Audit Report

Med Impact

January 1, 2012 – December 31, 2013

Prepared Under Contract With:
MONTANA LEGISLATIVE BRANCH, AUDIT DIVISION
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LEGISLATIVE AUDIT DIVISION

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April 2014

The Legislative Audit Committee
of the Montana State Legislature:

Enclosed is the report on the audit of MedImpact for pharmacy insurance claims for the State of Montana employee benefits plan for the two plan years ended December 31, 2013.

The audit was conducted by Claim Technologies Incorporated under a contract between the firm and our office. The comments and recommendations contained in this report represent the views of the firm and not necessarily the Legislative Auditor.

The agency's written response to the report is included in the back of the audit report.

Respectfully submitted,

/s/ Tori Hunthausen

Tori Hunthausen, CPA
Legislative Auditor

13C-09

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TRICAST inc.

Let the Data Drive Your Decisions

Prescription Benefit Management Audit Executive Summary

State of Montana

Administered by: MedImpact®

Audit Period: January 1, 2012 – December 31, 2013

Subcontractor to
Claim Technologies Incorporated

April 30, 2014

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Executive Summary

On behalf of the State of Montana, TRICAST Inc. (TRICAST), as subcontractor to Claim Technologies Incorporated (CTI), conducted an audit of the pharmacy benefit program administered by MedImpact for the audit period of January 1, 2012 through December 31, 2013. The audit utilized electronic re-processing of 100% of the State of Montana's prescription claims to verify PBM performance as well as significant exchange of information and data with MedImpact.

TRICAST conducted this audit to determine if prescription drug claims were processed according to the specifications of the contract between State of Montana and MedImpact, plan specifications, and industry standards. Additionally, TRICAST sought to identify potential opportunities for recoveries or adjustments for lack of performance and future cost savings opportunities.

Basic claim statistics for the audit period are summarized below.

Audit Period	1/1/2012 through 12/31/2013
Client Name	State of Montana
PBM Name	MedImpact
Claims Count	918,052
Claims Paid	$64,302,740

Audit Objectives

The specific objectives of the audit were:

- Verification that State of Montana's claims were processed in accordance with the pricing terms specified in the contract with MedImpact
- Verification of the accuracy of claims processing with respect to State of Montana's benefit plan provisions
- Verification of HIPAA policies and procedures to ensure compliance
- Verification that MedImpact is performing agreed upon Coordination of Benefit (COB) duties
- Validate that MedImpact is meeting contractually approved Performance Guarantees
- Confirmation of MedImpact's monitoring and clinical oversight of potential Fraud Waste and Abuse.

Audit Scope

The audit included the following components:

- Pricing Audit
- Plan Design Audit
- HIPAA Compliance
- Coordination of Benefits (COB)
- Performance Guarantees
- Fraud, Waste, and Abuse (FWA)

Auditor's Opinion

Based on the audit findings, and in our opinion, MedImpact did consistently administer the State of Montana's pharmacy benefit plan accurately. TRICAST does recommend that MedImpact provide the State of Montana suggestions on how to better monitor potential Fraud, Waste and Abuse. When MedImpact is able to provide TRICAST the 2013 reconciliation documentation, TRICAST will validate the 2013 claims and overall discount.

Summary of Findings and Recommendations

TRICAST's findings for each audit component are summarized briefly in the following sections. Detailed explanations of the findings are found in the Specific Findings Report.

Pricing Audit

Discount Findings

The actual overall discounts were greater than the rates MedImpact was contractually obligated to provide for MAHCP, reflecting an over-performance of approximately $789,982 for 2012 and $349,625 for 2013. MedImpact's network met the guaranteed performance levels.

TRICAST will validate the 2013 number of claims and overall discount once MedImpact provides the reconciliation documentation.

Discounts Recommendations

TRICAST has no recommendations to provide to State of Montana.

Dispensing Fees Findings

The variance indicates a lower than contracted dispensing fee collected by MedImpact of $282,792. (Variance of 8.80%).

Dispensing Fee Recommendations

TRICAST has no recommendations to provide to State of Montana.

Benefit Plan Design Administration

Copayment Findings

TRICAST was able to validate MedImpact's responses to the sample claims provided and claims are adjudicating according to plan design documents.

