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Department of Employee Trust Funds
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Correspondence Memorandum

Date: August 2, 2018

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.

The Department of Employee Trust Funds (ETF) has 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 (WPE) group health insurance programs. Tricast is an independent auditing firm which specializes in the pharmaceutical marketplace. These audits assess compliance with the Group Insurance Board's (Board) pharmacy benefit management (PBM) administrative services agreement with Navitus Health Solutions, LLC (Navitus), as pharmacy benefit manager. These audits are conducted on an annual plan year basis.

The current audit report covers the following segments:

- 2017 Commercial (non-Medicare) Plan Design
- 2016 Pharmacy Network
- 2016 Medicare Part D Employer Group Waiver Plan (EGWP)
- 2016 Fourth Quarter Rebates
- 2017 Commercial (non-Medicare) Claims Pricing

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 also indicated that, "Performance on pricing exceeds benchmarks in the industry and adherence to the benefit structure also compares most favorably to the market." Upon request, ETF will provide to the Board copies of the detailed reports produced by Tricast that support the Executive Summary and Audit Results report.

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

Eileen K Mallow Electronically Signed 8/10/18

Board	Mtg Date	Item #
GIB	8.22.18	8A

Commercial Plan Design Audit (2017)

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, beginning on page 14 of Attachment B. The report indicates that any minor inconsistencies with copayments amounted to a 3% variance, which "compares very favorably with Tricast's experience with other clients with similar claims volume." Tricast did provide Navitus with claims samples showing copayment inconsistencies between Tricast's modeling and Navitus' claims processing. These cases were addressed by Navitus appropriately as drug claims that were either (a) processed through the tablet splitting program where only half of a copay is required; (b) associated with a prior authorization for copayment waiver; or (c) associated with a member who had already met their out-of-pocket limit. In addition, the audit found no discrepancies with the amount of day's supply, prior authorizations, quantity limits or gender edits.

Tricast identified 60 claims as potential discrepancies for drug exclusions. Upon review and discussion with Navitus, the claims were identified as errors in the set-up process for two specific drugs (refer to page 16 of Attachment B). The set-up errors were corrected by Navitus on May 12, 2017, and no further claims processing errors occurred. The audit report indicates that impacted claims were not reprocessed and the impact to the plan was a total of $5,253. Navitus has since corrected this and provided the plan with payment for these errors.

Onsite Review of Pharmacy Network Contracts (2016)

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 contracts and were performing as expected. Tricast concluded that the contract terms of these 40 entities aligned with actual performance. Attachment C lists the pharmacy contracts that were reviewed.

Medicare Part D EGWP Audit (2016)

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

- Matching claim files to 100% of the Medicare Prescription Drug Event (PDE) records and analyzing claim specifics to ensure that PDE records have been accurately and appropriately generated. For 2016 this amounted to nearly 1.6 million PDE records and more than 2 million EGWP claims.
- Review of copayments, which includes analysis of the True Out-Of-Pocket (TrOOP) calculations, formulary match, Low Income Cost Sharing calculations and Medicare Part D coverage gap discount calculations.
- Assessing discounts and dispensing fees as part of the EGWP pricing analysis.

Tricast discovered three different situations involving a total of 68 claims that required review and follow up by Navitus (refer to page 18 of Attachment B). Navitus provided

explanations for each of these cases, which Tricast found to be acceptable. The situations included the following:

- 10 claims that did not have an associated PDE
- 17 claims that were reversed even though a PDE was accepted by CMS
- 41 claims for drugs not typically covered under Medicare Part D

The EGWP pricing analysis (Table 1) indicates that Navitus is providing the State and WPE programs with competitive discounts and pricing. Overall aggregate performance exceeded benchmarks used by Tricast even though mail order performance lagged slightly.

