



State of Wisconsin  
Department of Employee Trust Funds  
Robert J. Conlin  
SECRETARY

801 W Badger Road  
PO Box 7931  
Madison WI 53707-7931  
1-877-533-5020 (toll free)  
Fax 608-267-4549  
etf.wi.gov

## Correspondence Memorandum

**Date:** July 25, 2016  
**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.**

In 2010, the Department of Employee Trust Funds retained TRICAST, Inc. to conduct comprehensive, biennial audits of the administration of all pharmacy benefit programs included as part of the State and Wisconsin Public Employers group health insurance programs. These audits assess compliance with the Group Insurance Board's (Board) pharmacy benefit management administrative services agreement with Navitus Health Solutions, LLC (Navitus), as pharmacy benefit manager.

In 2015, TRICAST and ETF agreed to a contract extension for third party audit services, which will expire April 30, 2018. As part of this agreement, and as a direct result of TRICAST receiving monthly claims data feeds from Navitus, the audits performed will be annual plan year audits of the various pharmacy benefit segments administered by Navitus. This change from biennial audits will allow ETF and the Board to receive more timely feedback regarding the administration of all pharmacy benefit programs.

The audit report covers the following segments:

- 2015 PBM Commercial (non-Medicare) Pricing
- 2014 Pharmacy Network
- 2014 Fourth Quarter Rebates
- 2015 PBM Commercial (non-Medicare) Plan Design
- 2014 Navitus MedicareRx Employer Group Waiver Plan (EGWP)

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

Electronically Signed 8/11/16

| Board | Mtg Date | Item # |
|-------|----------|--------|
| GIB   | 8.16.16  | 4A     |

## **Findings**

TRICAST's Executive Summary (Attachment A) on page 5 and Audit Results report (Attachment B) on page 22, 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 to the Board copies of the detailed reports produced by TRICAST that support the Executive Summary and Audit Results report.

### Contract Pricing Analysis

More than 6.4 million claim records associated with more than 1.5 million claims were reviewed by TRICAST during this audit. The contract pricing analysis concludes that the discounts Navitus is negotiating for the State and WPE group health insurance programs continue to improve in most categories. Notable are the discounts for specialty drugs, which continue to steadily increase, as shown in Attachment C. As the discounts increase, the amount the group health insurance programs pay decreases. Increased discounts may also help members pay less out of pocket if the coinsurance is less than the \$200 maximum for specialty drugs. Navitus negotiates discounts directly with pharmacies. Rebates, which Navitus negotiates with manufacturers, are covered later in this memo.

### Onsite Review of Pharmacy Network Contracts

For this audit period, TRICAST evaluated the 20 chain pharmacies and the 20 independent pharmacies with the highest plan paid amounts. TRICAST concluded that the pharmacies, including the large chains, were compliant with their contracts and were performing as expected. TRICAST concluded that the contract terms of these 40 entities aligned with the actual performance 100% of the time. In many cases, the performance exceeded the guarantee the entity agreed to, which accrues to the benefit of the group health insurance programs in the form of greater discounts and lower dispensing fees charged.

### Rebate Audit and Analysis

As with past audits, the rebate analysis for the 2014 plan year shows small variances in the rebates reported by Navitus compared to TRICAST's independent calculation of rebates owed from the top eight drug manufacturers. TRICAST found that fewer rebate dollars should have been passed through to the group health insurance programs by Navitus. These variances are acceptable, based on TRICAST's standards.

Navitus submits rebates to drug manufacturers aggregated for Navitus' entire book of business. Rebates are greater when more claims are submitted to the manufacturer. However, when TRICAST calculates the rebates for its analysis, it is based on ETF programs' claims alone, since TRICAST 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 TRICAST calculation and what Navitus passes through to ETF programs. As summarized in Attachment D, TRICAST's variance was less than 1% or

\$13,963 less than actually provided by Navitus for 2014. This is an acceptable variance, based on TRICAST standards.

#### Plan Design Audit

TRICAST 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). TRICAST found no major inconsistencies, as described in the report starting on page 15 of Attachment B. The report indicates that any minor inconsistencies with copayments amounted to less than 1% of the overall variance, which, "... compares very favorably with TRICAST's experience with other clients with similar claims volume." In addition, the audit found no discrepancies with the amount of day's supply, drug exclusions, prior authorizations, quantity limits or gender edits.

