

Prescription Benefit Management Audit

SPECIFIC FINDINGS REPORT

State of Nevada Public Employee Benefit Program Plans

Administered by Express Scripts

Audit Period: July 1, 2020 – June 30, 2021

Audit Number 3.FY21

Presented to

State of Nevada Public Employee Benefit Program

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Prepared by



Subcontractor to



**CLAIM TECHNOLOGIES
INCORPORATED**

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EXECUTIVE SUMMARY

This **Specific Findings Report** contains detailed information, findings, and conclusions that the PillarRx Consulting, LLC's (PillarRx) audit team has drawn from our Prescription Benefit Management Audit of Express Scripts' (ESI's) administration of State of Nevada Public Employee Benefit Program's (PEBP's) pharmacy plan.

Scope

PillarRx performed an audit of ESI's administration of the PEBP's pharmacy plan for the period of July 1, 2020 through June 30, 2021 (FY2021). The population of claims and amount paid during the audit period reported by HealthSCOPE Benefits:

Pharmacy	
Number of Prescriptions Paid	455,444
Net Plan Paid	\$58,997,529

The audit included the following components which are described in more detail in the following pages.

1. Pricing and Fees Audit
2. Reconciliation of Pricing Guarantees
3. Benefit Payment Accuracy Review
4. Rebate Review
5. Performance Guarantee Review

Auditor's Findings

PillarRx has the following opinion/recommendations based on the FY2021 audit of ESI:

1. Financial Accuracy is defined by the discount and dispensing fee in the PBM contract, versus actual PBM performance. ESI met the financial accuracy performance standard listed in the contract for retail and did not meet it for mail order. When aggregate however, ESI's overall performance did not meet PEBP's contractual financial accuracy guarantee. PillarRx's agrees with ESI calculated under-performance amount of \$125,443.43. The penalty was paid to PEBP on November 12, 2021.
2. Processing accuracy is measured comparing the intended plan benefit as listed in the summary Plan Description (SPD) with the claim processed by the PBM. ESI's overall performance in both Retail and Mail order met PEBP's contractual processing accuracy guarantee.

Summary of HealthSCOPE's Guarantee Measurements

Performance Standard	Description of Standard	PBM Performance/Penalty	Met/Not Met
Financial Accuracy Overview	99% of all claims paid with NO errors unless subject to intervention.	This guarantee includes five categories. Two of the five categories were not met for a net underperformance of \$125,443.43. Refer to page 11 for additional detail.	Not Met
Processing Accuracy Overview	99% of all claims paid with NO errors unless subject to intervention.	100% of all claims paid with no errors.	Met

AUDIT OBJECTIVES

This *Specific Findings Report* contains detailed information, findings, and conclusions that the PillarRx audit team has drawn from their Audit of ESI's administration of the PEBP's pharmacy plan. This report is provided to the PEBP, the plan sponsor, and ESI the pharmacy benefit manager (PBM).

The findings in this report are based on data and information ESI and the PEBP provided to PillarRx and the report's validity relies upon the accuracy and completeness of that information.

The audit was planned and performed to obtain a reasonable assurance that prescription drug claims were adjudicated according to the terms of the contract between ESI and the PEBP as well as Client approved benefit descriptions (summary plan descriptions, plan documents or other communications).

PillarRx is a firm specializing in audit and control of pharmacy benefit plan administration. The statements made by PillarRx in this report relate narrowly and specifically to the overall efficacy of ESI's policies, processes, and systems relative to the PEBP's paid claims during the audit period. 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.

Audit Objectives

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

- verify that claims were processed in accordance with the pricing terms specified in the contract;
- verify that claims adjudicated according to plan provisions;
- review minimum rebate guarantees and verified payment was made; and
- validate that ESI is meeting contractually approved Performance Guarantees.

PRICING AND FEES AUDIT

Pricing and Fees Audit Objective

The Pricing and Fees Audit verified that claims were processed in compliance with the discounts and fees specified in ESI's contract with the PEBP.

Pricing and Fees Audit Scope

After verification of the electronic claim data provided by ESI, PillarRx systematically repriced 100% of prescription drug claims paid during the audit period to determine that:

- Discounts were applied correctly based on the lesser of MAC, Average Wholesale Price (AWP), and Usual and Customary (U&C); and
- Pharmacy dispensing and administrative fees were applied correctly.

