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Correspondence Memorandum

Date: October 23, 2020
To: Group Insurance Board
From: Tricia Sieg, Pharmacy Benefit Programs Manager
Office of Strategic Health Policy
Subject: Audit of Pharmacy Benefit Manager Services and Medicare Part D
Employer Group Waiver Plan

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

Background

The Department of Employee Trust Funds (ETF) retained PillarRx Consulting, LLC (PillarRx), to conduct a comprehensive, annual audit of the administration of all pharmacy benefit programs included as part of the State and Wisconsin Public Employers Group Health Insurance Programs (GHIP).

PillarRx is an independent auditing firm that specializes in the pharmaceutical industry. Their audits assess compliance with the Group Insurance Board's (Board) contract with Navitus Health Solutions, LLC (Navitus), as the Pharmacy Benefit Manager (PBM).

PillarRx performed a comprehensive audit of Navitus's administration of the pharmacy benefits offered to all members. This audit scope of the most recent engagement reviewed the following:

- Employer Group Waiver Plan (EGWP) pharmacy claims January 1, 2018 through December 31, 2018
- Commercial pharmacy claims January 1, 2019 through December 31, 2019
- Pharmacy Network January 1, 2018 through December 31, 2018
- Pharmacy Rebates October 1, 2018 through December 31, 2018

After review, the auditors concluded that the plans are being administered per the plan design documentation. PillarRx considers this a passing audit.

Audit Highlights

PillarRx found that Navitus is overperforming their contractual discount obligation to the Board for both Commercial and EGWP populations.

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

Electronically Signed 11/4/20

Board	Mtg Date	Item #
GIB	11.18.20	8A

Pharmacy Benefit Audit Results

October 23, 2020

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Under the terms of the Board’s contract with Navitus, the 5,695,623 commercial pharmacy claims filed in 2019 contracted claim ingredient cost should have been \$238,100,644. However, the actual cost was \$225,520,616. This led to savings of \$12,580,028 beyond what was guaranteed in the Board’s contract with Navitus.

Table 1: Commercial Discounts 1/1/2019 – 12/13/2019

Commercial Discounts January 1, 2019-December 31, 2019						
Component Description	No. of Claims	Contracted Discount Rate	Actual Discount Rate	Contracted Claim Ingredient Cost	Actual Claims Ingredient Cost	Contract to Actual Cost Difference
Retail Brands	225,249	18.20%	18.43%	\$91,314,749	\$91,056,496	\$258,253
Retail Generics	1,075,256	83.00%	85.39%	\$25,167,178	\$21,629,197	\$3,537,981
Retail Brands 90 Day	51,744	22.00%	22.08%	\$22,830,809	\$22,806,618	\$24,191
Retail Generics 90 days	4,299,441	87.50%	91.43%	\$17,503,414	\$12,005,308	\$5,498,106
Mail Brands	5,247	23.00%	23.09%	\$3,780,904	\$3,776,543	\$4,361
Mail Generics	25,661	87.00%	89.73%	\$1,240,536	\$980,421	\$260,115
Specialty	13,025	18.35%	21.56%	\$76,263,054	\$73,266,033	\$2,997,021
Total	5,695,623			\$238,100,644	\$225,520,616	\$12,580,028

The reconciliation of the pricing guarantees for the 2018 EGWP benefit found that the 879,051 pharmacy claims filed under the parameters of the contract should have cost \$106,709,708. However, due to Navitus’s overperformance, the cost was instead \$102,468,515, resulting in a savings of \$4,241,193 beyond the contract guarantee.

Table 2: EGWP Discounts 1/1/2018 – 12/31/2018

EGWP Discounts January 1, 2018-December 31, 2018						
Component Description	No. of Claims	Contracted Discount Rate	Actual Discount Rate	Contracted Claim Ingredient Cost	Actual Claims Ingredient Cost	Contract to Actual Cost Difference
Retail Brands	84,119	17.40%	17.75%	\$39,254,200	\$39,254,617	\$166,583
Retail Generics	441,680	82.25%	82.50%	\$9,342,163	\$9,211,494	\$130,669
Retail Brands 90 Day	18,641	20.90%	21.22%	\$15,087,022	\$15,026,385	\$60,637
Retail Generics 90 days	304,890	86.50%	89.79%	\$12,241,927	\$9,254,487	\$2,987,440
Mail Brands	2,820	23.00%	23.01%	\$2,797,715	\$2,797,171	\$544
Mail Generics	22,657	86.50%	88.81%	\$931,449	\$771,975	\$159,474
Specialty	4,244	18.25%	20.49%	\$26,888,232	\$26,152,386	\$735,846
Total				\$106,709,708	\$102,468,515	\$4,241,193

Under the audits of both the commercial and EGWP plans, PillarRx found that Navitus is overcharging on dispensing fees. Dispensing fees are an agreed-upon contracted price between a pharmacy and the PBM for filling a prescription. When Navitus enters into an agreement with a pharmacy, it is not only on behalf of the Board’s members, but Navitus’s entire book of business.

