PillarRx Consulting

CUSTOMIZED PHARMACY SOLUTIONS

Prescription Benefit Management Audit Executive Summary Report

State of Wisconsin, Department of Employee Trust Funds (ETF)

Administered by Navitus Health Solutions

Audit Period
EGWP 1/1/2023 – 12/31/2023
Commercial 1/1/2024 – 12/31/2024

Final Date: 10/16/2025

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INTRODUCTION

This ***Executive Summary*** contains PillarRx Consulting, LLC's (PillarRx's) findings and recommendations from our audit of Navitus Health Solutions (Navitus) administration of State of Wisconsin, Department of Employee Trust Funds (ETF) pharmacy plan. You can review the detail that supports PillarRx's findings and recommendations in our ***Specific Findings Report***.

PillarRx specializes in the audit and control of health plan claim administration. Accordingly, the statements we make relate narrowly and specifically to the overall effectiveness of policies, procedures, and systems Navitus used to pay ETF's claims during the audit period.

PillarRx conducted the audit according to accepted standards and procedures for claim audits in the health insurance industry. We based our audit findings on the data and documentation provided by ETF and Navitus. The validity of our findings relies on the accuracy and completeness of that information. We planned and performed the audit to gain reasonable assurance that claims were adjudicated consistently and accurately in relationship to the policy provisions and administrative agreement between ETF and Navitus.

While performing the audit, PillarRx complied with all confidentiality, non-disclosure, and conflict of interest requirements and did not receive anything of value or any benefit of any kind other than agreed upon audit fees.

OBJECTIVES AND SCOPE

The objectives of the PillarRx audit of Navitus' pharmacy benefit management were to:

- verify claims were processed in accordance with the pricing terms specified in the contract between ETF and Navitus.
- verify claims adjudicated according to plan provisions.
- validate drug manufacturer rebates were correctly calculated and passed through to ETF.
- perform an independent third-party review of Navitus' mail order facility, specialty facility, and customer service center to assess procedures, processes, policies, and staffing.
- verify HIPAA and HITECH policies and procedures to ensure compliance.
- validate Navitus met contractually approved performance guarantees.
- validate chain and independent pharmacies based on utilization and cost.
- validate claim invoices charged match actual claim payments.

PillarRx's audit encompassed the contract(s) in force and the pharmacy benefit claims administered by Navitus for the audit period of EGWP 1/1/2023 – 12/31/2023 and Commercial 1/1/2024 – 12/31/2024 for ETF. The population of claims and the total net plan paid (total payment less member copayment) during the audit period by Line of Business (LOB) was:

	Number of Prescriptions Paid	Net Plan Paid
EGWP 1/1/2023 – 12/31/2023	964,980	$188,703,655.72
Commercial 1/1/2024 – 12/31/2024	2,121,246	$384,702,452.94

The audit included the following components.

1. **Pricing and Fees Audit** (Commercial 2024; EGWP 2023)
2. **Benefit Payment Accuracy Review** (Commercial 2024; EGWP 2023)
3. **Manufacturer Rebate Audit** (Commercial 2023-Q2; EGWP 2023-Q2)
4. **Operational Review** (2023)
5. **Performance Guarantees Review** (2023)
6. **Network Pharmacy Contracts Audit** (2023)
7. **Invoice Reconciliation Audit** (2024)

Key findings for each component can be found in the following sections of this report.

AUDIT FINDINGS AND RECOMENDATIONS

Pricing and Fees Audit

After verification of the electronic claim data provided by Navitus, PillarRx systematically re-priced 100% of prescription drug claims paid during the audit period to determine whether:

- discounts were applied correctly based on the PBM contract.
- pharmacy dispensing fees were applied correctly.

Any errors identified in pricing or fees were shared with Navitus. Details of the discussion of those errors between PillarRx and Navitus can be found under separate cover in the ***Specific Findings Report***.

