

Prescription Benefit Management Audit

SPECIFIC FINDINGS REPORT

**State of Montana
Administered by MedImpact**

Audit Period: January 1, 2016 – December 31, 2016

**Presented to
State of Montana
June 28, 2018**

Prepared by



Subcontractor to



**CLAIM TECHNOLOGIES
INCORPORATED**

Known in Montana as CTI Claim Audit Technologies Corp.

PREFACE

This ***Specific Findings Report*** contains detailed information, findings, and conclusions that the TRICAST, LLC (TRICAST) audit team has drawn from their Prescription Benefit Management Audit of MedImpact's administration of the State of Montana (State's) pharmacy plan. The statistics, observations, and findings in this report constitute the basis for the analysis and recommendations presented under separate cover in the ***Executive Summary***. This ***Specific Findings Report*** is provided to the State, the plan sponsor, and MedImpact, the pharmacy benefit manager.

The information in this report is confidential and intended for the sole use of the Montana legislature, the State of Montana, MedImpact and TRICAST in their efforts to serve the interests of the plan participants of the State of Montana Medical Plans.

The findings in this report were based on data and information the State, as the plan sponsor, and MedImpact, as the pharmacy benefit manager (PBM) provided to TRICAST and their 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 MedImpact and the plan sponsor, as well as the benefit descriptions summary plan descriptions, plan documents or other communications) approved by the State.

TRICAST is a firm specializing in audit and control of pharmacy benefit plan administration. The statements made by TRICAST in this report and the ***Specific Findings Report*** relate narrowly and specifically to the overall efficacy of MedImpact's policies, processes and systems relative to the State's paid claims during the audit period.

No copies of this document may be made without the express, written consent of the State which commissioned its completion.

TRICAST, LLC

TABLE OF CONTENTS

	Page
PREFACE	2
INTRODUCTION	3
PRICING AND FEES AUDIT	5
RECONCILIATION OF PRICING GUARANTEES.....	7
BENEFIT PAYMENT ACCURACY REVIEW	9
APPENDIX	13
PBM Response	

INTRODUCTION

Audit Objectives

The objectives of the TRICAST audit of MedImpact’s pharmacy benefit management were to determine if:

- MedImpact adhered to the contractual and pricing terms outlined in the agreement with the State;
- MedImpact accurately administered benefit provisions;

Audit Scope

TRICAST’s audit encompassed the contract in force and the pharmacy benefit claims administered by MedImpact for the audit period of January 1, 2016 through December 31, 2016. The State’s population of claims and the total net plan paid (equals total payment less member copayment) during this period:

Total Number of Prescription Drug Claims Paid	449,030
Net Plan Paid	\$43,585,219

The audit included the following three components.

- 1. Pricing and Fees Audit**
- 2. Reconciliation of Pricing Guarantees**
- 3. Benefit Payment Accuracy Review**

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

PRICING AND FEES AUDIT

Pricing and Fees Audit Objective

The Pricing and Fees Audit verified that claims were processed according to the discounts and fees specified in MedImpact's contract with Montana Association of Health Care Purchasers (MAHCP).

Pricing and Fees Audit Scope

After a thorough forensic verification of the electronic claim data provided by MedImpact, TRICAST systematically re-priced 100% of prescription drug claims paid during the audit period to determine if:

- Discounts were applied correctly based on the lesser of Maximum Allowable Cost (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

TRICAST requested and received from the State and MedImpact all contracts, amendments, formulary drug lists and reconciliation documents.

Claim Validation

We mapped and validated the raw claim data provided by MedImpact to TRICAST's 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 MedImpact's processing and adjudication rules. Once mapped, the data was reconciled against control totals and put through a rigorous process referred as TRICAST's 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 MedImpact to verify:

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

Pricing and Fees Analysis

Drug discount rates are calculated based on the AWP and evaluated by brand and generic then applied to the delivery channels of mail, retail and specialty pharmacy claims. The discount portion of the pricing audit compares the contractually agreed upon discount rates to the discount rates that were actually achieved.

The State does not contract directly with MedImpact for PBM services. Along with other major Montana employers, both public and private, the State participates in a contract with the Montana Association of

Health Care Purchasers (MAHCP) to access pharmacy benefits and services. The contract between MAHCP and MedImpact provides for a number of different services and incentives, some of which are determined collectively for all members of the purchasing coalition with others being specific to the State.