Pharmacy Benefit Audit Results

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While this audit shows Navitus overcharged the commercial dispensing fee by \$11,325.69 and the EGWP dispensing fee by \$172,410.70, under Navitus's contract with the Board, there is no penalty. The lack of penalty is due to the high return on discounts the State received. The savings the State received is more than the combined \$183,736.39 in dispensing fee overcharges.

Navitus attributes the underperformance of the dispensing fees compared to the contractual guarantees to an issue with a handful of Long-Term Care (LTC) Pharmacy Groups. These specific pharmacies have very high dispensing fees. When creating the guarantees for dispensing fees in the contract Navitus's Provider Services Team assumed all claims from these facilities would be excluded from the performance calculations, as claims for LTC Pharmacies are typically excluded due to their high dispensing fees. However, these pharmacies are also filling many non-LTC claims for the members. Those claims are being included in the performance calculation and are causing the results to show an underperformance in regard to the dispensing fees.

Staff is satisfied with Navitus's explanation of the underperformance of dispensing fees guarantees as laid out in the contract.

PillarRx found no other discrepancies of note or action required in this audit.

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

Attachment A: PillarRx Pharmacy Program Oversight Executive Summary

Attachment B: PillarRX Prescription Benefit Management Audit



Pharmacy Program Oversight Executive Summary

Created for

State of Wisconsin ETF

Audit Period:

EGWP Plan: January 1, 2018 – December 31, 2018
Commercial Plan: January 1, 2019 – December 31, 2019

September 28, 2020



CUSTOMIZED PHARMACY SOLUTIONS

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CUSTOMIZED PHARMACY SOLUTIONS

I. Auditor's Report

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

ETF provides pharmacy benefit program management for nearly 240,000 participating members associated with annual total drug costs in excess of \$360 million.

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

Phase 8

Client Name	State of Wisconsin ETF
PBM Name	Navitus
EGWP Claims Period	01/01/2018 through 12/31/2018
Commercial Claims Period	01/01/2019 through 12/31/2019
Pharmacy Network Period	01/01/2018 through 12/31/2018
Rebate Periods	10/01/2018 through 12/31/2018

II. Auditor's Findings

Commercial Plan Design and Pricing Audits

- **Copay:** Miscellaneous minor inconsistencies were found in collected copays that represented a minimal overall variance. The following issues were discovered:
 - Navitus determined that these inconsistencies primarily are for claims that had a member prior authorization (MPA) to override the copay, or for members that met their out of pocket amount, or for claims that where the member was charged a DAW (dispense as written) penalty.
- **Plan Design:** PillarRx noted no discrepancies in day supply, drug exclusions, prior authorizations, quantity limits and gender edits.
- **Pricing:** PillarRx concludes that Navitus is over performing based on the commercial contract and is over charging on dispensing fees.

Onsite Review of Pharmacy Network Contracts

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

Rebate Audit

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

Employer Group Waiver Plan (EGWP) Audit

- **PDE Analysis:** PillarRx audited 100% of the Prescription Drug Event (PDE) records processed from January 1, 2018 through December 31, 2018 and found 228 discrepancies between the source claim and the associated PDE, which is less than .02 percent of all PDE's.
- **Pricing:** PillarRx concludes that Navitus is over performing based on the EGWP contract and is over charging on dispensing fees.
- **Copayment Analysis:** PillarRx's copay analysis includes verifying the True Out-Of-Pocket (TrOOP) calculation, formulary match, Low Income Cost Sharing (LICS) calculations and Coverage Gap discount calculations based on CMS guidance. PillarRx concludes that Navitus is adjudicating claims in accordance with CMS guidance.



CUSTOMIZED PHARMACY SOLUTIONS

Invoice Reconciliation Audit

Upon reconciliation for 1/1/2018 – 12/31/2018 invoices, PillarRx found that all invoiced dollars and claim counts matched what was found on the claim records for the given period. PillarRx concludes that the Navitus is invoicing the State accurately.