Reconciliation of Pricing Guarantees

Using the terms of ETF's 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 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;
- Maximum Allowable Cost (MAC) allowance for generic;
- specialty drug allowance; and
- dispensing fees.

Findings and Recommendations

In summary, when aggregating the discounts with the dispensing fee outcomes, Navitus' self-reported calculated reconciliation paid out appropriately. See the following chart for breakout. No further action is necessary.

	Combined Discounts and Dispensing Fee Guarantees	
	PillarRx	**Navitus Reconciliation**
EGWP	Discounts $10,704,795.95 Dispensing Fees $61,426.23 **Overperformance: $10,766,222.18**	Discounts $14,062,646.75 Dispensing Fees $38,508.14 **Overperformance: $14,101,154.89**
Commercial	Discounts $14,324,984.48 Dispensing Fees ($311,358.74) **Overperformance $14,013,625.74**	Discounts $17,197,354.62 Dispensing Fees ($329,882.89) **Overperformance $16,867,471.73**

Overall, there is no additional money due to the client.

PillarRx recommends, based on the confirmed findings regarding misclassified Long-Term Care (LTC) and mail order claims, PillarRx recommends that ETF engage directly with Navitus to conduct an impact analysis. This analysis should focus on identifying claims that were incorrectly excluded from pricing guarantees due to misclassification. Specifically, LTC claims that did not meet Navitus' own contracted definition were excluded, and mail order claims filled outside of Serve You Mail Order Pharmacy were also excluded despite being valid under the contract terms.

The purpose of the impact analysis is to quantify how correcting these misclassifications would affect both historical and future pricing guarantees. Navitus should provide a detailed accounting of the financial impact, including any adjustments needed to reconcile past undercharges or overcharges, and ensure accurate application of pricing terms going forward.

Benefit Payment Accuracy Review

PillarRx created an exact model of the benefit plan parameters of ETF's pharmacy plan in AccuCAST and systematically re-adjudicated 100% of paid prescription drugs. Benefit plan parameters analyzed included, but were not limited to:

- Copay/coinsurance
- Prescription Drug Events (PDE)
- Drug Exclusions
- Prior Authorizations
- Age and gender
- Day supply maximums
- Quantity limits

Copayments/Coinsurance

Copayments represented the dollar amount required to be paid by the member when a prescription drug was purchased. Our observations and conclusions relative to copayment are shown in the following chart.

	Total Claims	Copays Collected
EGWP 1/1/2023 – 12/31/2023	964,980	$10,243,847.74
Commercial 1/1/2024 – 12/31/2024	2,121,246	$27,606,049.05

PillarRx submitted 292 commercial claims and 117 EGWP claims to Navitus that represented potential exceptions to the copayment requirements. Navitus provided adequate explanation and documentation for each category of exception, which allowed PillarRx to conclude all copayments were applied correctly. No further action is required.

PillarRx agrees with Navitus's responses and copays adjudicated according to plan design specifications.

Prescription Drug Event (PDE)

The Prescription Drug Event (PDE) analysis involves the examination of PDE records to verify the accuracy, completeness, and review drug claim data. PillarRx audited 1,086,086 PDE records processed from January 1, 2023, through December 31, 2023, and originally found 6 discrepancies between the source claim and the associated PDE. Navitus stated it is working to determine root cause and make any necessary corrections.

Drug Exclusions/Prior Authorizations

The claim data and documentation provided by Navitus allowed PillarRx to confirm drug exclusions and prior authorizations were administered correctly.

Administration of Age and Gender Rules

PillarRx noted no issues related to age and gender rules.

Administration of Quantity Limits and Days Supply Maximums

PillarRx noted that based on the language in the drug coverage documents provided by Navitus, claims were not adjudicating within the parameters. PillarRx recommends an impact analysis on the discrepancies and work directly with ETF for reconciliation of the error.