MAHCP has contracted with Costco for the mail order discounts and dispensing fee rates. MedImpact then codes those rates in their system for appropriate adjudication however MedImpact will not complete any reconciliation on mail claims. Any discount guarantees for mail will need to be reconciled with Costco and MAHCP. The overall discount guarantee is at the MAHCP level.

Pricing and Fees Audit Findings

Pricing Findings

All adjudication methods for determining the correct allowance for prescriptions drugs by type and distribution method were applied by MedImpact during the audit period.

Dispensing Fee Findings

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

As shown in the following table, TRICAST’s analysis identified fees that were under paid by MedImpact by \$64,040 for the audit period. This represents a reduced liability to the State prescription drug plan.

Key	Over Payment > Greater Than Contracted Rates	Acceptable Performance — Same as Contracted Rates	Under Payment < Less Than Contracted Rates
-----	---	--	---

Dispensing Fees (1/1/2016 – 12/31/2016)						
Component Description	Contracted Dispensing Rate	Number of Claims	Total Contract Dispensing Fee	Total Actual Dispensing Fee	Variance	
Mail	\$13.45	1,578	\$21,224	\$6,254	\$14,970	<
Costco	\$0.00	21,998	\$0	\$0	\$0	—
Ridgeway	\$0.00	22,314	\$0	\$0	\$0	—
Retail Generic	\$1.70	360,119	\$612,202	\$568,363	\$43,839	<
Retail Brand	\$1.70	39,312	\$66,822	\$61,591	\$5,231	<
Total*		445,321	\$700,248	\$636,208	\$64,040	<

* Specialty and subscriber or manual claims were not specified or were excluded from contract guarantees and are not included in these totals; however, TRICAST reviewed claims for reasonableness and found no outliers.

RECONCILIATION OF PRICING GUARANTEES

Reconciliation of Pricing Guarantee Objective

The Reconciliation of Pricing Guarantees determined if the discount savings and other price controls with guaranteed performance levels in the MAHCP contract with the State were met and, if not met, that accurate credit or payment was made to MAHCP within the time frame specified in the contract.

Reconciliation of Pricing Guarantee Scope

Using the terms of the MAHCP contract with MedImpact, 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 discount guarantees were mapped against the actual prescription claims as adjudicated during the prescribed contract periods. This reconciliation included the following contractual guarantees:

- Average Wholesale Price (AWP) discounts applied for all drugs against third party pricing sources
- Maximum Allowable Cost (MAC) allowance for generic
- Specialty drug allowance
- Dispensing fees

Reconciliation of Pricing Guarantee Methodology

TRICAST 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 MAHCP contract. If MedImpact's performance fell short of any of the guarantees, we validated that MedImpact recognized the shortfall and credited or paid the difference to MAHCP in a timely manner.

Reconciliation of Pricing Guarantee Findings

The following table demonstrates our findings relative to pricing guarantees.

Key	Over Payment > Greater Than Contracted Rates	Acceptable Performance — Same as Contracted Rates	Under Payment < Less Than Contracted Rates
-----	---	--	---

Discount Rates (1/1/2016 – 12/31/2016)						
Component Description	Claim Count	Contracted Discount Rate	Actual Discount Rate	Contracted Claim Ingredient Cost	Actual Claims Ingredient Cost	Variance
Pharmacy Input Exceptions	304	0%	0%	\$19,132	\$19,132	\$0 —
Compounds	916	0%	0%	\$87,794	\$87,794	\$0 —
Implied Compounds	1	0%	0%	\$47	\$47	\$0 —
VA Pharmacies	5,443	0%	0%	\$180,411	\$180,411	\$0 —
Subscriber claims	27	0%	0%	\$12,176	\$12,176	\$0 —
Specialty	3,613	15%	17%	\$17,978,229	\$17,550,701	\$427,528 >
Retail Brand	42,757	15%	17%	\$12,056,321	\$11,732,856	\$323,465 >
Retail Generic	351,517	77.5%	80%	\$7,969,801	\$7,084,473	\$885,328 >
Retail Brand	54,133	15%	19%	\$12,892,078	\$12,333,776	\$558,302 >
Costco Brand	3,040	21%	22.9%	\$2,348,347	\$2,290,975	\$57,372 >
Costco Generic	18,953	84%	90.7%	\$887,957	\$512,593	\$375,364 >
Ridgeway Brand	3,345	22%	24%	\$2,835,735	\$2,756,182	\$79,553 >
Ridgeway Generic	18,936	88%	88%	\$720,608	\$720,155	\$453 >
Mail Brand	48	23%	23%	\$3,102	\$3,083	\$19 >
Mail Generic	47	90%	91%	\$1,433	\$1,290	\$143 >
Total*				\$57,993,171	\$55,285,644	\$2,707,527 >

* Pharmacy Input Exceptions, Compounds, Implied Compounds, VA pharmacies and subscriber claims were excluded from contract guarantees and are not included in these totals; however, TRICAST reviewed claims for reasonableness and found no outliers.