Table 1 EGWP Pricing Analysis

2016		TRICAST
Discounts		BENCHMARKS
Mail	**Achieved Discounts**	**Discounts**
Brand	AWP - 21.63%	AWP - 24.00%
Generic	AWP - 88.78%	AWP - 78.25%
Specialty	AWP - 22.28%	AWP - 24.00%
Aggregate Under Performance based on Benchmarks $261,539		
Retail	**Achieved Discounts**	**Discounts**
Brand	AWP - 16.86%	AWP - 15.50%
Generic	AWP - 82.10%	AWP - 75.50%
Aggregate Over Performance based on Benchmarks $19,686,009		
Total AWP	**Actual Claim Ingredient Cost**	**Calculated Ingredient Cost** (based on benchmark)
$501,868,144	$237,823,676	$253,088,973
Total Over Performance based on Benchmarks $19,947,547 *		
Dispensing Fees		
Dispensing Fees Collected		
$1,928,039		

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

The EGWP copayment analysis indicates that with a copayment variance of 2%, Navitus' results compare favorably to their benchmarking where they typically see 1% to 2% variance (refer to page 20 in Attachment B). Tricast provided Navitus with a list of 346 claims that were identified as processing inconsistencies. Based on Navitus' responses to Tricast, and Tricast's analysis of various calculations, Tricast determined that claims were adjudicated by Navitus correctly. ETF has confirmed that any reprocessing of claims that was required has been completed.

Rebate Audit and Analysis (2016)

As with past audits, the rebate analysis for the 2016 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. These variances are minimal, when considering the overall rebate dollars involved. Tricast found that collectively, the

actual rebates and various manufacturer fees passed through to the group health insurance programs by Navitus exceeded what Tricast would have expected based on their analysis.

Navitus submits rebates to drug manufacturers aggregated for Navitus' entire book of business. Rebates are greater when more claims are submitted to the manufacturer. However, when 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. Tricast's analysis found a variance of less than 2.5%. Navitus provided $186,955 more rebate dollars than Tricast had expected. This is an acceptable variance, based on the standards Tricast applies.

Contract Pricing Analysis (2017)

As part of Tricast's practice of reviewing 100% of claims processed, nearly 2.6 million claims associated with our commercial (non-Medicare) coverage were examined by Tricast during this audit. The contract pricing analysis concludes that, "Based on the benchmarks, Navitus in aggregate is overperforming in discounts." Tricast establishes the benchmarks by reviewing the performance of other plans that cover more than 100,000 lives. As with the previous audit reports, notable are the discounts for specialty drugs, which continues to steadily increase year after year. Navitus negotiates discounts directly with pharmacies.

Table 2 Commercial Pricing Analysis

2017		**TRICAST**
Discounts		**BENCHMARKS**
Mail	**Achieved Discounts**	**Discounts**
Brand	AWP - 22.08%	AWP - 24.10%
Generic	AWP - 81.63%	AWP - 78.50%
Specialty	AWP - 23.39%	AWP - 24.10%
Aggregate Over Performance based on Benchmarks $480,793		
Retail	**Achieved Discounts**	**Discounts**
Brand	AWP - 17.30%	AWP - 15.60%
Generic	AWP - 81.21%	AWP - 75.50%
Aggregate Over Performance based on Benchmarks $25,416,454		
Total AWP	**Actual Claim Ingredient Cost**	**Calculated Ingredient Cost** (based on benchmark)
$721,289,244	$362,518,007	$387,814,593
Total Over Performance based on Benchmarks $25,897,247 *		
Dispensing Fees		
Dispensing Fees Collected		
$2,132,701		

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

ETF Response to Audit

ETF manages the pharmacy benefit programs on behalf of the Board for the State and WPE group health insurance programs. ETF has a responsibility to represent the Board's and members' best interests by ensuring that the findings reported by Tricast are reviewed and analyzed thoroughly. Likewise, responses that Navitus must provide to Tricast regarding discrepancies identified during the audit must be detailed and clearly explained so that Tricast and ETF are satisfied that Navitus is complying with the PBM administrative services agreement.