Operational Review

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

III. Auditor's Conclusions

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

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

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



CUSTOMIZED PHARMACY SOLUTIONS

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

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

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



Prescription Benefit Management Audit

State of Wisconsin ETF

Administered by: Navitus Health Solutions, LLC

Audit Period:

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

Commercial Plan: January 1, 2019 – December 31, 2019

October 15, 2020



CUSTOMIZED PHARMACY SOLUTIONS

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CUSTOMIZED PHARMACY SOLUTIONS

Exhibits

Contract Pricing Analysis

1. 2019 Commercial Discount-Fees Report
2. 2018 EGWP Discount-Fees Report

Onsite Review of Pharmacy Network Contracts

3. 2018 Chain Discount Report Commercial
4. 2018 Independent Discount Report Commercial
5. 2018 Chain Discount Report EGWP
6. 2018 Independent Discount Report EGWP

Invoice Reconciliation

7. 2018 State of WI Invoice Comparison



CUSTOMIZED PHARMACY SOLUTIONS

Project Summary

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

ETF provides pharmacy benefit program management for nearly 240,000 participating members associated with annual total drugs costs in excess of \$360 million.

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

Phase 9 (2018/2019)

- Pricing Audit (Commercial 2019; EGWP 2018)
- Pharmacy Network Contracts Review (2018)
- Manufacturer Rebate Audit (4th Quarter 2018)
- Commercial Plan Design Audit (2019)
- EGWP Program Audit (2018)
- Invoice Reconciliation Audit (2018)
- Operational Review



About PillarRx

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

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

The PillarRx Audit Team

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

- **Greg Rucinski R.Ph., Executive Vice President**- Sponsors the process.
- **Stacy Ausprung, Director Client Services** - Manages the audit process and performs analysis, process management, ongoing support and oversight of plan.
- **Julie Weissmann, Pharmacy Audit Specialist** – Reviews the audit process and performs analysis.
- **Tom Rieger, Data Architect** – PBM data expert; reviews data and validates performance.



CUSTOMIZED PHARMACY SOLUTIONS

The PillarRx Audit Process

The most critical element of a successful audit is an understanding of the data on which it is based. PillarRx's service offerings are built upon our proven, reliable technology, utilizing software solutions that have been developed in-house by our team of Information Technology experts.

PillarRx Systems Utilized

PillarRx's family of software applications offers integrated communication and decision support in a single data warehouse that supports our clients' analytic and reporting needs. All PillarRx applications are created in-house by our own development staff. We apply our deep experience in pharmacy benefit management with considerable skill sets in software design to create a standardized approach to all our .NET applications. As a result, PillarRx offers a complete suite of web-based products that enable us to deliver expert pharmacy benefit program auditing, development and oversight services that are unmatched in the industry.

A PillarRx audit re-adjudicates 100% of all claims data—not just a sampling—using PillarRx software that mimics a PBM's original claim adjudication. We don't stop at just the paid claims either, because we also include the "raw" claims transactions in our analysis. We feel that the addition of this raw data is critical to our understanding of the PBM's claims processing accuracy, and it helps us create a platform for rapid resolution and recovery.

Accurate assessment of all plan design attributes and the appropriate forensic analysis of the claims and eligibility are essential elements that only a full review can provide. Accordingly, every PillarRx report is driven by actual claims re-pricing, not summary reports with simple discounts and arithmetic applied. Only by re-adjudicating 100% of the PBM's claims can we review and benchmark variances.

Data Mapping and Integration

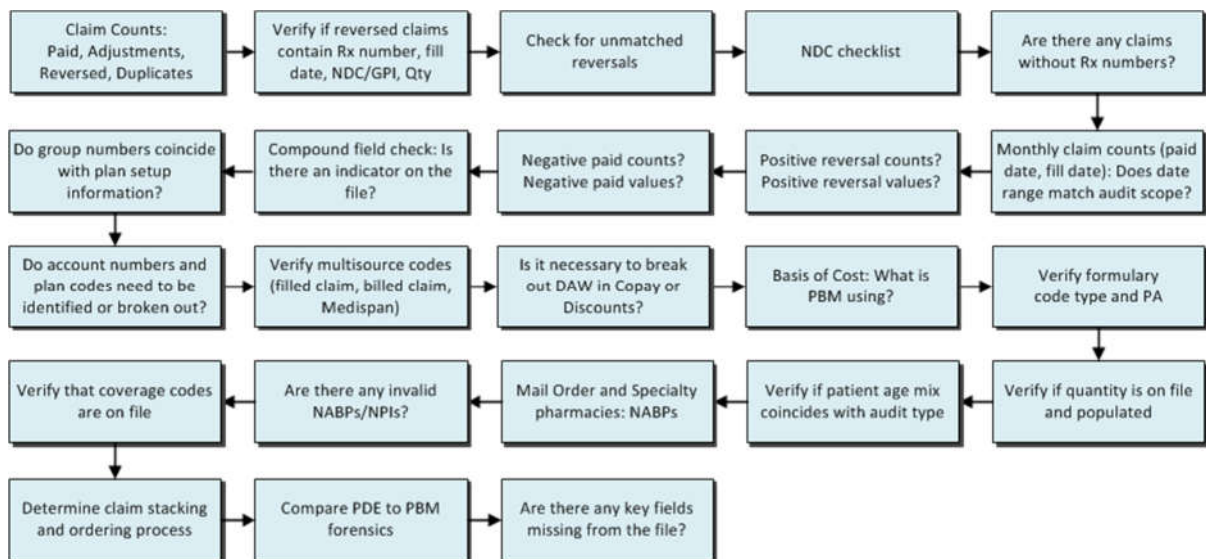
PillarRx audited 100% of ETF’s claims, including reversed and rejected claims, prior authorizations, and formulary indicators. All claim records for the following plans were reviewed.