TRICAST and Navitus did agree that there was one minor inconsistency that resulted from a Generic Product Identifier incorrectly configured in Navitus' claims processing system. Navitus corrected this issue and has since reviewed and reprocessed affected claims as necessary.

#### Medicare Part D EGWP Audit

The EGWP audit reviews the following:

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

TRICAST discovered 559 claims from 2014 that did not match to a Medicare PDE. Of these, 53 claims were later validated by Navitus. However, 506 claims had a PDE rejected by the Centers for Medicare and Medicaid Services (CMS). Navitus has reviewed the 506 claims and indicates that most, if not all, are the result of CMS updating the logic used to calculate Medicare Part D coverage gap discounts. CMS allows affected PDEs to be resubmitted, and Navitus was prepared to resubmit the PDEs when the 2015 EGWP plan year closed in July 2016. Resubmission of the PDEs ensures the group health insurance programs receive the appropriate Medicare Part D subsidies.

The EGWP pricing analysis indicates that Navitus is providing the State and WPE programs with viable discounts and pricing. However, the EGWP copayment analysis provides a list of seven minor processing inconsistencies that either have been corrected or are in the process of being corrected by Navitus. Below are three of the discrepancies for which Navitus will need to reprocess claims. Navitus provided

TRICAST with information about the other four discrepancies that validated its processing of those claims. The complete list is found on page 21 of Attachment B.

- The Low Income Cost Share deductible was not set up appropriately in 2014. Therefore, members were only charged copays in the deductible phase. This affected 11 claims in the State Group and resulted in a minimal variance of \$20.52 charged to the State program.
- One member prior authorization (MPA) was entered incorrectly. A separate MPA should have been entered for both the Medicare Part D coverage and the Wrap coverage in order for claims to process under the correct coverage group. There was no cost variance associated with this issue.
- Copayment proration was applied in error to injectable medications. The proration of copayments is used when a prescription is filled for a supply of less than a prescribed 30 days, such as with a split-fill program, where half the supply is provided up front and only half the copayment is due from the member. Copayment proration does not apply to injectable drugs. Navitus discovered the issue in January 2016 and it was corrected at that time. Four members were affected and there were no adverse variances associated with this issue.

TRICAST indicates the seven discrepancies account for less than 1% of overall variances which compares favorably with their benchmarking. TRICAST concludes Navitus is processing claims appropriately overall and in accordance with guidelines established by CMS, however, TRICAST and staff will monitor the noted discrepancies to ensure correct processing.

### **Conclusion**

While the audit found some discrepancies in the processing of claims, the volume is quite small, compared to the overall amount of claims processed by Navitus under both the EGWP and commercial plans. TRICAST concludes that overall, the programs are being administered in accordance with the plan designs and considers this an acceptable audit.

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

Attachment A: Executive Summary

Attachment B: Audit Results

Attachment C: 2015 Contract Pricing Analysis

Attachment D: 2014 Rebate Audit & Analysis

# Pharmacy Program Oversight Executive Summary

Created for  
**State of Wisconsin ETF**

July 21, 2016



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## I. Auditor's Report

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

ETF, on behalf of State of Wisconsin Group Insurance Board, provides pharmacy benefit program management for more than 245,000 participating members associated with annual drug costs in excess of \$235 million.

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

### Phase 5

|                                 |                               |
|---------------------------------|-------------------------------|
| <b>Client Name</b>              | State of Wisconsin ETF        |
| <b>PBM Name</b>                 | Navitus                       |
| <b>EGWP Claims Period</b>       | 01/01/2014 through 12/31/2014 |
| <b>Commercial Claims Period</b> | 01/01/2015 through 12/31/2015 |
| <b>Total Claims</b>             | 6,466,590                     |
| <b>Pharmacy Network Period</b>  | 01/01/2014 through 12/31/2014 |
| <b>Rebate Periods</b>           | 10/01/2014 through 12/31/2014 |

## II. Auditor's Findings

### Employer Group Waiver Plan (EGWP) Audit

- **PDE Analysis:** TRICAST found 506 source claims without an associated Prescription Drug Event (PDE). Navitus noted the reason that an associated PDE was not found was due to a CMS programming problem with their edit 870. All of the rejected PDE's will be resubmitted to CMS after the 2015 plan year closes which is around July.
- **Copayment Analysis:** TRICAST's copay analysis includes verifying the True Out-Of-Pocket (TrOOP) calculation, formulary match, Low Income Cost Sharing (LICS) calculations and Coverage Gap discount calculations based on CMS guidance. TRICAST calculated less than 1% variance for 2014. TRICAST concludes that Navitus is adjudicating claims in accordance with CMS guidance.
- **Pricing:** TRICAST concludes that Navitus is performing as expected on discounts and dispensing fees. Pricing parameters are aligned with the size and scope expected in the market place for the time period analyzed.