Pricing and Fees Audit Methodology

Contract Document Review

PillarRx requested and received from the PEBP and ESI all contracts, amendments, formulary drug lists, and reconciliation documents.

Claim Validation

We mapped and validated the raw claim data provided by ESI to our standard layout. Raw claim data represented the successive pharmacy claim transactions that included both paid and reversed claims and was critical to our understanding of ESI's processing and adjudication rules. Once mapped, the data was reconciled against control totals and put through a rigorous process referred to at PillarRx as data forensics – or the verification of claim data by assessing appropriate patterns and relationships. The data forensics included comparing the mapped data to the following benchmarks:

- Prior authorizations
- Rejections
- Reversals
- National Provider Identifier (NPI)
- National Drug Code (NDC)

To complete the claim validation, we conducted a conference call with ESI to verify that:

- Pharmacy benefit claims data provided for this audit was complete and accurate;
- Claims were loaded correctly into the PillarRx system; and
- Claim counts and total paid claim amounts were accurate.

Pricing and Fees Analysis

The analysis of pricing and fees included electronic comparison of the pharmacy reimbursements for all brand, generic and specialty drugs, or products.

The allowance for brand drugs compared the contracted guaranteed reimbursement rate to the ingredient cost. For this audit of ESI, the ingredient cost allowance was determined using the Blue Book AWP from the MediSpan Drug Database or the pharmacy's U&C listed on the claim for the date each prescription was dispensed.

PillarRx also verified electronically that dispensing fees for each drug type, distribution channel and service fees (e.g., compound drug service fees) were paid in accordance with ESI’s contract.

Pricing and Fees Audit Findings

Pricing Findings

ESI applied all adjudication methods for determining the correct allowance for prescriptions drugs by type and distribution method during the audit period.

Dispensing Fee Findings

The dispensing fee was the amount contractually agreed upon by the PEBP and ESI as the amount to be paid by the plan to the pharmacy for dispensing a prescription.

As shown in the following table, the dispensing fee analysis identified fees were in alignment based on the contract for FY2021.

Note: In the following chart, a **negative** variance indicates a higher than contracted dispensing fee collected. A **positive** variance indicates a lower than contracted dispensing fee collected.

Dispensing Fees (7/1/2020 – 6/30/2021)					
Component Description*	Contracted Dispensing Fee	Number of Claims	Total Actual Dispensing Fee	Total Contracted Dispensing Fee	Total Overage/ (Shortfall)
Retail Brand (1-83DS) STD	\$0.60	7,664	\$3,000.17	\$4,598.40	\$1,598.23
Retail Brand (84-90 DS) STD	\$0.10	1,038	\$161.00	\$103.80	(\$57.20)
Mail Brand	\$0.00	8,354	\$0.00	\$0.00	\$0.00
Mail Generic	\$0.00	36,703	\$0.00	\$0.00	\$0.00
Retail Generic (1-83 DS) STD	\$0.60	48,428	\$27,704.25	\$29,056.80	\$1,352.55
Retail Generic (84-90 DS) (STD)	\$0.10	22,173	\$2,153.49	\$2,217.30	\$63.81
Retail Brand (1-83 DS)	\$0.60	16,757	\$6,448.85	\$10,054.20	\$3,605.35
Retail Brand (84-90 DS)	\$0.00	4,049	\$0.00	\$0.00	\$0.00
Retail Generic (1-83 DS)	\$0.60	210,804	\$130,438.48	\$126,482.40	(\$3,956.08)
Retail Generic (84-90 DS Fee)	\$0.00	29,844	\$0.00	\$0.00	\$0.00
TOTAL		385,814	\$169,906.24	\$172,512.90	\$2,606.66

* Compound, Over the Counter, Retail Usual and Customary, Vaccines, Subscriber, and Coordination of Benefits claims were excluded from all contract guarantees, PillarRx reviewed claims for reasonableness and found no outliers.