Manufacturer Rebate Audit

The Manufacturer Rebate Audit verified whether drug manufacturer rebate calculations and payments were accurate and paid in accordance with the contract between ETF and Navitus for the following timeframes:

- EGWP Q2 2023
- Commercial Q2 2023

The top 4 manufacturers were selected for each line of business based on claim volume and the highest rebate dollars paid to ETF. An additional 4 manufacturers (2 for each line of business) were selected that did not fall into the top 4. Historically, the top manufacturers represent a majority of available rebate dollars. Manufacturers reviewed were:

Top Manufacturers		
Commercial	**EGWP**	**Commercial & EGWP (Additional Selections)**
Commercial MFG #1	EGWP MFG #1	Commercial MFG #5
Commercial MFG #2	EGWP MFG #2	Commercial MFG #6
Commercial MFG #3	EGWP MFG #3	EGWP MFG #5
Commercial MFG #4	EGWP MFG #4	EGWP MFG #6

Findings and Recommendations

Navitus receives rebates from both a Group Purchasing Organization (GPO) and direct Manufacturer contracts. The GPO maintains its own contracts with manufacturers and Navitus is not a party to those contracts.

PillarRx's Manufacturer Rebate Audit showed Navitus billed the top pharmaceutical manufacturers in conformance with the Navitus held contracts for the periods under review. PillarRx concludes Navitus processed and paid rebates to ETF in compliance with its contracts with the pharmaceutical manufacturers audited and its agreement with ETF. Rebate variances were within the acceptable 3% threshold, confirming that no additional rebate funds are owed to ETF. Of the 247 claims reviewed, 86 were initially flagged as ineligible. PillarRx recommends that Navitus provide ETF with further clarification on the rationale behind the ineligibility of these claims.

Operational Review

PillarRx reviewed the following PBM operational areas and processes:

- pharmacy audits;
- paper claim processing and management;
- fraud, waste, and abuse;
- system security and backup measures;
- HIPAA compliance; and
- operational assessment.

Findings and Recommendations

Pharmacy Audits

PillarRx reviewed Navitus' pharmacy audit sample selection methodology; on-going performance monitoring; audit recovery practice; and payment processes, policies, workflows, and desk-top procedures.

PillarRx requested and received documentation from Navitus focusing on:

- Operational Questionnaire Responses
- Pharmacy audit Overview which included:
    - Methodology for selection of pharmacies for desk and onsite audits
    - Frequency of audits
    - Audit type descriptions and processes
    - On-going monitoring of pharmacies
    - Audit recovery process
    - Reporting and communications of audit results
    - Follow-Up education and escalations for non-compliant providers
- Quality Control Processes
    - Plan design testing workflow
    - Benefit validation claim summary
    - Quality control processes and methods for accurate setup of benefit design

Documentation and responses provided were found to be thorough and accurately represented the process that occurs as described. PillarRx observed Navitus met expectations and industry standards. PillarRx found all policy and procedures relative to Navitus's pharmacy audit processes to be well documented and in place. To improve partnership effectiveness, PillarRx would recommend establishing a regular feedback loop with Navitus to review audit findings.

Paper Claim Processing and Management

PillarRx reviewed Navitus' responses to the questions noted in the Operational Review Questionnaire for handling paper claims to verify Navitus' processes and validated accurate and timely processing. Based on these responses, PillarRx found Navitus met expectations and industry standards. Navitus described its paper claims processes and how it met required/expected turnaround times. All Medicare Part D paper claims were audited, while no audits were conducted for commercial claims in 2023, a gap that presents potential oversight risk.

System Security and Backup

PillarRx reviewed Navitus' security and backup processes, policies, workflows, desktop procedures, and documentation.

PillarRx requested and received documentation from Navitus' focusing on:

- Security policies, standards, and guidelines;
- Network perimeter security controls;
- Business continuity plan;
- System back-up and archiving procedures;
- Outsourced services; and
- Contingency plans.

