



## National Employer Initiative on Specialty Drugs

*Employer Focused, Employer Driven*



### PBM Audit Recommendations

A comprehensive 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
- 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 – Insures 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