### Commercial Audit

- **Copay:** Miscellaneous minor inconsistencies were found in collected copays that represented a less than 1% of an overall variance. The following issues were discovered:
  - A system issue was discovered for Tier 4, a specific specialty Generic Product Identifier (GPI) was setup incorrectly. The issue was corrected on 12/23/15.
  - The remaining inconsistencies are for drugs that are part of the RxCents (Tablet Splitting) program or compound claims that were part of the generic waiver program and claims that had a member prior authorization (MPA) to override the copay.
- **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 all of the pharmacies, including the large chains, were compliant with their contracts and were performing as expected.



### Rebate Audit

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

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

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

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



Let the Data Drive Your Decisions

# Pharmacy Program Oversight Audit Results


Created for  
State of Wisconsin ETF

07/24/2016



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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 benefit program management for more than 245,000 participating members associated with drugs costs in excess of \$235 million.

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

### Phase 5 (Current)

- **EGWP Program 2014**
- **Pricing and Plan Design Commercial 2015**
- **Pharmacy Network 2014**
- **Rebate Audit 4<sup>th</sup> Quarter 2014**

### Phase 6 (2016)

- EGWP Program 2015
- Pricing and Plan Design Commercial 2016
- Pharmacy Network 2015
- Rebate Audit 4<sup>th</sup> Quarter 2015

### Phase 7 (2017)

- EGWP Program 2016
- Pricing and Plan Design Commercial 2017
- Pharmacy Network 2016
- Rebate Audit 4<sup>th</sup> Quarter 2016

## About TRICAST

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

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

## The TRICAST Audit Team

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

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

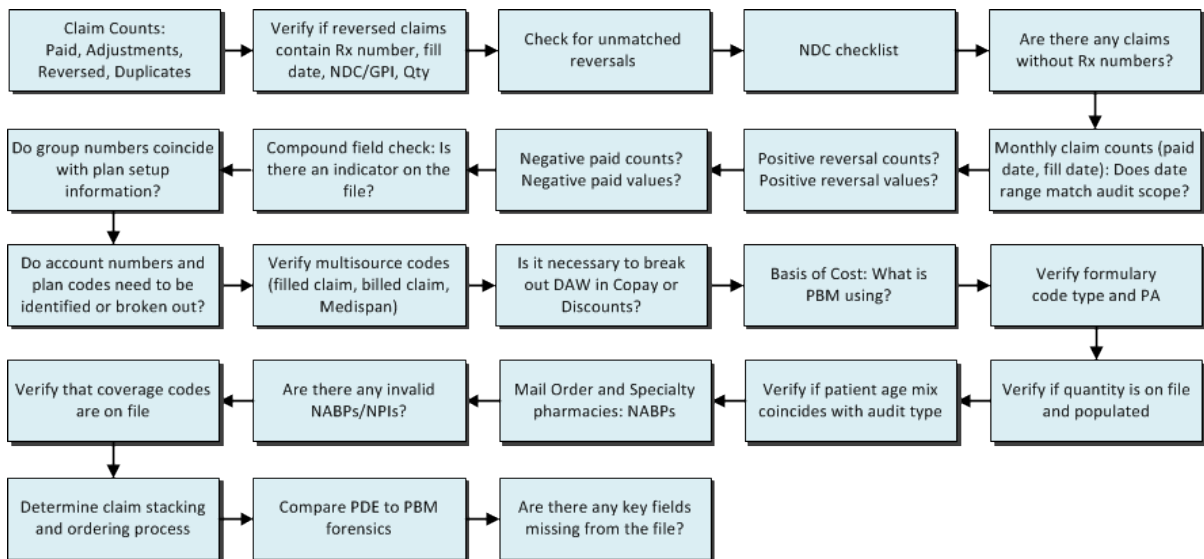


## Data Mapping and Integration

TRICAST audited 100% of ETF's claims, including reversed and rejected claims, prior authorizations, and formulary indicators. A total of 6,466,590 source claim records for both EGWP (1/1/2014 – 12/31/2014) and commercial (1/1/2015 - 12/31/2015) 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 exhibits **SoWI2015 Forensic – commercial**, **SoWI2014 Forensic – Med D** and **SoWI2014 Forensic - EGWP.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, 2015 through December 31, 2015. The Pricing Audit included:

