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Correspondence Memorandum

Date: October 22, 2021

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).

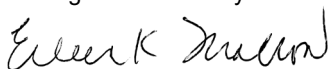
PillarRx performed a comprehensive audit of Navitus's administration of the pharmacy benefits offered to all members. The audit scope of the most recent engagement reviewed the following:

- Commercial pharmacy claims January 1, 2020, through December 31, 2020
- Employer Group Waiver Plan (EGWP) pharmacy claims January 1, 2019 through December 31, 2019
- Pharmacy Network January 1, 2019 through December 31, 2019
- Pharmacy Rebates October 1, 2019 through December 31, 2019

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 on its 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 11/09/2021 
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Board	Mtg Date	Item #
GIB	11.17.21	10A

Under the terms of the Board's contract with Navitus, for the 1,818,826 commercial pharmacy claims filed in 2020, the contracted claim ingredient cost should have been \$285,008,053. However, the actual cost was \$269,458,485, a savings of \$15,549,567 beyond what is guaranteed in the Board's contract with Navitus. This information is laid out in the table on page 9 in attachment B of this memo.

While this audit and PillarRx's past audits show an increase in contracted claim ingredient costs and actual claims ingredient costs, the savings the Board is realizing in contracted costs is also growing.

Year	Contracted Claims Ingredient Cost	Actual Claims Ingredient Costs	Savings Over Contracted Costs
2020	\$285,008,053	\$269,458,485	\$15,549,567
2019	\$238,100,644	\$225,520,616	\$12,580,028
2018	\$240,881,739	\$229,085,151	\$11,796,588

The reconciliation of the pricing guarantees for the 2019 EGWP benefit found that the 934,944 pharmacy claims filed under the parameters of the contract should have cost \$123,967,312. However, the cost was instead \$116,880,638 resulting in a savings of \$7,086,674 beyond the contract guarantee. This information is laid out in the table on page 11 in attachment B of this memo.

Under the audit of the EGWP plan, 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.

This audit shows Navitus overperformed the commercial dispensing fee by \$148,504 while underperforming on EGWP dispensing fee by \$165,106. Under Navitus's contract with the Board, there is no penalty for the underperforming EGWP dispensing fee. The lack of penalty is due to the savings the State received. The savings the State received is more than the combined \$165,106 in dispensing fee overcharges.

Navitus attributes the underperformance of EGWP dispensing fees compared to the contractual guarantees to an issue with a handful of Long-Term Care (LTC) Pharmacy Groups that have 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 regarding the dispensing fees.

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

PillarRx also reviewed pharmaceutical manufacturer rebate contracts and invoices and performed an analysis to compare the contracts to ETF's claims utilization. PillarRx reviewed agreements and amendments between Navitus and eight pharmaceutical manufacturers who produced the pharmaceuticals with the highest drug spend by ETF's membership in Quarter 4, 2019. Each contract was examined with special attention paid to:

- Base rebates
- Market share rebate
- Formulary type
- Administrative fees
- Market share calculations
- Other fees

The total rebate analysis can be found on page 14 of Attachment B.

While there were some differences found between the rebate amounts billed to manufacturers by Navitus and the rebate amount calculated by our auditor for an individual health plan, Pillar explains some of the reasons for the small difference on page 15 of Attachment B.

One explanation is similar to the explanation of why Navitus underperformed on the EGWP dispensing fee. Much like in that case, when Navitus enters into a contractual rebate agreement with manufacturers, they are doing so for Navitus's entire book of business, not just ETF. This way of doing business benefits all the plans involved because the rebates are based on a larger pool of claims. Navitus then pays the rebates to each plan separately based on the plan's claims. PillarRx points out that in their experience if a PBM entered into separate rebate agreements with manufacturers for each plan, the amount of rebate received would be lower than what ETF currently receives.

Another explanation of any differences in Pillar's rebate analysis can be due to changes in ETF's plan design, formulary, and copay structure. With ETF's commercial formulary changing sometimes monthly due to new drugs being introduced, older drugs changing tiers, or leaving the formulary completely, a drug that was eligible for a rebate one month may not be eligible the next month.

Pillar found minor variances, less than 5%, between rebate dollars, however overall rebates are paid accurately and in accordance with Navitus's contract with the Board.

Audit of Pharmacy Benefit Manager Services and Medicare Part D Employer Group
Waiver Plan
October 22, 2021
Page 4

For the entire audit of 2019 EGWP pharmacy claims, 2020 Commercial pharmacy claims, the 2019 Pharmacy Network, and 2019 Pharmacy Rebates PillarRx recommended no action required as a result of the findings of 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 (Confidential)



PillarRx
C o n s u l t i n g

CUSTOMIZED PHARMACY SOLUTIONS

Pharmacy Program Oversight Executive Summary

Created for

State of Wisconsin ETF

Audit Period:

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

Commercial Plan: January 1, 2020 – December 31, 2020

September 30, 2021



CUSTOMIZED PHARMACY SOLUTIONS

Table of Contents

<u>I. Auditor's Report</u>	3
<u>II. Auditor's Findings</u>	4
<u>III. Auditor's Conclusions</u>	5



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 \$400 million.

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

Phase 10

Client Name	State of Wisconsin ETF
PBM Name	Navitus
EGWP Claims Period	01/01/2019 through 12/31/2019
Commercial Claims Period	01/01/2020 through 12/31/2020
Pharmacy Network Period	01/01/2019 through 12/31/2019
Rebate Periods	10/01/2019 through 12/31/2019

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 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.

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, 2019 through December 31, 2019 and found 137 discrepancies between the source claim and the associated PDE, which is less than .01 percent of all PDE's.
- **Pricing:** PillarRx concludes that Navitus is over performing based on the EGWP contract and is under performing in dispensing fees. 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.
- **Copayment Analysis:** 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 20 claims that had to be reprocessed.



CUSTOMIZED PHARMACY SOLUTIONS

Invoice Reconciliation Audit

Upon reconciliation for 1/1/2019 – 12/31/2019 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 Navitus is invoicing the State accurately.

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.

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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.