For example, during this audit Tricast found variances in the amount of copayments that were collected in both the commercial and EGWP programs. The variances suggested that copayments were being under collected; in other words, the plan paid more than it should have and the member did not pay enough. While Tricast's calculated percentage of these variances fall within acceptable benchmarks for auditing, the actual financial impact was over $1 million between the two programs.

In this example, as with other variances and discrepancies found throughout this report, Navitus provided responses that assured ETF and Tricast that Navitus was processing claims and applying copayments correctly. ETF has confirmed that any reprocessing of claims that was required has been completed. The variances reported were based on differences in Tricast's modeling of the Navitus system and Navitus' actual processing of claims. Tricast noted in the full audit report that Navitus addressed the discrepancies thoroughly.

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

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

Attachment A: Executive Summary – Phase 7
Attachment B: Audit Results – Phase 7
Attachment C: Onsite Review of 2016 Pharmacy Network Contracts

TRICAST inc.

Let the Data Drive Your Decisions

Pharmacy Program Oversight

Executive Summary

Created for

State of Wisconsin ETF

7/20/2018

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I. Auditor's Report

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

ETF provides pharmacy benefit program management for more than 270,000 participating members associated with annual drug costs in excess of $575 million.

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

Phase 7

Client Name	State of Wisconsin ETF
PBM Name	Navitus
EGWP Claims Period	01/01/2016 through 12/31/2016
Commercial Claims Period	01/01/2017 through 12/31/2017
Pharmacy Network Period	01/01/2016 through 12/31/2016
Rebate Periods	10/01/2016 through 12/31/2016

II. Auditor's Findings

Commercial Audit

- **Copay:** Miscellaneous minor inconsistencies were found in collected copays that represented a 3% overall variance. The following issues were discovered:
  - Navitus determined that these inconsistencies primarily are for drugs that are part of the Tablet Splitting program, claims that had a member prior authorization (MPA) to override the copay, or for members that met their out of pocket amount.
- **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 the 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.

Employer Group Waiver Plan (EGWP) Audit

- **PDE Analysis:** TRICAST audited 100% of the Prescription Drug Event (PDE) records processed from January 1, 2016 through December 31, 2016 and found 10 source claims without an associated PDE. Navitus noted the reason that an associated PDE was not found was due to a rejected PDE, or the accepted PDE was in the following year (2017).
- **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.
- **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 2% variance for 2016. TRICAST concludes that Navitus is adjudicating claims in accordance with CMS guidance.

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 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.

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

TRICAST inc.

Let the Data Drive Your Decisions

Pharmacy Program Oversight

Audit Results

Created for

State of Wisconsin ETF

8/7/2018

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Exhibits

Contract Pricing Analysis

1. 2017 Pricing Audit Report
2. 2016 Wrap Pricing Report

Onsite Review of Pharmacy Network Contracts

3. 2016 Chain Discount Report
4. 2016 Independent Discount Report

EGWP Copays

5. SoWI EGWP Report 2016

Commercial Copays

6. State of WI 2017 Copay

Project Summary

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

ETF provides pharmacy benefit program management for more than 270,000 participating members associated with drugs costs in excess of $370 million.

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

Phase 7 (2017)

- EGWP Program 2016
- Pricing and Plan Design Commercial 2017
- Pharmacy Network 2016
- Rebate Audit 4th 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.
- **Stacy Ausprung, Director Client Services -** Manages the audit process and performs analysis, process management, ongoing support and oversight of plan.
- **Julie Weissmann, Data Analyst –** Reviews the audit process and perfoms analysis.
- **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.