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

## Achieved Discounts & Adjudicated Dispensing Fees Summary

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

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

| 2015                             |                              |
|----------------------------------|------------------------------|
| <b>Discounts</b>                 |                              |
| <b>Mail</b>                      | <b>Achieved Discounts</b>    |
| Brand                            | AWP – 20.01%                 |
| Generic                          | AWP – 85.66%                 |
| Specialty                        | AWP – 19.29%                 |
|                                  |                              |
| <b>Retail</b>                    | <b>Achieved Discounts</b>    |
| Brand                            | AWP – 15.73%                 |
| Generic                          | AWP – 79.68%                 |
|                                  |                              |
| <b>Total AWP</b>                 | <b>Claim Ingredient Cost</b> |
| \$509,453,196                    | \$252,317,498                |
|                                  |                              |
| <b>Dispensing Fees</b>           |                              |
| <b>Dispensing Fees Collected</b> |                              |
| \$2,520,104                      |                              |

Please refer to exhibit **2015\_Pricing Audit Report**.

## Onsite Review of Pharmacy Network Contracts

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

Please refer to exhibits: **2014 Chain Discount Report, 2014 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 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 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 Q4'14. In addition, TRICAST reviewed ETF's rebate payment report.

The elements of the pharmaceutical contracts analyzed included:

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

## Rebate Analysis

TRICAST utilized its proprietary application, PharmaCAST, to analyze Navitus' administration of rebates for ETF in Q4'14. Utilizing PharmaCAST, the data from the pharmaceutical contracts were run against the rebate invoices and ETF's claims data for Q4'14. Results per manufacturer are listed in Figure 1 below.

Figure 1. Q4'14 Rebate Analysis for ETF

### Top 8 Manufacturers

| Manufacturer   | Navitus Rebates    | Tricast Rebates    | Variance        |
|----------------|--------------------|--------------------|-----------------|
| Manufacturer 1 | \$498,815          | \$497,373          | \$1,442         |
| Manufacturer 2 | \$792,880          | \$733,001          | \$59,879        |
| Manufacturer 3 | \$334,960          | \$335,225          | (\$265)         |
| Manufacturer 4 | \$1,006,563        | \$1,005,694        | \$869           |
| Manufacturer 5 | \$246,933          | \$253,427          | (\$6,494)       |
| Manufacturer 6 | \$927,227          | \$964,660          | (\$37,433)      |
| Manufacturer 7 | \$216,540          | \$220,373          | (\$3,833)       |
| Manufacturer 8 | \$960,129          | \$960,331          | (\$202)         |
|                | <b>\$4,984,047</b> | <b>\$4,970,084</b> | <b>\$13,963</b> |

## 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

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

1. Reviewed the top eight pharmaceutical manufacturer agreements and amendments specific to the ETF arrangement for Q4'14.
2. Analyzed 100% of the claims data of the pharmaceutical manufacturer contracts.
3. Reconciled the audit claims data and the rebate payment report to determine whether the appropriate rebate amounts were paid to ETF.

TRICAST found that Navitus overpaid ETF in the amount of \$13,963. In the context of the total rebates billed to the manufacturers and paid to ETF, this relatively small difference (<1%) is within the range that TRICAST expects to see when a PBM is processing and paying rebates in compliance with the contracts with the manufacturers.

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

## Commercial Plan Design Audit

In the Commercial Plan Design Audit, TRICAST reviewed Navitus' management of the benefit in place during the review period of January 1, 2015 through December 31, 2015. As a first step in the audit, TRICAST re-adjudicated 100% of ETF's historical claims processed by Navitus during the review period, including reversed and rejected claims, prior authorizations, and formulary indicators.