Copayment Recommendations

TRICAST has no recommendations to provide to State of Montana.

Drug Exclusion/Prior Authorization Findings

TRICAST is in agreement with MedImpact's responses.

Drug Exclusion/Prior Authorization Recommendations

TRICAST has no recommendations to provide to State of Montana.

Quantity Limit Findings

TRICAST is in agreement with MedImpact's responses.

Quantity Limit Recommendations

TRICAST has no recommendations to provide to State of Montana.

Administration of Age Rules Findings

TRICAST notes no rule violations.

Administration of Age Rules Recommendations

TRICAST has no recommendations to provide to State of Montana.

HIPAA Compliance

HIPAA Findings

TRICAST reviewed MedImpact's policies and procedures and found they demonstrate comprehensive control procedures, employee awareness and business protocols to maintain PHI in compliance with the HIPAA standard. MedImpact has implemented and is exercising best HIPAA practices.

HIPAA Recommendations

TRICAST has no recommendations to provide to State of Montana.

Coordination of Benefits (COB) Verification

Coordination of Benefit Findings

The analysis of State of Montana's COB claims revealed MedImpact is performing claim subrogation and coordination.

Coordination of Benefits Recommendations

TRICAST has no recommendations to provide to State of Montana.

Performance Guarantees

Performance Guarantee Findings

Of the 39 total performance guarantees listed in the Service Agreement, 16 are measurable at the client, or individual group level (State of Montana- MTN01) while 23 are measured at the MAHCP level.

State of Montana MTN01 Level:

- 2012 and 2013: All 16 of the client or individual group level performance guarantees applicable to the State of Montana were met.

Performance Guarantee Recommendations

TRICAST has no recommendations to provide to State of Montana.

Fraud, Waste, and Abuse

Fraud, Waste and Abuse Findings

MedImpact agreed that case management would benefit the two individuals identified in TRICAST's findings in which one of the individuals has since termed.

Fraud, Waste and Abuse Recommendations

TRICAST recommends that MedImpact provide the State of Montana suggestions on how to better monitor potential Fraud, Waste and Abuse.

TRICAST inc.

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Prescription Benefit Management Audit Specific Findings Report

State of Montana

Prescription Drug Plans

January 1, 2012 – December 31, 2013

Subcontractor to
Claim Technologies Incorporated

April 30, 2014

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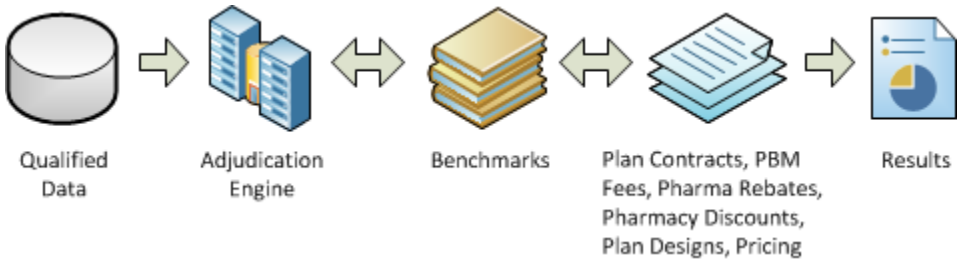
Audit Process Overview

A TRICAST audit re-processes 100% of all pharmacy claims data with the use of software that independently assesses the PBMs original claim processing. TRICAST's audit for the State of Montana had the following objectives:

- Verification that State of Montana's claims were processed in accordance with the pricing terms specified in the contract with MedImpact
- Verification of the accuracy of claims processing with respect to State of Montana's benefit plan provisions
- Verification of HIPAA policies and procedures to ensure compliance
- Verification that MedImpact is performing agreed upon Coordination of Benefit (COB) duties
- Validate that MedImpact is meeting contractually approved Performance Guarantees
- Confirmation of MedImpact's monitoring and clinical oversight of potential Fraud Waste and Abuse.

An initial thorough verification of the claims and eligibility data submitted for the audit, referred to at TRICAST as the "data forensics" is performed initially to ensure an accurate validation of PBM performance. TRICAST uses independent data sources, to verify the correct data elements of every claim. The diagram below presents a high level overview of our audit process. Our process is described more specifically in the following pages.