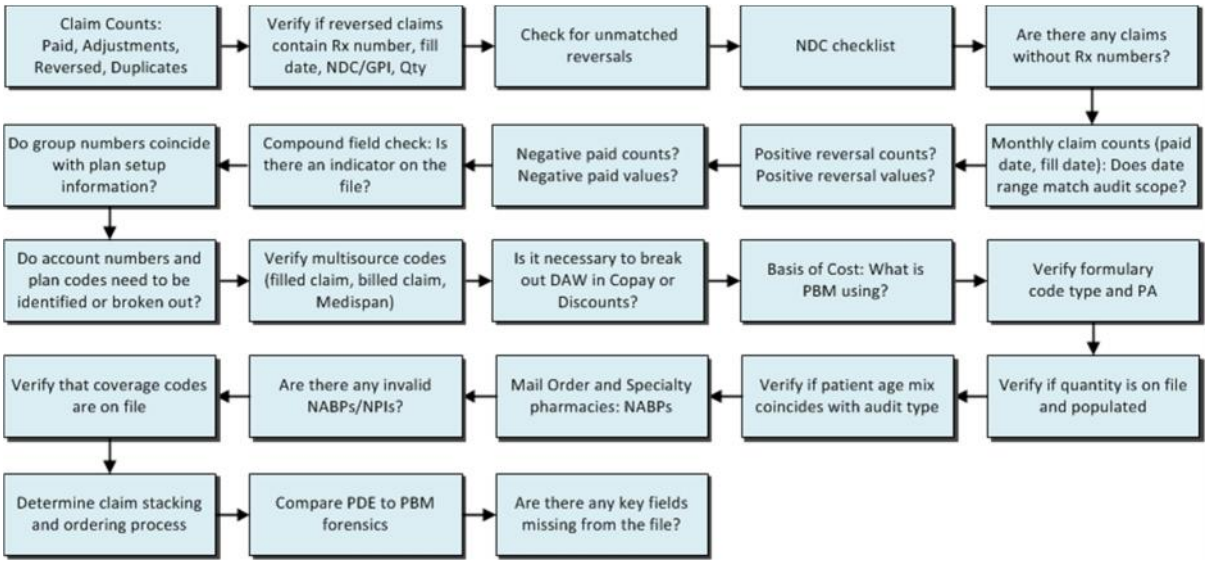
Data Mapping and Integration

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

EGWP Plan (1/1/2016 – 12/31/2016) – 2,092,488 claims reviewed
Commercial Plan (1/1/2017 - 12/31/2017) – 2,598,787 claims 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.



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, 2017 through December 31, 2017. The Pricing Audit included:

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

Achieved Discounts & Adjudicated Dispensing Fees Summary

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. Based on the benchmarks, Navitus in aggregate is over-performing in discounts. TRICAST reviews national contracts for 100,000 life clients on a regular basis, pricing parameters compare favorably with the size and scope expected in the market place for the time period analyzed.

2017		TRICAST
Discounts		**BENCHMARKS**
Mail	**Achieved Discounts**	**Discounts**
Brand	AWP – 22.08%	AWP – 24.10%
Generic	AWP – 81.63%	AWP – 78.50%
Specialty	AWP – 23.39%	AWP – 24.10%
Aggregate Over Performance based on Benchmarks $480,793 *		
Retail	**Achieved Discounts**	**Discounts**
Brand	AWP – 17.30%	AWP – 15.60%
Generic	AWP – 81.21%	AWP – 75.50%
Aggregate Over Performance based on Benchmarks $25,416,454 *		
Total AWP	**Actual Claim Ingredient Cost**	**Calculated Ingredient Cost** (Based on benchmark)
$721,289,244	$362,518,007	$387,814,593
Total Over Performance based on Benchmarks $25,897,247 *		

Dispensing Fees
Dispensing Fees Collected
$2,132,701

Please refer to exhibit: **2017 Pricing Audit Report**

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

Onsite Review of Pharmacy Network Contracts

After reviewing the top 20 contracts between Navitus and the pharmacies, including the large chains, TRICAST concludes that all parties were compliant with their contracts and were performing as expected. TRICAST reviewed the specific Network contracts with the

actual results to provide assurance that the contracts adhere to the discount passed through.