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

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

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

| Patient Pay Table             |   |  |  |   |
|-------------------------------|---|--|--|---|
| Plan Description<br>NCRx Plan | 30 DS<br>Retail                                 | Navitus 90 DS<br>Retail Network<br>Requires three<br>30 DS fills | Mail Order   | Deductible/MOOP<br>-See MOOP in next table for<br>exclusions<br>-See Formulary Type for 20% Coins<br>items  |
| HMO<br>20682                  | L1 = \$5<br>L2 = \$15<br>L3 = \$35<br>L4 = \$50 | L1 = \$15<br>L2 = \$45<br>L3 = \$105<br>L4 = \$150               | L1 = \$10<br>L2 = \$30<br>L3 = \$105<br>L4 = \$150 | Deductible: None<br>MOOP:<br><ul style="list-style-type: none"> <li>• ETF001 = \$410/\$820</li> <li>• ETF002(WPS) = \$1000/\$2000</li> <li>• *ETF004 = \$410/\$820</li> <li>• ESP MOOP = \$1000/\$2000</li> <li>• ACA MOOP = \$6600/\$13,200</li> </ul> |
| HDHP<br>34973                 | L1 = \$5<br>L2 = \$15<br>L3 = \$35<br>L4 = \$50 | L1 = \$15<br>L2 = \$45<br>L3 = \$105<br>L4 = \$150               | L1 = \$10<br>L2 = \$30<br>L3 = \$105<br>L4 = \$150 | Deductible:<br><ul style="list-style-type: none"> <li>• HDHP: \$1500/\$3000</li> <li>• WPS Standard (see NCRx account): \$1700/\$3400</li> </ul> MOOP: \$3500/\$7000  |



|                  |   |
|------------------|---|
| <b>Formulary</b> | <ul style="list-style-type: none"> <li>• <b>Level 1:</b> Formulary generics and certain low cost brands</li> <li>• <b>Level 2:</b> Formulary brands and certain high cost generics</li> <li>• <b>Level 3:</b> Non-formulary products; "O" drugs with DAW2 are not covered; DAW1 are Level 3</li> <li>• <b>Level 4:</b> Non formulary Specialty products filled at both Diplomat and any other participating pharmacy and covered ED medications</li> <li>• <b>Level 4 ESP:</b> Formulary specialty products. Reduced copay of \$15 when filled at Diplomat</li> <li>• <b>20% Coinsurance:</b> Diabetic supplies, diaphragms, peak flow meters</li> <li>• Femring/Estring is 3 copays for 90 DS</li> </ul> |
|------------------|---|

### 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 \$18,882,718 were collected in 2015 with no major inconsistencies found. Miscellaneous minor inconsistencies were found in collected copays that represented a less than 1% of an overall variance. This compares very favorably with TRICAST's experience with other clients with similar claims volume.

TRICAST provided Navitus with samples of the claims in which copay inconsistencies were identified. Navitus determined that these inconsistencies primarily occurred in retail claims. Navitus agreed to one system issue. For Tier 4, a specific specialty Generic Product Identifier (GPI) was setup incorrectly. The issue was corrected on 12/23/15. Navitus should review and reprocess claims for accuracy. The remaining inconsistencies are for drugs that are part of the RxCents (Tablet Splitting) program, claims that were part of the generic waiver program and claims that had a member prior authorization (MPA) to override the copay.

| Plan Year | Copays Collected | Copays per Plan Design | Total Variance | Variance Percent |
|-----------|------------------|------------------------|----------------|------------------|
| 2015      | \$18,882,718     | \$18,943,722           | \$61,004       | 0.32%            |

Please refer to exhibit: **State of WI 2015 Copay.**



## **Drug Coverage Summary**

### **Day supply**

TRICAST's analysis did not find any claims outside of the day supply stipulated in the plan design documentation.

**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 2015, 1,154 claims were identified as potential discrepancies. Discrepant claim samples were provided to Navitus for review, and comment. According to Navitus, members had a standard prior authorization in place or claims were part of a compound and therefore paid correctly.

**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.

In 2015, 27 claims were identified as potential discrepancies. Discrepant claim samples were provided to Navitus for review, and comment. According to Navitus, members had a standard prior authorization in place or claims did not require a prior authorization if written by a specialist.

**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.

In 2015, 20 claims were identified as potential discrepancies. Discrepant claim samples were provided to Navitus for review, and comment. According to Navitus, a GPI for retinoids needed to be updated in the system. The update was completed on 8/5/15.

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

Please refer to exhibit: **State of WI 2015 Drug Coverage.**

# Employer Group Waiver Plan (EGWP) Audit, 2014

TRICAST's EGWP Assessment for ETF included:

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

## Audit Process

The audit process is outlined below.