EGWP Plan (1/1/2018 – 12/31/2018) – 938,992 claims reviewed

Commercial Plan (1/1/2019 - 12/31/2019) – 1,837,955 claims reviewed

The PillarRx Data Integrity Check

The first deliverable from PillarRx is a multi-part review of the mapping and statistics of your data, a process we call **data forensics**. The data forensics process is illustrated in the diagram shown here.



Pricing Audit

In the Pricing Audit, PillarRx uses our experience and software applications to assess Navitus' financial performance and thoroughly analyze PBM relationships for contract compliance. This step provides assurance that Navitus' financial performance is sound and encompasses a claim analysis of 100% of the plan's claims. For ETF, PillarRx audited 100% of claims processed for the commercial plan from January 1, 2019 through December 31, 2019 and EGWP plan from January 1, 2018 through December 31, 2018. The Pricing Audit included:

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

Achieved Discounts & Adjudicated Dispensing Fees Summary

Reconciliation of Pricing Guarantees Objective

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

Reconciliation of Pricing Guarantees Scope

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

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

Reconciliation of Pricing Guarantees Methodology

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

Commercial – Reconciliation of Pricing Guarantees Findings

The following tables demonstrate our findings relative to pricing guarantees.

Key	Over Performance <i>> Greater Than Contracted Rates</i>	Acceptable Performance <i>— Same as Contracted Rates</i>	Under-Performance <i>< Less Than Contracted Rates</i>
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Commercial Discounts (1/1/2019 – 12/31/2019)							
Component Description	# Claims	Contracted Discount Rate	Actual Discount Rate	Contracted Claim Ingredient Cost	Actual Claims Ingredient Cost	Variance	
Retail Brands	225,249	18.20%	18.43%	\$91,314,749	\$91,056,496	\$258,253	>
Retail Generics	1,075,256	83.00%	85.39%	\$25,167,178	\$21,629,197	\$3,537,981	>
Retail Brands 90 day	51,744	22.00%	22.08%	\$22,830,809	\$22,806,618	\$24,191	>
Retail Generics 90 day	4299,441	87.50%	91.43%	\$17,503,414	\$12,005,308	\$5,498,106	>
Mail Brands	5,247	23.00%	23.09%	\$3,780,904	\$3,776,543	\$4,361	>
Mail Generics	25,661	87.00%	89.73%	\$1,240,536	\$980,421	\$260,115	>
Specialty (Lumicera & UW)	13,025	18.35%	21.56%	\$76,263,054	\$73,266,033	\$2,997,021	>
Total				\$238,100,644	\$225,520,616	\$12,580,028	>

Commercial – Dispensing Fee Findings

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

As shown in the following table, the dispensing fee analysis identified fees were over charged by Navitus for the commercial plan 1/1/19 – 12/31/19, which is an underperformance per the State’s contract with Navitus.

Key	Over Charged > Greater Than Contracted Rates	Acceptable — Same as Contracted Rates	Under-Charged < Less Than Contracted Rates
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Commercial Dispensing Fees (1/1/2019 – 12/31/2019)					
Component Description	Contracted Disp Fee	# Claims	Total Actual (Collected) Disp Fee	Total Contracted Disp Fee	Vaiance
Retail Brands	\$0.90	225,249	\$197,421.69	\$202,724.10	\$5,302.41 <
Retail Generics	\$0.90	1,075,256	\$978,109.91	\$967,730.40	-\$10,379.51 >
Retail 90 Brands	\$0.00	51,744	\$660.19	\$0.00	-\$660.19 >
Retail 90 Generics	\$0.00	4299,441	\$5,223.70	\$0.00	-\$5,223.70 >
Mail Order Brands	\$0.00	5,247	\$0.00	\$0.00	\$0.00 —
Mail Order Generics	\$0.00	25,661	\$0.00	\$0.00	\$0.00 —
Specialty (Lumicera & UW)	\$0.00	13,025	\$364.70	\$0.00	-\$364.70 >
Total		1,825,623	\$1,181,780.19	\$1,170,454.50	-\$11,325.69 >

Please refer to exhibit: **2019 Commercial Discount-Fees Report.**

Commercial Pricing – Discount and Dispensing Fee Overview

The Navitus contract guarantees with the State allow the offsetting of the discount guarantee with the dispensing fee guarantee, therefore the overall Commercial Pricing performance was an over performance of \$12,568,702.31.