Please refer to exhibits: **2016 Chain Discount Report, 2016 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 2016. 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 Q4'16. Utilizing PharmaCAST, the data from the pharmaceutical contracts were run against the rebate invoices and ETF's claims data for Q4'16. Results per manufacturer are listed in Figure 1 below.

Figure 1. Q4'16 Rebate Analysis for ETF

Top 8 Manufacturers

Manufacturer	Rebate Dollars	TRICAST Calculated Rebates	Variance
Commercial MFR #1	$2,237,811	$2,023,638	$214,173
Commercial MFR #2	$1,343,461	$1,346,754	($3,293)
Commercial MFR #3	$1,754,460	$1,772,864	($18,404)
Commercial MFR #4	$935,731	$942,215	($6,484)
Medicare D MFR #1	$500,936	$500,629	$307
Medicare D MFR #2	$638,539	$638,037	$502
Medicare D MFR #3	$296,823	$296,832	($9)
Medicare D MFR #4	$353,044	$352,881	$163
	$8,060,806	$7,873,850	$186,955

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 2016.
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 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, 2017 through December 31, 2017. 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 (DS)
  - Drug Exclusions
  - Prior Authorization
  - Quantity Limits

Copay Summary

Copayments, or copays, indicate the dollar amount required from the insured when he or she purchases a prescription drug. A 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 $34,797,699 were collected in 2017 with no major inconsistencies found. Miscellaneous minor inconsistencies were found in collected copays that represented a 3% 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 are for drugs that are:

- Tablet Splitting program,
- claims that had a member prior authorization (MPA) to override the copay,
- members that met their out of pocket amount.

Plan Year	Copays Collected	Copays per Plan Design	Total Variance	Variance Percent
2017	$34,797,699	$35,795,879	$998,180	3.0%

Please refer to exhibit: **State of WI 2017 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 that did not have a member prior authorization (MPA) to override the days supply edit.

No action is required.

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

In 2017, 60 claims were identified as potential discrepancies. Discrepant claim samples were provided to Navitus for review, and comment. According to Navitus, these were set up errors that were previously corrected on 5/12/2017. The set up error consisted of 2 different errors.

- Allegra D tab was entered to be covered in error in the adjudication system. There were 49 claims for 23 members that paid in error. Impacted claims were not reprocessed. Plan impact $3,667.
- Naftin Gel 2% was being including as covered off of 12 digit GPI incorrectly on 3 tiers plans. This was an issue that was discovered during an audit for another client and also impacted ETF. This setup error was corrected on 5/12/17. Impacted claims were not reprocessed. Plan impact $1,586.

No additional discrepancies noted. ETF can work directly with Navitus to request the financial over payment amount.

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 2017, 1,193 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 based upon the quantity or age of patient. TRICAST agrees with Navitus' response.
No discrepancies noted. No action required.

Quantity Limits

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

No discrepancies noted. No action required.

Gender Edits

In this review, TRICAST identifies cases where prescriptions for drugs that are FDA-approved for only female patients were dispensed to male patients, and for drugs that are FDA-approved for only male patients were dispensed to female patients. Gender edits are designed to prevent potential harm to members and promote appropriate utilization. The approval criteria are based on information that comes directly from the FDA and medical literature.
No discrepancies noted. No action required.

Employer Group Waiver Plan (EGWP) Audit, 2016

TRICAST's EGWP Assessment for ETF included:

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

Audit Process

The audit process is outlined below.

Set-up

1. The PDE, Monthly Membership Report (MMR), and Transaction Reply Report (TRR) data is loaded into 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 (1,570,890) processed from January 1, 2016 through December 31, 2016. Since the PDE files provided to TRICAST were the PDE submission files and not the actual PDE response files, TRICAST did not receive rejected PDE's.