RECONCILIATION OF PRICING GUARANTEES

Reconciliation of Pricing Guarantees Objective

The Reconciliation of Pricing Guarantees determined if the discount savings and other price controls with guaranteed performance levels in ESI's contract with the PEBP were met, and if not met, that accurate credit or payment was made to the PEBP within the timeframe specified in the contract.

Reconciliation of Pricing Guarantees Scope

Using the terms of the PEBP's contract with ESI, 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 as 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;
- MAC allowance for generic;
- Specialty drug allowance; and
- Dispensing fees.

Reconciliation of Pricing Guarantees Methodology

PillarRx used its proprietary AccuCAST® system to electronically compile total discount savings by silo (drug type and distribution method) and compare them to the contract guarantees in the ESI contract. If ESI's performance fell short of any of the guarantees, we validated that ESI recognized the shortfall and credited or paid the difference to the PEBP on a timely basis.

Reconciliation of Pricing Guarantees Findings

The following tables demonstrate our findings relative to pricing guarantees.

Key	Over Performance > Greater Than Contracted Rates	Acceptable Performance — Same as Contracted Rates	Under-Performance < Less Than Contracted Rates				
FY2021							
Component Description*	Number of Claims	Contracted Discount Rate	Actual Discount Rate	Contracted Claim Ingredient Cost	Actual Claim Ingredient Cost	Variance Total Overage/ (Shortfall)	
Retail Brand (1-83 DS) STD	7,664	18.75%	18.43%	\$3,716,566.80	\$3,731,426.39	(\$14,859.59)	<
Retail Brand (84-90 DS) STD	1,038	22.75%	22.37%	\$1,119,391.84	\$1,124,894.19	(\$5,502.35)	<
Retail Generic STD	70,601	83.75%	83.53%	\$2,292,521.16	\$2,324,194.44	(\$31,673.28)	<
Retail Brand (1-83 DS) STD	16,757	18.75%	18.91%	\$6,680,854.82	\$6,667,528.32	\$13,326.50	>
Retail Brand (84-90 DS)	4,049	24.50%	24.58%	\$3,926,570.94	\$3,922,446.85	\$4,124.09	>
Retail Generic (1-83 DS)	210,804	83.75%	84.39%	\$3,569,655.06	\$3,429,147.56	\$140,507.50	>
Retail Generic (84-90 DS)	29,844	87.25%	86.80%	\$1,207,788.79	\$1,250,595.74	(\$42,806.95)	<
Mail Brand	8,354	24.50%	24.82%	\$6,169,984.33	\$6,143,959.14	\$26,025.19	>
Mail Generic	36,703	87.25%	86.05%	\$1,620,870.74	\$1,772,927.47	(\$152,056.73)	<
ESI Specialty	4,292	19.75%	20.02%	\$19,081,960.25	\$19,082,560.28	(\$600.03)	<
TOTAL				\$49,386,164.73	\$49,449,680.38	(\$63,515.65)	<

*Compound, Over the Counter, Retail Usual and Customary, Vaccines, Subscriber, and Coordination of Benefits claims were excluded from all contract guarantees, PillarRx reviewed claims for reasonableness and found no outliers.

In summary, when aggregating the pricing guarantee discounts with the dispensing fee outcome, ESI's calculated a reconciliation of \$125,443.43. This was paid out to PEBP on November 12, 2021. See chart below for breakout.

	PillarRx Combined Discounts and Dispensing Fee Guarantees	ESI Combined Discounts and Dispensing Fee Guarantee Reconciliation
Discounts	(\$63,515.65)	(\$125,975.44)
Dispensing Fees	\$2,606.66	\$532.01
FY2021	(\$60,908.99)	(\$125,443.43)

No further action is necessary.

BENEFIT PAYMENT ACCURACY REVIEW

Benefit Payment Accuracy Review Objective

The objective of the Benefit Payment Accuracy Review was to verify correct adjudication of plan design provisions and quantify potential opportunities for recovery and/or cost savings.

Benefit Payment Accuracy Review Scope

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

- Age and gender
- Copay/coinsurance
- Day supply maximums
- Excluded drugs
- Prior authorizations
- Quantity limits
- Refill limits
- Zero balance claims

Exceptions that were identified, but could not be explained by PillarRx’s benefit analysts, were provided to ESI for explanation. When adequate documentation was provided to support exceptions were adjudicated correctly, AccuCAST was reset to represent the revised plan parameters and the claims were electronically re-adjudicated again to ensure consistency.

