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Correspondence Memorandum

Date: September 16, 2024
To: Group Insurance Board
From: Tricia Sieg, Pharmacy Benefit Programs Manager
 Office of Strategic Health Policy
Subject: Audit of Pharmacy Benefit Manager

This 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 of Wisconsin Group Health Insurance Program (GHIP).

PillarRx is an independent auditing firm that specializes in the pharmaceutical industry. Its audits assess compliance with the Group Insurance Board's (Board's) 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 most recent audit reviewed the following:

- Commercial pharmacy claims January 1, 2023, through December 31, 2023
- Employer Group Waiver Plan (EGWP) pharmacy claims January 1, 2022, through December 31, 2022
- Pharmacy network January 1, 2022, through December 31, 2022
- Pharmacy rebates October 1, 2022, through December 31, 2022

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

Audit Highlights

PillarRx found that Navitus overperformed on its contractual discount obligation to the Board for both commercial and EGWP populations.

Reviewed and approved by Renee Walk, Director, Office of Strategic Health Policy
 Electronically Signed 10/30/2024

Board	Mtg Date	Item #
GIB	11.13.24	17A

There were 2,002,032 commercial pharmacy claims filed in 2023, an increase of 229,820 claims from 2022. Under the terms of the Board's contract with Navitus, the contracted claim ingredient cost should have been \$369,745,996.48 in 2023. However, the actual cost was \$349,577,120.88, a savings of \$20,138,845.60 beyond what is guaranteed in the Board's contract with Navitus. This information is laid out in Attachment B (page 9).

EGWP pharmacy claims returned to their pre-pandemic levels in 2022 with 934,791 total claims.

Table 1: EGWP Claims

Year	EGWP Claims
2022	934,791
2021	815,112
2020	900,517
2019	934,944

Under Navitus's contract with the Board, the EGWP claims ingredient costs should have cost \$163,360,819.48 but instead cost \$152,772,016.53, resulting in savings of \$10,588,802.95. This information is laid out in Attachment B (page 10).

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 paid \$10,808.66 less in commercial dispensing fees than expected, while paying \$147,963.42 more in EGWP dispensing fees for each respective audit period. 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 above the guarantees in commercial discounts, commercial dispensing fees, and EGWP discounts, which is more than the combined dispensing fee overcharges. This is noted in Attachment B (page 11).

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 (claims for LTC pharmacies are typically excluded due to their high dispensing fees). However, these pharmacies are also filling many non-LTC claims for members. Those claims are being included in the performance calculation and are causing the results to show an underperformance regarding the dispensing fees. This issue has been noted in all audits completed since 2020 and has been included as an item to address in the PBM request for proposals currently in progress.

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

As noted on pages 12 through 24 of Attachment B, PillarRx conducted audits of numerous aspects of the pharmacy contract and found all passed and were within normal variance levels.

Rebate Audit

PillarRx 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 of 2022. Each contract was examined with special attention paid to:

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

PillarRx found that Navitus is processing and paying rebates for the commercial and EGWP lines of business in compliance with their contracts with manufacturers.

2023 Commercial Plan Design Audit

PillarRx examined 100% of ETF's commercial pharmacy claims from January 1, 2023, through December 31, 2023, including claims that were reversed or rejected. These claims were examined to make sure they followed contract and benefit guidelines including:

- Copayment rules
- Day supply
- Drug exclusions
- Prior authorization requirements
- Quantity limits
- Gender edits

PillarRx found no issues.

2022 EGWP Plan Design Audit

In their examination of the 2021 EGWP plan, PillarRx examined 100% of the Prescription Drug Event (PDE) records. PDE records are not the same as pharmacy claims, as they include information regarding post transaction adjustments between plan and pharmacy, plan-to-plan adjustments, and plan to Center for Medicaid & Medicare (CMS) adjustments. These claims were examined to make sure they followed contract and benefit guidelines, including those listed below:

- Matched source claim files to the PDE records
- Analyzed claims for accuracy and appropriateness
- Reviewed copayments and coinsurance rates
- Confirmed drugs were charged on the correct drug formulary tier
- Verified Low-Income Cost Sharing (LICS) calculations
- Checked accuracy of coverage gap discount calculations

PillarRx found miscellaneous minor inconsistencies and discrepancies that were validated as appropriate by Navitus. PillarRx has followed up with Navitus for additional explanation on a few of their explanations.

Invoice Reconciliation Audit

PillarRx analyzed 100% of the claim data for the year and found that Navitus is invoicing ETF accurately.

Operational Review

PillarRx reviewed Navitus's 2022 performance standards, outlined in its contract with the Board. Navitus was issued penalties for failing to meet performance standards during quarters one, two, and four of 2022.

For quarters one and two of 2022, Navitus failed to meet standards set by ETF for all vendors regarding call answer timeliness, call abandonment, and timely response to electronic written inquiries. Navitus paid penalties totaling \$145,697.83 during quarters one and two for missing these performance guarantees Navitus requested and received a reduction in its first quarter penalties after submitting a letter explaining their plan to remedy the issues.

For quarter four of 2022, Navitus failed to notify ETF of a privacy breach in a timely manner and failed to start investigating a grievance that was filed by a member within five business days. The total penalty assessed for these two incidents was \$17,000.

Due to an oversight by ETF penalties to Navitus during the fourth quarter for failure to ship at least 99% of mail order prescriptions requiring interventions within five business days in December and being unable to respond to at least 98% of customer services

issues submitted by email and website within two business days in October were not accessed. Due to ETF's oversight the \$15,000 in penalties were waived.

ETF has since established a protocol to review performance deliverable workbooks more thoroughly and by multiple individuals to assess for penalties each quarter.

PillarRx notes that Navitus met all contractual requirements and performance standards required by the Board or paid out all the assessed penalties.

Conclusion

PillarRx made no recommendations in this audit and found no issues.

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

Attachment A: [PillarRx Pharmacy Program Oversight Executive Summary](#)

Attachment B: PillarRx Prescription Benefit Management Audit (Confidential)