TRICAST found 10 source claims without an associated PDE record which was provided to Navitus for review.

Navitus reviewed all 10 source claims that did not have an associated PDE record and provided the following responses:

- 6 claims were rejected with CMS Acceptance Error 784 (duplicate PDE record submitted by different contract)
- 2 claims had an accepted PDE in the following year (2017)
- 1 claim was rejected with CMS Acceptance Error 696 (True Out-of-Pocket Accumulator cannot be greater than Total Gross Covered Drug Cost Accumulator). The claim was manually processed in error and Medicaid Part D adjudication functionality was not applied. The claim will need to be reversed/reprocessed. No additional claims we're identified as being impacted by this manual error.
- 1 claim had a rejected PDE due to Specialty wrap tiering, however the result will be restacked and a new PDE will be submitted

TRICAST found 17 reversed source claims that had an accepted PDE and provided the following response:

- 4 claims had an Reversed PDE in the following year (2017)
- 13 claims were reversed/rejected because the date of service did not fall during a valid period for the CMS member

TRICAST found 41 not typically covered under Medicare D that had a corresponding PDE for Cialis claims. Navitus provided the following responses:

- 36 claims were for Cialis where 2.5mg and 5mg Cialis is covered by Medicare D for daily usage.
- 4 claims for fertility medications which are exluded from Medicare D coverage were for a male patient with testicular atrophy
- 1 claim was a formulary medication and a PA was in place due to a dependent list diagnosis

The 68 claims reviewed by Navitius had a total cost impact of $42,188, which is less than 1% of the total $104,680,195.

TRICAST concludes that PDE records have been accurately and appropriately generated.

EGWP Pricing Analysis

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

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.

2016		TRICAST
Discounts		**BENCHMARKS**
Mail	**Achieved Discounts**	**Discounts**
Brand	AWP – 21.36%	AWP – 24.00%
Generic	AWP – 88.78%	AWP – 78.25%
Specialty	AWP – 22.28%	AWP – 24.00%
Aggregate Under Performance based on Benchmarks $261,539 *		
Retail	**Achieved Discounts**	**Discounts**
Brand	AWP – 16.86%	AWP – 15.50%
Generic	AWP – 82.10%	AWP – 75.50%
Aggregate Over Performance based on Benchmarks $19,686,009 *		
Total AWP	**Actual Claim Ingredient Cost**	**Calculated Ingredient Cost** (Based on benchmark)
$501,868,144	$237,823,676	$253,088,973
Total Over Performance based on Benchmarks $19,947,547 *		

Dispensing Fees
Dispensing Fees Collected
$1,928,039

Please refer to exhibit: **2016 Wrap Pricing Report.**

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

EGWP Copayment Analysis

TRICAST's analysis determined that the actual copay amount of $9,562,571 was collected in 2016 with no major inconsistencies found. Miscellaneous minor inconsistencies were found in collected copays that represented a 2% overall variance. TRICAST calculated the copay amount of $9,790,248, a difference of $227,677 under collection. This compares very favorably with TRICAST's experience with other clients with similar claims volume, whose variance ranges from 1% to 2% .

TRICAST provided Navitus with 346 (of 2,092,4822) 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.
- Daily Cost Share applies only for Brand claims less than 14 days supply.
- Single 30 day supply copay applies for 31 day supply fills
- There was a set up error for $0 copay products that was discovered and corrected in 2016. , there were a total of 169 claims that required reversing/reprocessing for 80 unique members. The reprocessing of these claims were completed on 5/22/18, which resulted in reimbursements being mailed to impacted members on 6/1/2018.

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 with exception of claims that had to be reprocessed.

Please refer to exhibit: **State of WI 2016 Wrap copays**.

Conclusions

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

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

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

Pricing Audit

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. ETF can work directly with Navitus to request the financial over payment amount.

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.

Attachment C

Onsite Review of 2016 Pharmacy Network Contracts