EGWP – Reconciliation of Pricing Guarantees Findings

The following tables demonstrate our findings relative to pricing guarantees.

Key	Over Performance <i>> Greater Than Contracted Rates</i>	Acceptable Performance <i>— Same as Contracted Rates</i>	Under-Performance <i>< Less Than Contracted Rates</i>
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EGWP Discounts (1/1/2018 – 12/31/2018)							
Component Description	# Claims	Contracted Discount Rate	Actual Discount Rate	Contracted Claim Ingredient Cost	Actual Claims Ingredient Cost	Variance	
Retail Brands	84,119	17.40%	17.75%	\$39,421,200	\$39,254,617	\$166,583	>
Retail Generics	441,680	82.25%	82.50%	\$9,342,163	\$9,211,494	\$130,669	>
Retail Brands 90 day	18,641	20.90%	21.22%	\$15,087,022	\$15,026,385	\$60,637	>
Retail Generics 90 day	304,890	86.50%	89.79%	\$12,241,927	\$9,254,487	\$2,987,440	>
Mail Brands	2,820	23.00%	23.01%	\$2,797,715	\$2,797,171	\$544	>
Mail Generics	22,657	86.50%	88.81%	\$931,449	\$771,975	\$159,474	>
Specialty (Lumicera & UW)	4,244	18.25%	20.49%	\$26,888,232	\$26,152,386	\$735,846	>
Total				\$106,709,708	\$102,468,515	\$4,241,193	>

EGWP– Dispensing Fee Findings

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

As shown in the following table, the dispensing fee analysis identified fees were over charged by Navitus for the EGWP plan 1/1/18 – 12/31/18, which is an underperformance per the State’s contract with Navitus.

Key	Over Charged > Greater Than Contracted Rates	Acceptable — Same as Contracted Rates	Under-Charged < Less Than Contracted Rates
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EGWP Dispensing Fees (1/1/2018 – 12/31/2018)						
Component Description	Contracted Disp Fee	# Claims	Total Actual (Collected) Disp Fee	Total Contracted Disp Fee	Variance	
Retail Brands	\$1.02	84,119	\$88,469.70	\$85,801.38	-\$2,668.32	>
Retail Generics	\$1.02	441,680	\$625,490.46	\$450,513.60	-\$174,976.86	>
Retail 90 Brands	\$0.03	18,641	\$292.60	\$559.23	\$266.63	<
Retail 90 Generics	\$0.03	304,890	\$4,036.65	\$9,146.70	\$5,110.05	<
Mail Order Brands	\$0.00	2,820	\$0.00	\$0.00	\$0.00	—
Mail Order Generics	\$0.00	22,657	\$0.00	\$0.00	\$0.00	—
Specialty (Lumicera & UW)	\$0.00	4,244	\$142.40	\$0.00	-\$142.20	>
Total		879,051	\$718,431.61	\$546,020.91	-\$172,410.70	>

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

EGWP Pricing – Discount and Dispensing Fee Overview

The Navitus contract guarantees with the State allow the offsetting of the discount guarantee with the dispensing fee guarantee, therefore the overall EGWP Pricing performance was an over performance of \$4,068,782.30.

Onsite Review of Pharmacy Network Contracts

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

Please refer to exhibits: **2018 Chain Discount Report Commercial**
 2018 Independent Discount Report Commercial
 2018 Chain Discount Report EGWP
 2018 Independent Discount Report EGWP

Rebate Audit

PillarRx’s rebate assessment for ETF included:

- Validating rebate calculations
- Providing feedback regarding whether the rebates met expectations, and
- Verifying compliance with contractual percent of rebate collection passed through in payments to client

The project consisted of an onsite audit to review the pharmaceutical manufacturer rebate contracts and invoices as well as performing an analysis using PillarRx’s proprietary PharmaCAST® software to compare the pharmaceutical contracts to ETF’s claims utilization. Both components are outlined below.

PillarRx conducted an extensive review of the agreements and amendments between Navitus and the top eight pharmaceutical manufacturers by drug spend specific to the ETF arrangement for Q4 2018. In addition, PillarRx reviewed ETF’s rebate payment report.

The elements of the pharmaceutical contracts analyzed included:

- Base rebates – Defined as a rebate provided under any circumstance.
- Market share rebate – Defined as an additional rebate provided when the manufacturer product performance is compared to competitive drugs in the defined therapeutic class. This definition is manufacturer specific and is typically referred to as “Market Basket.” Market share calculations may be compared to “National Market Share”; the client/carrier market of a previous quarter; and/or a combination of both, whichever is higher or lower.
- Formulary type – Typically defined as open/preferred/closed; this will also have an impact on the base and market share rebate percentages.