Benefit Payment Accuracy Review Methodology

After receiving the plan documentation from the PEBP and ESI including, copayment and coverage rules, and summary plan descriptions and/or plan documents, PillarRx programmed the PEBP’s plan design in AccuCAST. Each claim was then readjudicated and exceptions were identified. The exceptions were aggregated by category and our benefit analysts reviewed each category. Exceptions that could not be explained were submitted to ESI for review.

Benefit Payment Accuracy Review Findings

Copayments

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 application are shown in the following chart.

Copayment Analysis FY2021				
Total Claims	Copays Per Plan	Copays Collected	Variance	Variance Percent
456,519	\$17,149,047	\$17,149,047	0	0.00%

PillarRx submitted 99 commercial claims based on 24 different scenarios to ESI that represented potential exceptions to the copayment requirements for FY2021. ESI's response provided adequate explanation and documentation for each category of exception which allowed PillarRx to conclude copayments were applied correctly.

PillarRx agrees with ESI's responses and confirmed that copays were accurately administered in accordance with plan documents. No further action is required.

Drug Exclusions/Prior Authorizations

Exclusions specify the drugs and products that a plan would not cover unless there was a Prior Authorization (PA) on file. Based on documentation provided by ESI, PillarRx created excluded drug and PA drug listings and re-adjudicated the claims for these non-covered and prior authorized medications.

The claim data and documentation provided by ESI allowed PillarRx to confirm that drug exclusions and prior authorizations were administered correctly. No further action is required.

Administration of Age Rules

Age rules specify that a participant must be within a specific age group for a specific medication to be covered. PillarRx noted no issues related to age rules.

Administration of Quantity Limits

Quantity limits are included in plans to ensure safety and appropriate utilization. PillarRx noted that based on the language in the drug coverage documents provided by ESI, claims were adjudicated within plan parameters. No further action is required

PERFORMANCE GUARANTEE REVIEW

Performance Standard	Description of Standard	PBM Performance/Penalty	Met/ Not Met
Financial and Processing Accuracy			
Retail Claim Financial Accuracy	99% of all claims paid with NO errors	100% – ESI reported an over performance of \$110,879.21 for Retail Financial Accuracy including \$110,347.20 for discounts and \$532.20 for dispensing fees.	Met
Retail Processing Accuracy		100% – PillarRx noted no errors for Retail Processing Accuracy.	Met
Mail Order Claim Financial Accuracy	99% of all claims paid with NO errors unless subject to intervention.	95.92% – ESI reported an under performance of \$301,262.59 for the Mail Order Financial Accuracy including \$301,262.59 for discounts and \$0 for dispensing fees.	Not Met
Mail Order Claim Processing Accuracy		100% PillarRx noted no errors for Mail Order Processing Accuracy.	Met
Specialty Claim Financial Accuracy	99% of all claims paid with NO errors unless subject to intervention.	100% – ESI reported an over performance of \$64,939.95 for the Specialty Financial Accuracy. (This includes \$64,939.95 for discounts. Dispensing fee accuracy was not included in the guarantee.)	Met
Specialty Claim Processing Accuracy		100% – PillarRx noted no errors for Specialty Claim Processing Accuracy.	Met
Rebate Amounts	PEBP shall receive 100% of rebate dollars due to PEBP for PEBP utilization for retail drugs, mail order drugs and specialty drugs.	100% – ESI reported and paid a rebate amount of \$14,602,035 which is above the PillarRx calculated amount of \$14,590,240.	Met
Rebate Remittance Time to PEBP	100% of rebate dollars received by the PBM or pharmacy network or specialty drug vendor shall be remitted to PEBP within 90 calendar days after the last calendar day of the quarter in which such rebates were received.	0% – All four quarterly rebate payments for FY21 were remitted after the required 90-day timeframe.	Not Met
Claim Processing Turnaround			
Mail Order Claims Processing Time, Normal	95% of prescriptions shipped within 2 business days of receiving prescription (as measured from date order received at the PBM to date order shipped), excluding prescriptions requiring intervention.	0.6 business days	Met
Mail Order Claims, Processing Time, Intervention	95% of prescriptions shipped within 5 business days of receiving prescription (as measured from date order received at the PBM to date order shipped), for prescriptions requiring intervention.	0.9 business days	Met
Telephone Services			
Customer Service Telephone Response Time	Average time to answer all calls should be 30 seconds or less.	7.9 seconds	Met
Telephone Abandonment Rate	3% or less calls abandoned.	0.7%	Met

