverage**.

Conclusions

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

TRICAST will continue to review pricing, rebates, 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 0.42% variance for 2010, and 3.43% variance for 2011. 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.