- Administration fees – Additional monies that may be retained by the PBM from the manufacturers. PillarRx assesses whether these fees were shared with the client/carrier or retained by the PBM.
- Market share calculations – Calculations defined by the client/carrier data or the book of business definition of the PBM.
- Other fees – Fees identified in the contract or through other documentation for disease management sponsorship, sales quotas, or other fees received from the pharmaceutical manufacturers or their intermediaries.

Rebate Analysis

PillarRx utilized its proprietary application, PharmaCAST, to analyze Navitus' administration of rebates for ETF in Q4 2018. Utilizing PharmaCAST, the data from the pharmaceutical contracts were run against the rebate invoices and ETF's claims data for Q4 2018. Results per manufacturer are listed in Figure 1 below.

Figure 1. Q4 2018 Rebate Analysis for ETF

Manufacturer	PBM Rebates	PillarRx Rebates	Variance	% Variance
Commercial				
Commercial MFG #1	\$2,323,712.59	\$2,314,264.17	\$9,448.42	0.41%
Commercial MFG #2	\$1,619,621.61	\$1,619,794.25	(\$172.64)	(0.01%)
Commercial MFG #3	\$2,007,774.55	\$1,994,727.24	\$13,047.31	0.65%
Commercial MFG #4	\$1,350,015.97	\$1,352,656.58	(\$2,640.61)	(0.20%)
	\$7,301,124.72	\$7,281,442.24	\$19,682.48	0.27%
Medicare Part D				
Medicarel MFG #1	\$309,005.33	\$309,977.19	(\$971.86)	(0.31%)
Medicarel MFG #2	\$903,202.20	\$902,535.34	\$666.86	0.07%
Medicarel MFG #2	\$793,665.27	\$796,290.97	(\$2,625.70)	(0.33%)
Medicarel MFG #2	\$434,597.11	\$436,438.34	(\$1,841.23)	(0.42%)
	\$2,440,469.91	\$2,445,241.84	(\$4,771.93)	(0.20%)

Rebate Calculation Differentials

PillarRx has found that differences can occur in the rebate amounts billed to manufacturers by a PBM and the rebate amount calculated by PillarRx for an individual health plan. The primary reason for these differences lies in the common practice by PBMs of submitting rebate-eligible claims to a manufacturer for the PBM's book of business rather than for each plan individually. This typically works to the advantage of the plans, as the amount of 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.

Differences in claim counts and estimated rebate payments may also vary due to changes in a client's plan design, formulary, and copay structure. Certain alterations may render prescriptions ineligible for rebate payment. These variables are taken into consideration when evaluating results in the analysis.

Rebate Analysis Findings

PillarRx confirmed that Navitus received payment for rebates for all applicable drugs under the top pharmaceutical manufacturers and paid rebates accurately in accordance with the pharmaceutical contracts for the period in review.

It should be noted that during the virtual audit, findings showed minor variances between rebate dollars. These variances were investigated and found to be a result of wrap claims which are not invoiced as they were invoiced on the primary claim. Additionally, under the Abbvie contract, one of the drug products went generic on 10/15/18 and was no longer eligible for rebate after that point. Navitus sent all eligible claims to the manufacturers to be considered for rebate. PillarRx reviewed the responses to variances for reasonability and justification. PillarRx agrees with the response from Navitus. Overall, rebates paid accurately in accordance with contracts.

Commercial Plan Design Audit, 2019

In the commercial plan design audit, PillarRx reviewed Navitus' management of the benefit in place during the review period of January 1, 2019 through December 31, 2019. As a first step in the audit, PillarRx re-adjudicated 100% of ETF's historical claims processed by Navitus during the review period, including reversed and rejected claims, prior authorizations, and formulary indicators.

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

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

Copay Summary

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

PillarRx's analysis determined that copays of \$21,395,523 were collected in 2019 with no major inconsistencies found. Miscellaneous minor inconsistencies were found in collected copays. This compares very favorably with PillarRx's experience with other clients with similar claims volume.

PillarRx provided Navitus with 20 claim samples for the HDHP plan and 85 claim samples for HMO plan in which copay inconsistencies were identified. Navitus determined that these inconsistencies primarily are for the following reasons:

- members that met their deductible and/or out of pocket amount,
- copay was charged based on the DAW (dispense as written) penalty,

Plan Year	Plan	Copays Collected
2019	HDHP	\$1,911,993
2019	HMO	\$19,483,530
	TOTAL	\$21,395,523

Drug Coverage Summary

Day supply

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

No discrepancies noted. No action required.