TRICAST audited the time period of January 1, 2016 through December 31, 2016. TRICAST was able to validate the number of claims and overall discount rates achieved for each component.

In summary, MedImpact met or exceeded their contractual obligations outlined in the MAHCP contract as the actual claims ingredient costs during the audit period were less than the contracted claims ingredient costs.

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

TRICAST created an exact model of the benefit plan parameters of the State's pharmacy plans in AccuCAST and systematically re-adjudicated 100% of paid prescription drugs. 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 TRICAST's benefit analysts were provided to MedImpact for explanation. If adequate documentation was provided to support that the 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 State and MedImpact including, copayment and coverage rules, summary plan descriptions and/or plan documents, TRICAST programmed the State's plan design in AccuCAST. Each claim was re-adjudicated and exceptions were identified. The exceptions were aggregated by category and analyzed by our benefit analysts. Exceptions that could not be explained were submitted to MedImpact for review.

TRICAST provided 6,356 claims to MedImpact for review and response. Our audit results were based upon those responses.

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 copayments follow.

Copayment Plan Analysis (1/1/2016 – 12/31/2016)				
Total Claims	Copays per Plan	Copays Collected	Variance	Variance Percent
449,030	\$9,926,543	\$8,799,994	\$1,126,549	11.35%

TRICAST submitted 6,356 claims to MedImpact that represented potential exceptions to copayment requirements. MedImpact reviewed the claims and provided us with the following explanations:

“We believe the claim findings can be explained by one or more of the following reasons:

1. Claims with active Prior Authorizations.
2. Claim in question is a Coordination of benefits (COB) claim.
3. Patient prior authorization determined copay.
4. Claims where members have satisfied Out-of-pocket (OOP) amounts.
5. A Benefit Change Request reverts the specialty copay.
6. Montana added the MedImpact standard Essential Health Benefit list.
7. Medication part of a Split Fill program.”

TRICAST’s findings with MedImpact’s responses below:

Retail and Mail Prescription Drugs			
Copayment Rule	TRICAST Initial Findings	MedImpact Responses	TRICAST’s Final Conclusion
No Rule Matched	All 4 claims in question are for 1 member charging \$40 copay.	<ul style="list-style-type: none"> • MedClient MTN01 is requesting that we review and approve the attached DMR claims at pay as billed for member. 	Based on MedImpact’s response, these claims were reviewed and taken care of via a case number.
Copaxone	All claims are filled at Diplomat and are marked as Tier 7 however the member is either paying \$150 or \$0 copay.	<ul style="list-style-type: none"> • Claim was filled after 05/01/2016 when the attached Benefit Change Request (BCR) was submitted and signed by Mark Eichler, asking to remove the co-pay assistance program for specialty medication copaxone. This BCR removes the \$2500.00 per month copay and reverts the copay to the \$150.00 Specialty Copay. • The Prior Authorization (PA) was opened and set the co-pay amount at the specialty low tier co-pay of \$150. 	Based on MedImpact’s responses copays are paying correctly.
Ibrance	The 15 claims are all claims filled at Diplomat however copays vary.	<ul style="list-style-type: none"> • PA Over ride applied; this medication was approved on appeal - pharmacy is out of network and does not apply to Out-of-pocket (OOP) maximum. • Member met their max OOP. 	Based on MedImpact’s responses copays are paying correctly.
Contraceptive \$0	We used a drug list provided for contraceptives that should charge \$0 copay and members are being charged a copay.	<ul style="list-style-type: none"> • Montana wants to add MedImpact standard essential health benefit (EHB)-- all except smoking cessation--to their custom formulary. 	Based on MedImpact’s responses copays are paying correctly.