### Set-up

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


### LICS Calculations

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

## PDE Analysis

TRICAST audited 100% of the PDE records processed from January 1, 2014 through December 31, 2014. Since the PDE files provided to TRICAST were not the actual PDE response files, TRICAST did not receive rejected PDE's.

TRICAST found 559 source claims without an associated PDE record which was provided to Navitus for review.



Navitus reviewed all 559 source claims that did not have an associated PDE record and provided the following responses:

- 506 claims had a Rejected PDE
- Remaining claims had either an accepted PDE or the claim was reversed.

TRICAST concludes that PDE records have been accurately and appropriately generated except for the 506 claims noted above. It is TRICAST's belief that Navitus should review the Rejected PDE's and resubmit so ETF is subsidized appropriately.

Navitus indicated that the majority of rejected PDE's was due to a CMS programming problem with their edit 870. CMS resolved the problem in May 2016. All of the rejected PDE's are set for resubmission to CMS after the 2015 plan year closes which is around July.

## EGWP Pricing Analysis

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

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

| <b>2014</b>                      |                              |
|----------------------------------|------------------------------|
| <b>Discounts</b>                 |                              |
| <b>Mail</b>                      | <b>Achieved Discounts</b>    |
| Brand                            | AWP – 19.99%                 |
| Generic                          | AWP – 86.69%                 |
| Specialty                        | AWP – 18.36%                 |
| <b>Retail</b>                    |                              |
|                                  | <b>Achieved Discounts</b>    |
| Brand                            | AWP – 15.96%                 |
| Generic                          | AWP – 81.35%                 |
| <b>Total AWP</b>                 | <b>Claim Ingredient Cost</b> |
| \$201,589,234                    | \$92,744,281                 |
| <b>Dispensing Fees</b>           |                              |
| <b>Dispensing Fees Collected</b> |                              |
| \$1,225,170                      |                              |

Please refer to exhibit: **2014\_Wrap Pricing Report.**

## EGWP Copayment Analysis

TRICAST's analysis determined that copays of \$7,320,019 were collected in 2014 with no major inconsistencies found. Miscellaneous minor inconsistencies were found in collected copays that represented a less than 1% of an overall variance. This compares very favorably with TRICAST's experience with other clients with similar claims volume.

TRICAST provided Navitus with 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.
- The request to add Rx Cents to ETF Wrap was submitted on 1/5/14 and completed on 1/10/14 therefore claims paid correctly.
- Smoking cessation products were not implemented with a \$0 copay until 1/1/2015 therefore claims paid correctly.
- The LICS 4 \$63 deductible was not set up appropriately in 2014 so members were only charged copays in DED phase. This issue was not identified until now so the system was not corrected and claims were not reprocessed. This only affected the State Group ETFS8000 in 2014. It is expected that Navitus will reprocess these claims appropriately.
- MPA (member prior authorization) was entered incorrectly to have the Tier set to 4 on both Med D and Wrap. A separate MPA should have been entered for the Wrap with the Tier set to S. The issue was not identified until now, so the MPA has not been updated and the claims have not been reprocessed. It is expected that Navitus will reprocess these claims appropriately.
- Copay proration was applied in error to injectable medication, Navitus discovered the issue on 1/20/16, it was corrected at that time. It is expected that Navitus will reprocess these claims appropriately.
- Opioid Agents were originally set up to not apply prorated copays, this was corrected in April 2014. The list of drugs being excluded from Short Cycle and copay proration was reviewed on 4/8/14 by Clinical and updates were made.

TRICAST's copay analysis includes verifying TrOOP calculation, formulary match, Low Income Cost Sharing (LICS) calculations and GAP discount calculations based on CMS guidance. TRICAST reviewed all responses from Navitus and agrees that copays are adjudicating according to plan design and CMS guidance. Navitus will need to reprocess claims for the items listed above that paid incorrectly.

Please refer to exhibits **SoWI EGWP Report 2014**.

## Conclusions

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

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

### Pricing Audit

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

### Onsite Review of Pharmacy Network Contracts

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

### Rebate Audit

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

### EGWP Audit

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

### Plan Design Audit

#### Day supply

No discrepancies noted. No action is required.

#### Drug Exclusions

No discrepancies noted. No action required.

#### Prior Authorizations

No discrepancies noted. No action required.