Drug Exclusions

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

No discrepancies noted. No action required.

Prior Authorizations

The process of obtaining advanced approval of coverage for a health care service or medication. Without this prior approval, a health plan may not provide coverage, or pay for, a medication. A PillarRx analysis looks at the prior authorization (PA) requirements in a plan, compares them to the claims data, and looks for trends and discrepancies.

No discrepancies noted. No action required.

Quantity Limits

Certain drugs have quantity limits to encourage appropriate drug usage, enhance drug therapy and reduce client costs by increasing the member cost share. The quantity limit is the maximum quantity that can be dispensed over a given period of time. Quantity limits are often applied to inhalers, injectables, patches, and other pre-packaged units, and to medications that are prescribed on an “as-needed” basis such as migraine therapy.

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

No discrepancies noted. No action required.



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Gender Edits

In this review, PillarRx identifies cases where prescriptions for drugs that are FDA-approved for only female patients were dispensed to male patients, and for drugs that are FDA-approved for only male patients were dispensed to female patients. Gender edits are designed to prevent potential harm to members and promote appropriate utilization. The approval criteria are based on information that comes directly from the FDA and medical literature.

No discrepancies noted. No action required.

Employer Group Waiver Plan (EGWP) Audit, 2018

PillarRx's EGWP Assessment for ETF included:

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

Audit Process

The audit process is outlined below.

Set-up

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

LICS Calculations

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

PDE Analysis

PillarRx audited 100% of the PDE records (1,101,792) processed from January 1, 2018 through December 31, 2018. Since the PDE files provided to PillarRx were the PDE submission files and not the actual PDE response files.

PillarRx found 7 source claims without an associated PDE record which was provided to Navitus for review. Navitus reviewed all source claims that did not have an associated PDE record and provided the following responses:

- 6 claims were reversed/reprocessed by a pharmacy under a different NPI, resulting in a new PDE.
- 1 claim was rejected by CMS with a service provider not active for the date of service.

PillarRx found 69 reversed source claims that had an accepted PDE and Navitus provided the following response:

- 68 claims Rejected due to member no longer being in the plan.
- 1 claim was accepted by CMS in 2020 (not during current audit period)

PillarRx found 62 claims not typically covered under Medicare D, that had a corresponding PDE for the claims. Navitus provided the following responses:

- 3 claims were for V-GO 20, per benefit design, diabetic supply coverage for pump cartridges (V-Go) as Tier 2 (QL 1/day)
- 59 claims were allowed due to a prior authorization due to a coverage determination.

PillarRx found 90 claims with a rejected or deleted PDE. Navitus provided the following response:

- 90 source claims were reversed/reprocessed, and the fill number changed, causing original PDE to be deleted and a new original PDE submitted.

Approximately .02 percent of all PDEs had an issue, Navitus addressed the issues satisfactorily. PillarRx concludes that PDE records have been accurately and appropriately generated.

EGWP Copayment Analysis

PillarRx's analysis determined that the actual copay amount of \$9,095,887 was collected in 2018 with no major inconsistencies found. Miscellaneous minor inconsistencies were found in collected copays. This compares very favorably with PillarRx's experience with other clients with similar claims volume.

PillarRx provided Navitus with 123 (of 938,992) sample claims that were based on 20 different scenarios, in which copay inconsistencies were identified. Navitus' responses for why claims adjudicated correctly or incorrectly are outlined below:

- Non-Covered products paid at Tier 3 incorrectly

- Navitus advised that an issue was identified in March 2018 causing this error and they are reviewing the financial impact to the State.
- Zero copay charged where it was not expected.
 - Full amount was paid under Med D, or through a payer outside the NVT network.
- Copay expected should have been 2 times or 3 times, based on days supply
 - At the time that the claim processed the NDC was marked as an unbreakable package and since the claim was submitted for 1 pack, one copay was applied.
- Member Prior Authorization entered, and an incorrect copay was taken
 - Per Navitus, the PA team will need to review the MPA to verify the reason the MPA was entered as it was and if an update/reprocessing is needed.
- Claims inappropriately allowed a 31 days supply at a Long Term Care Pharmacy
 - Per Navitus, the issue was discovered while reviewing claims for this audit. We are currently working on the corrections and an impact analysis will be completed after.

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



Invoice Reconciliation Audit

Invoice Reconciliation Objective

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

Invoice Reconciliation Scope

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

Invoice Reconciliation Methodology

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

Invoice Reconciliation Findings

Upon reconciliation for 1/1/2018 – 12/31/2018 invoices, PillarRx found that all invoiced dollars and claim counts matched what was found on the claim records for the given period.