REBATE REVIEW

Rebate Audit Objective

The Rebate Review provides confirmation that ESI has reimbursed the PEBP the minimum amount per brand claim as outlined in the PBM contract.

Rebate Review Scope

PillarRx's Rebate Review assessed whether the minimum per claim rebates listed within the PEBP's contract with ESI were met. The review assessed whether there were any differences between the rebates contractually agreed upon between the PEBP and ESI and the rebate amounts that were actually paid to the PEBP.

Rebate Review Methodology

PillarRx identified all brand claims per distribution channel and calculated the minimum rebate amount owed to the PEBP based on its contract terms with ESI. These amounts were then reconciled against the rebate reports provided by ESI.

Rebate Review Findings

PillarRx has found that differences can occur in the rebate amounts billed to manufacturers by a PBM and the rebate amount calculated by PillarRx for an individual health plan. The primary reason for this difference lies in the common practice by PBMs of submitting rebate-eligible claims to a manufacturer for the PBM's book of business rather than for each plan sponsor individually.

This typically works to the advantage of the plans, as the amount of rebates paid by the manufacturer will be based on a larger pool of claims. The PBM then pays rebates to each plan sponsor separately based on the plan's claims.

Rebate Calculations FY2021		
Component Description	Number of Claims	Total Minimum Contract Rebate
Brand 1-83 DS	22,693	\$3,969,525.00
Brand 84-90 DS	5,912	\$2,924,955.00
Specialty Accredo	4,463	\$5,036,410.00
Specialty	730	\$219,000.00
Mail Brand	4,930	\$2,440,350.00
Total	38,728	\$14,590,240.00

PillarRx's Rebate Review shows, based on the minimum rebates stipulated within the contract between PEBP and ESI, that ESI met and exceeded the minimum rebates owed by \$11,795.00. ESI paid out a total of \$14,602,035.00 in rebates to the PEBP. No additional monies are owed to the PEBP for rebates.

Rebate Payments		
Allocation Period	Payment Date	Total Amount
FY20 Q1: 7/1/20-9/30/20	January 27, 2021	\$3,213,684.85
FY20 Q2: 10/1/20-12/31/20	April 29, 2021	\$3,428,956.69
FY20 Q3: 1/1/21-3/31/21	July 28, 2021	\$3,472,521.87
FY20 Q4: 4/1/21-6/30/21	October 28, 2021	\$4,543,186.83

RECOMMENDATIONS

PillarRx has the following recommendations for PEBP.

1. PEBP should consider removing offsetting from its Financial Accuracy Guarantees. For example, if ESI overperforms in any of the five categories it can currently be used to offset an underperformance in another category. Using this audit as an example, PEBP would have received \$412,632 in penalties had offsetting not been allowed.
2. PEBP should consider updating its performance guarantees around Financial Accuracy to calculate the results based on the financial numbers and not claim counts. Financial guarantees are summarized by component (Retail Brand, Retail Generic, Mail Brand, Mail Generic, Specialty) and not on a claim level.

APPENDIX – PBM RESPONSE TO DRAFT REPORT

Mat Voelker

Quality Review & Audit Lead Analyst

Client Audit

7/15/2022

Nevada Public Employees Benefit Program

Financial Guarantee Audit

ESI has completed the research for the findings discovered in this audit and is available to discuss plan benefit set-up directly with the client should any questions remain. ESI accepts the findings that have been presented on the final audit report created by Pillar Rx at the conclusion of the audit.



**CLAIM TECHNOLOGIES
INCORPORATED**

100 Court Avenue – Suite 306 • Des Moines, IA 50309
Telephone: (515) 244-7322 • Fax: (515) 244-8650 • Website: claimtechnologies.com