Retail and Mail Prescription Drugs			
Copayment Rule	TRICAST Initial Findings	MedImpact Responses	TRICAST's Final Conclusion
Specialty Tier S 150	Claims marked as Tier 7 were filled at either Diplomat with \$0 copay or at Accredo with \$50 copay, the remaining 17 claims were on the drug list provided and marked as Tier S.	<ul style="list-style-type: none"> • Coordination of benefits (COB) edit • Patient prior authorization (PA) determined copay 	Based on MedImpact's responses, copays are paying correctly. There are, however, some member level PA's for specialty drugs that have end dates several years out which should be reviewed by the State.
Specialty Tier 8	Charging various copays however not the copay listed on the plan documents.	<ul style="list-style-type: none"> • Effective 07/01/2016, Benefit Change Request (BCR) submitted by Mark Eichler requesting all strengths and National Drug Codes (NDC's) of Eplusa not to contribute to out-of-pocket (OOP), co-pay = \$6230. Patient PA determined copay • OOP Met • COB claim • Patient PA determined copay • Rx apart of SOM oncology split fill program; claim processed for 15DS, specialty co-pay of \$250 split in half to \$125. 	Based on MedImpact's responses copays are paying correctly.
Specialty Tier SNC	All Tier 9 drugs filled at Diplomat however charging various copays.	<ul style="list-style-type: none"> • Patient PA determined copay 	Based on MedImpact's responses copays are paying correctly.
Retail Specialty	These are specialty claims filled outside of Diplomat, members either paying \$250 copay or \$0 copay.	<ul style="list-style-type: none"> • Patient PA determined copay • Effective 05/11/2016 MedImpact standard essential health benefit (EHB) table that included vaccine tables 425283, 426495. 	Based on MedImpact's responses copays are paying correctly.
Retail Tier B, C, D, F	Majority of claims charged \$0 copay.	<ul style="list-style-type: none"> • COB claim • OOP Met • Patient PA determined copay • EHB class drug - 0.00 copay • 06/01/2016 all bowel preps were added to MedImpact \$0 drug list 	Based on MedImpact's responses copays are paying correctly.
Mail Tier B and C	Majority of claims charged \$0 copay.	<ul style="list-style-type: none"> • COB claim • OOP Met • Patient PA determined copay 	Based on MedImpact's responses copays are paying correctly.

While TRICAST was able to validate the copays based on MedImpact's responses, we were not provided the appropriate indicators consistently within the claims data to identify Coordination of Benefits (COB) claims and patient level prior authorizations. Without these appropriate fields provided in the data, TRICAST is unable to calculate out-of-pocket accumulators correctly.

Drug Exclusions/Prior Authorizations

Exclusions specify the drugs and products that a plan did not or would not cover unless there was a Prior Authorization (PA). Based on documentation provided by MedImpact, TRICAST created an exclusion drug list and PA drug list and then re-adjudicated the claims for these non-covered and prior authorized medications.

MedImpact provided claim level responses for all of the claims that should have been excluded according to plan design documentation. MedImpact indicated that claims paid correctly because there was a member level PA in place. Based on MedImpact's responses TRICAST agrees claims are adjudicating appropriately.

Administration of Age Rules

Age rules specify that a participant must be within a specific age group for a specific medication to be covered.

TRICAST didn't identify any claims that adjudicated incorrectly for age restrictions.

Administration of Quantity Limits

The quantity limit is the maximum quantity that can be dispensed over a given period of time. Examples would include inhalers, injectables and patches.

TRICAST's quantity limit analysis examines the State's plan design and dosage rules, compares these to the pharmacy claims and identifies any discrepancies or trends. TRICAST identified claims with potential higher quantities per day or over a time period than was outlined in the plan documents. All of these claims were provided to MedImpact for review and response.

MedImpact provided documentation that verified all claims paid appropriately as there was a member level Prior Authorization on file for all claims. Based on MedImpact's responses, TRICAST agrees claims are adjudicating correctly.



APPENDIX

PBM'S RESPONSE TO DRAFT REPORT

From: Roseanne Swift <roseanne.swift@medimpact.com>

Sent: Monday, March 12, 2018 5:49 PM

To: Stacy Ausprung <stacy.ausprung@tricast.com>

Subject: RE: State of MT - Audit Draft | Audit #17204

Hi Stacy,

Our teams conducted their review of the draft audit report and have the following feedback on EHB contraceptives and Specialty PAs:

EHB contraceptives: all the contraceptive claims were processed appropriately for MSB drugs with benefit copay; the EHB zero copay only applied to the generic version.

Specialty PAs: most PA have been entered for 1 year. Only 1 PA was open ended with comment that PA is to be applied for the course of the member's drug utilization

Please let me know if you have any questions regarding these responses.

Thank you,

Roseanne Swift

External Compliance Support Manager



**CLAIM TECHNOLOGIES
INCORPORATED**

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