

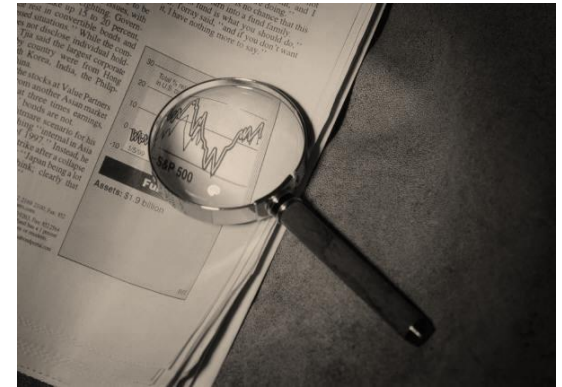
Auditing / PBM Oversight



April 2013

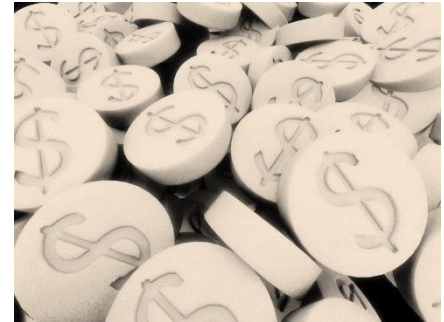
PBM Auditing

- What is it?
 - Retrospective review of claims
 - Validates compliance with “contract” and benefit plan
 - Tool for identifying future changes
- What it isn't
 - Substitute for effective management of pharmacy benefit
 - Get Rich Quick Scheme
 - Vehicle for enacting vengeance on PBM



Auditing – Why do it?

- Fiduciary Responsibility to stakeholders
- Provides external impartial view of PBM performance
- Pharmacy costs continue to increase
 - Utilization continues to increase
 - Most highly utilized employee benefit
 - Most visible benefit
 - Strategic pharmacy benefit management is critical
 - significant generic launches
 - costly specialty pipeline
 - contract mergers and other factors
 - Contributes to a reduction in overall healthcare costs



Auditing – When should it be done?

- Anytime – contracts typically establish limits
- Periodically to meet Fiduciary Requirements
- Known issues that aren't being resolved
- Suspect areas of contract non-compliance
- Before or after changes in benefit design

Auditing - What areas can be reviewed?

- Any and all areas allowed by contract
 - Pricing (Discounts, Fees, Credits)
 - Benefit Design
 - Copays
 - Step Therapies
 - Quantity Limits
 - Product Inclusions / Exclusions
 - Fraud Waste & Abuse
 - Contract Guarantees
 - Rebates



Types of Issues Commonly Identified

- Disputes on definition of Contract wording and terms
- Wrong adjudication rates
- Incorrect Copays
- QLL's not established or tracked improperly
- Calculation of Guarantees (financial and performance)
- Incorrectly calculated rebates

Recovery of Disputed Amounts

- Some issues are straight forward – easy to collect
 - Benefit design findings
 - Some pricing findings
 - Most rebate amounts
- Issues based on Contract interpretations are difficult
 - Used to improve future contracts
 - May require legal action

Examples of Audit Findings

1. Guarantee Calculation, Admin Fees (\$280K)
2. Formulary Compliance, Copay, days supply, Min/Max (\$630K)
3. Rebates (\$20K +)
4. Pricing Guarantees (\$374K)
5. Manufacturer Rebates (\$865K)
6. Benefit Design (copay, excluded products, accumulators, pricing, formulary) (\$500K)

Auditing – should YOU do it?

ABSOLUTELY