#### Quantity Limits

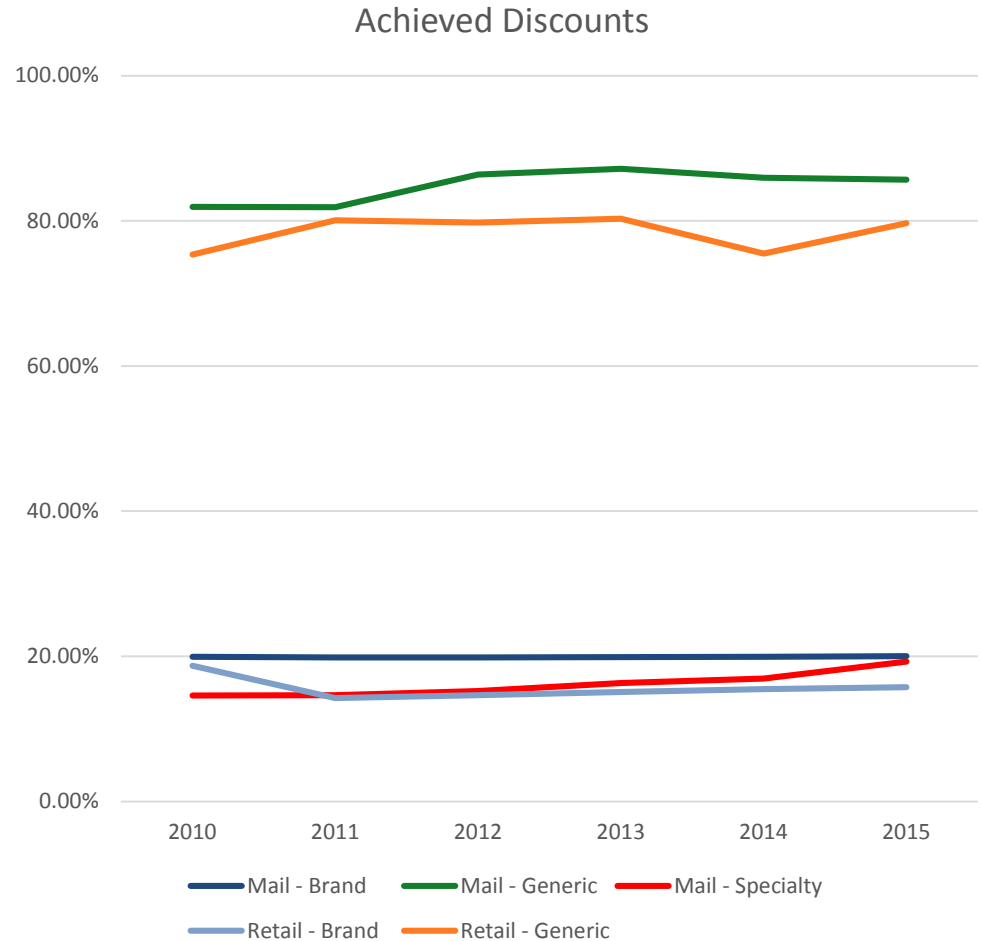
No discrepancies noted. No action required.

#### Gender Edits

No significant discrepancies noted. No action required.

# 2015 Contract Pricing Analysis

- Generic & Brand discounts remain relatively steady...
- Specialty Drug discounts continue to slowly rise...





# 2014 Rebate Audit & Analysis

## Top 8 Manufacturers

| Manufacturer   | Navitus Rebates    | Tricast Rebates    | Variance        |
|----------------|--------------------|--------------------|-----------------|
| Manufacturer 1 | \$498,815          | \$497,373          | \$1,442         |
| Manufacturer 2 | \$792,880          | \$733,001          | \$59,879        |
| Manufacturer 3 | \$334,960          | \$335,225          | (\$265)         |
| Manufacturer 4 | \$1,006,563        | \$1,005,694        | \$869           |
| Manufacturer 5 | \$246,933          | \$253,427          | (\$6,494)       |
| Manufacturer 6 | \$927,227          | \$964,660          | (\$37,433)      |
| Manufacturer 7 | \$216,540          | \$220,373          | (\$3,833)       |
| Manufacturer 8 | \$960,129          | \$960,331          | (\$202)         |
|                | <b>\$4,984,047</b> | <b>\$4,970,084</b> | <b>\$13,963</b> |

Rebates calculated by TRICAST reflect a variance of less than 1%, in favor of the group health insurance programs.

