



## National Employer Initiative on Specialty Drugs

Employer Focused, Employer Driven



### ***PBM Audit Recommendations***

A comprehensive or Specialty Pharmacy focused PBM audit can help identify cost savings opportunities and ways to enhance your existing benefit strategy. The following provides a general overview of the types of reviews and audits are available to support employer efforts.

**Operational Review** typically covers:

- Accuracy of discounts provided
- Accuracy of eligibility and plan benefit administration
- Duplicate payments
- Contract compliance
- Retail (including specialty) and mail-service dispensing fees
- Formulary savings and rebates
- Pricing formulas
- AWP discounts
- Maximum caps
- Brand versus generic usage

**Plan Performance Evaluation/Audit:** Provides a more in-depth analysis of cost drivers, utilization patterns and PBM value, while providing the opportunity to assess potential savings that can be realized through benefit design changes utilizing alternative co-insurance or co-pay structures, generic and mail order management tactics.

**Pharmacy Benefit Audit:** May include a fixed fee and/or a performance fee component. The fixed fee payment for executing on specific audit criteria that should be proposed by an employer includes the following:

- Claims audit re-adjudication/evaluation fees on a per claim basis, unless otherwise indicated. Auditor must include all of the following benefit program elements in the per claim fee:

- Administrative and clinical fees
- Loading of eligibility, pharmacy claims data and other files o Benefit design (formulary, co-pay, networks, etc.)
- PBM programs (quantity level limits, step therapy, prior authorizations, etc.)

The performance fee payment component is based on a percent of dollars recovered by the employer/plan sponsor from the PBM, ASO or integrated health plan managing the pharmacy program.

A Pharmacy Benefit Audit can result in recommendations or savings opportunities that may include:

- Formulary Savings – Determines economic effectiveness by comparing related savings with projected or guaranteed savings
- Rebates – Identifies rebate claims that need to be issued
- Co-payment Applications – Identifies claims with plan co-payments that have not been accurately calculated and charged
- Pricing – Identifies claims in which pricing formulas have not been appropriately applied
- Administrative and Dispensing Fee Applications – Ensures that administrative, related charge-back and dispensing fees are applied properly
- Brand vs. Generic Usage – Identifies claims in which cost-saving generic drugs aren't being used
  - Average Wholesale Price (AWP) Discounts – Insures appropriate and accurate use of AWP and related discount formulas or methods
- Fraud and Abuse – Identifies fraudulent and abusive claim submissions involving patients, pharmacist providers and prescribers; also identifies patients who are potential addicts or abusive users
- Medical Consistency – Identifies pharmacy claims that misuse medical diagnostic or treatment codes
- Proactive vs. reactive review of newly launched drugs against employer plan exclusions
- Use of compounded drugs

Depending on the type and scope of the pharmacy audit to be done, it can take from 6 to 12 months to complete. Recovery of funds from the PBM may take longer or result in a protracted arbitrator or legal battle depending on the pharmacy benefit vendor agreement.

**Market Check:** Depending on your contract provisions, you may have the ability to leverage a market check or two mid-contract (depending on what was negotiated and how long your contract is in force). A PBM market check allows health plans to compare their current PBM contract's financial arrangements against prevailing current market conditions and prices. If this mid-contract review finds that the health plan's prices aren't competitive with current market rates offered by PBMs, the health plan can typically negotiate further price concessions from the PBM for the remainder of the contract.

An effectively performed market check can result in re-negotiation of some contract provisions, particularly around pricing, spread, rebates and administrative fees. While rebates can be a part of a market check, they are often very challenging to compare to the market if there are customized rebates, special arrangements and/or if a rebate aggregator being used. Carefully review contracts to understand your market check options. When re-negotiating or starting a new contract ensure that future language adequately covers the plan for market checks mid-contract.