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## Correspondence Memorandum

**Date:** February 6, 2025  
**To:** Group Insurance Board  
**From:** Tricia Sieg, Pharmacy Benefit Programs Manager  
Office of Strategic Health Policy  
**Subject:** Board Question Follow-Up: 2024 Pharmacy Costs

**This memo is for informational purposes only. No Board action is required.**

### Background

During the January 15, 2025, Group Insurance Board (Board meeting, while discussing the Group Health Insurance Program Reserve Status ([Ref. GIB | 01.15.25 | 12](#)), ETF committed to report on the 2024 pharmacy costs to the Board for both the commercial pharmacy benefit (Commercial) and the Employer Group Waiver Plan (EGWP), also known as Medicare Part D plans.

Pharmacy costs consist of two different components: administrative fees paid to the vendor, Navitus Health Solutions, LLC (Navitus), and claims costs. Because the Board's pharmacy program is self-funded and has a fully transparent/full pass-through model, the Board also receives revenue into the pharmacy program each month. The largest source of revenue is rebates, which the Board receives from Navitus quarterly.

### 2024 Pharmacy Spend Information

Administrative fees for the pharmacy benefit are set fees charged per member per month (PMPM) by the Board's Pharmacy Benefit Manager (PBM), Navitus Health Solutions, LLC (Navitus).

In 2024 the Board paid \$5,294,975 in commercial benefit administrative fees and \$4,794,349 in EGWP administrative fees. The 2024 administrative fees represent a 1% increase from 2023.

When a member fills a prescription, they pay a copayment or coinsurance rate based on the tier of the drug on the pharmacy formulary. The remaining cost of the drug, after the member's copayment or coinsurance, is charged to the Board by Navitus weekly for EGWP claims and twice per month for commercial.

Reviewed and approved by Renee Walk, Director, Office of Strategic Health Policy  
Electronically Signed 02/13/2025

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In 2024 the Board paid \$384,709,672 in commercial pharmacy claims, which is an increase of 5.8% from 2023. The Board also paid \$212,282,610 for EGWP pharmacy claims, reflecting a 15.6% increase from 2023 claims.

### **2024 Pharmacy Rebate Information**

Navitus enters into agreements with drug manufacturers for rebates on certain drugs. Navitus passes through 100% of the rebates they receive on behalf of the Board's members to ETF. Navitus is also part of a Drug Rebate Group Purchasing Organization (GPO), where a group of drug purchasers, including other PBMs, work together to buy drugs in bulk at a lower rate than if any of the entities tried to purchase the drugs individually. Rebates obtained through the GPO are subject to a \$0.40 PMPM rebate administration fee before the rebate is passed through to the Board.

In 2024, ETF received rebate payments totaling \$178.3 million from Navitus covering the fourth quarter of 2023 until the first three quarters of 2024. This was an \$18.7 million increase from the rebate payments received in 2023.

### **2024 Pharmacy Subsidies**

The Board receives several federal subsidy payments for members, which include reinsurance payments for high pharmacy claims, Coverage Gap Discount Program payments for claims incurred during an EGWP member's coverage gap phase, direct subsidy payments to offset plan costs, and low-income cost sharing (LICS) payments to cover the difference between the plan's cost and the cost sharing for low-income members.

ETF has not received all 2024 federal subsidy payments. However, of the payments that have been received, it appears that the 2024 subsidies payments will be slightly higher than the \$15 million ETF received in 2023.

### **Comparison Versus Projection**

In January 2025, the Board asked for additional information on how projected pharmacy claims differed from actual experience. On review, both claims and rebates were underestimated. In May 2024, Segal reported a projected \$590.5 million in pharmacy claims for both the state and local programs ([Ref. GIB | 05.23.24 | 4B](#)). The actual pharmacy claims incurred was \$597.2 million. Segal projections also reported an expected \$261.1 million in rebates and subsidies, where the actual amount was \$261.9 million. In total, the programs experienced an extra \$6 million in claims costs versus projections.

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