Please refer to exhibit: **2018 State of WI Invoice Comparison**

Invoice Reconciliation Conclusion

PillarRx concludes that the Navitus is invoicing the State accurately.

Operational Review

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

Operational Review Scope

Operational areas reviewed by PillarRx included:

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

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

Operational Review Methodology

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

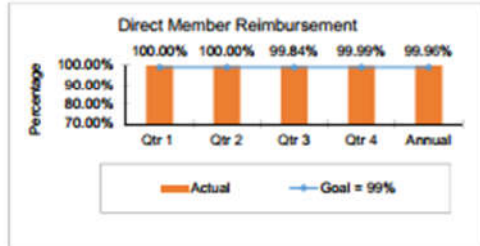
Operational Review Findings

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

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

Direct Member Reimbursement

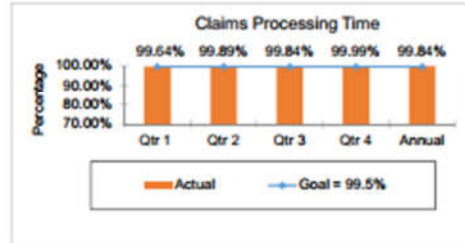
At least ninety-nine percent (99%) of clean claims adjudicated within 30 days.



Result: Performance Standard Achieved

Claims Processing Time:

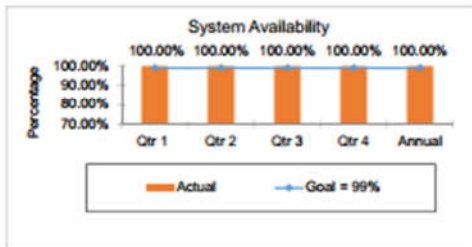
At least ninety-nine and one-half percent (99.5%) of the time claims are paid (including reversals and adjustments) in accordance with the pharmacy contract reimbursement provisions effective at the time the claim is adjudicated.



Result: Performance Standard Achieved

Claims Processing System Availability

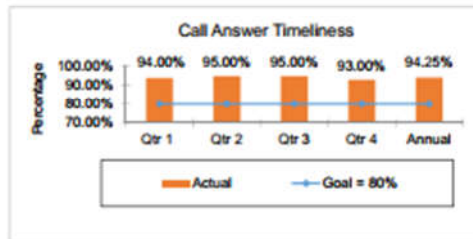
At least ninety-nine (99%) percent of the time the claims processing system is available for adjudication of online claims submitted by network pharmacies. This includes downtime for system maintenance.



Result: Performance Standard Achieved

Call Answer Timeliness

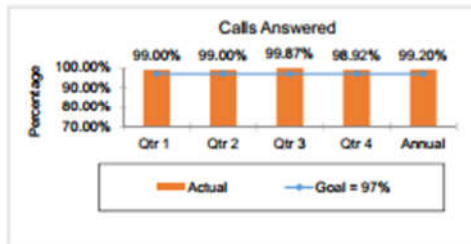
At least eighty (80%) percent of calls received by the organization's customer service (during operating hours) during the measurement period were answered by a live voice within thirty (30) seconds.



Result: Performance Standard Achieved

Abandonment Rate

Less than three (3%) percent of calls abandoned, measured by the number of total calls that are not answered by customer service (caller hangs up before answer) divided by the number of total calls received



Result: Performance Standard Achieved

Open Call Resolution Turn-Around-Time

At least ninety (90%) percent of customer service calls that require follow-up or research will be resolved within two (2) Business Days of initial call.



Result: Performance Standard Achieved

Inquiry Resolution Tracking Document/Log

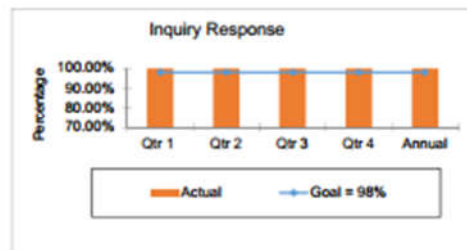
Inquiries not resolved within two (2) business days must be added to a tracking document/log that must summarize the issue and the current resolution status.



Result: Performance Standard Achieved

Electronic Written Inquiry Response

At least ninety-eight (98%) percent of customer service issues submitted by email and website are responded to within two (2) business days.



Result: Performance Standard Achieved



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Operational Review Conclusion

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

Conclusions

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

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

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

Pricing Audit

PillarRx concludes that Navitus is performing per the contract on discounts for both the Commercial and EGWP contracts. Additionally, Navitus is overcharging in dispensing fees for both the Commercial and EGWP contracts.

Onsite Review of Pharmacy Network Contracts

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

Rebate Audit

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

EGWP Audit

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

Plan Design Audit

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

Invoice Reconciliation Audit

PillarRx concludes that the Navitus is invoicing the State accurately.

Operational Review

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



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