The documentation was comprehensive and representative of the process practiced. PillarRx confirmed Navitus' data security and maintenance procedures complied with industry best practices to safeguard data and Navitus had standard control procedures in place for data storage. Navitus' data retention period was standard and compliant. In addition, its redundant systems, multi-location capability, and backup protocols reflected standard best practices for disaster recovery.

HIPAA Compliance

PillarRx reviewed Navitus' responses to the questions noted in the Operational Review Questionnaire and supporting documentation supporting Navitus' compliance efforts, training, and verified the integrity of the processes in place.

PillarRx requested and received responses and documentation from Navitus' focusing on:

- Operational Questionnaire Responses related to:
  - HIPAA Privacy and Security Training
  - Security Breaches
  - Incident reporting
  - Safeguarding facility and equipment
  - Enforcement Standards
  - HIPAA Security Standards
- Annual Code of Ethics and HIPAA Privacy Training Course Outline which describes the following:
  - Course description
  - Course overview
  - Annual Statement Attestation
  - Final Quiz
  - Reporting/Resources
- Disclosure Reporting Policy

- Incident reporting
- Anti-Retaliation Non-Retribution

PillarRx reviewed Navitus' responses to the questions noted in the Operational Review Questionnaire and supporting documentation and found it demonstrated comprehensive control procedures, employee awareness and education, and business protocols to maintain and safeguard personal health information (PHI) in compliance with HIPAA standards and expectations. Documentation was found to be accurate and representative of the process that occurred as described.

Operational Assessment

Navitus confirmed full responsibility for all administrative services under the PBM agreement, including those performed by subcontractors. To support operations, Navitus utilizes business process outsourcing and support services, Everise® (BPO), TransPerfect and LanguageLine (interpreter services), and the National Relay Service (hearing-impaired support).

Navitus maintains oversight and compliance across all services. PillarRx recommends Navitus provide documentation detailing vendor oversight practices, including performance audits, SLA monitoring, scorecards, corrective actions, and ETF approval for subcontracted services.

Performance Guarantees Review

PillarRx reviewed the Performance Guarantees included in ETF's Pharmacy Benefit Services Agreement. PillarRx requested reports from Navitus reviewing for overall reasonableness and to substantiate its performance levels for Claims Processing and Customer Service measures in the Performance Agreement to verify the accuracy of the performance guarantees reported.

While all standards were met, PillarRx found that some documentation lacked sufficient detail to fully validate certain guarantees, and some methodologies used by Navitus did not align with contractual definitions. ETF will work with Navitus to ensure future submissions include complete documentation and apply the correct contractual methodology when reporting performance standards.

Findings and Recommendations

PillarRx concludes that Navitus fulfilled all contractual obligations and met the performance standards required by ETF. No penalties were issued to ETF for CY 2023. PillarRx did provide recommendations to further strengthen ETF's pharmacy benefit oversight.

Network Pharmacy Contracts Audit

PillarRx evaluated the contractual compliance of pharmacies within the PBM network, focusing on financial and operational adherence. A review of 26 contracts between Navitus and participating pharmacies; including the top 10 large chain pharmacies, the top 10 independent pharmacies categorized by line of business, and 6 additional pharmacies outside of these primary categories, we have determined 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(s) passed through.

Findings and Recommendations

All reviewed pharmacies were compliant with their contracts. PillarRx confirmed that the actual results aligned with the network contract terms, ensuring discount pass-through integrity.

Invoice Reconciliation Audit

PillarRx conducted a full reconciliation of each invoice period by analyzing 100% of the associated claim data.

Findings and Recommendations

The review confirmed that the total plan-paid amounts for adjudicated claims were fully aligned with the amounts invoiced to ETF.

CONCLUSION

We consider it a privilege to have worked with ETF and your staff. We welcome any opportunity to assist you in the future. Thank you again for choosing PillarRx.