Claims Data Verification

Objective Setting and Timeline Review

TRICAST commences the audit project with a review of the mutually agreed upon audit parameters. The PBM is notified of the audit and all legal documents are executed to ensure appropriate exchange of data and management of all applicable privacy and HIPAA laws.

Benefit Plan Detail

TRICAST receives the appropriate plan detail in effect for the audit period under review from the client and the PBM. The information provided includes the following:

- PBM contract
- Summary Plan Description (SPD)
- Formulary Drug List
- Prior Authorizations
- COB (other coverage rules)

Claim Data Validation

TRICAST imported State of Montana's claims which were then mapped to our audit system in the data forensics process. This process verifies the claim data by assessing appropriate patterns and relationships, and then compares the data to benchmarks related to prior authorizations, rejections, reversals and National Provider Identifier (NPI) and National Drug Code (NDC). This detail ensures that the information we review is accurate and can serve as the data source for the audit. In addition to assessing the paid claims, TRICAST reviews "raw" claims in our analysis. Raw claims represent the successive pharmacy claim transactions which would include rejected, reversed and paid claims. This raw data is critical to our understanding of the PBM's claims processing accuracy and adjudication rules and helps us create a platform for accurate audit resolution.

The TRICAST data forensics is performed to:

- Validate that the pharmacy benefit claims data provided by MedImpact for this audit arrived intact and is accurate
- Verify that the claims were loaded and mapped correctly in the TRICAST system
- Validate claim counts and total paid claim amounts
- Compare data values from the above verification steps to benchmarks

Pricing Audit

The pricing audit evaluated the PBM's financial performance by validating the drug discount guarantees outlined in the PBM contract. These parameters included:

- Average Wholesale Price (AWP) discounts applied for all drugs against third-party pricing sources
- Network discount guarantee performance for brand and generic including retail and mail
- Generic pricing algorithms including Maximum Allowance Costs (MAC) drugs, single source generics (SSG) and overall generic discounts
- Specialty drug discount performance against guarantees
- Brand, generic and specialty drug dispensing fees

Discount 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 of Montana 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 (MACHP) 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 AmeriPharm for the mail order discounts and dispensing fee rates. MedImpact then codes those rates in their system for appropriate adjudication. The overall discount guarantee is at the MAHCP level.

Discount Findings

TRICAST audited the time period of January 1, 2012 through December 31, 2013. TRICAST's results were then compared to the 2012 MTN01 reconciliation report. TRICAST was able to validate the number of claims and overall discount rate achieved for each component. However, all contracted guarantees are measured and reported at the MAHCP level which is inclusive of all groups under MAHCP. Therefore, should MedImpact under-perform in any pricing guarantee specific to State of Montana, MedImpact will not pay out money to State of Montana.

At this time, TRICAST is unable to provide an analysis of the State of Montana 2013 annual discount reconciliation, which was to have been available 90 days after the calendar year or April 1, 2014. Per MedImpact's email on 4/4/2014:

"The 2013 True-Up document for the MAHCP is being finalized. This may be broken out to show the State of Montana, however the rates are guaranteed at the MAHCP level.

MedImpact will be able to provide the document to you as soon as they are ready."

The table below shows the discount rates achieved by MedImpact during the audit period. Note: In this chart, a **negative** variance indicates additional savings or **over-performance,** and a **positive** variance indicates actual discounts that were lower than contracted, or **under-performance**.

Commercial Discount Rates (1/1/2012 – 12/31/2012)						
Description	MAHCP Contracted Discount Rate	Actual Discount Rate	Contracted Claims Ingredient Cost	Actual Claims Ingredient Cost	Variance	Variance Percent
Specialty Pre AWP*	18.48%	19.27%	$8,942,083	$8,855,742	($86,342)	-0.97%
Retail Brand	15.60%	15.00%	$10,494,162	$10,569,095	$74,933	0.71%
Retail Generic	72.50%	75.75%	$6,930,933	$6,112,153	($818,780)	-11.81%
Mail Brand	23.00%	22.93%	$5,233,404	$5,237,845	$4,440	0.08%
Mail Generic	90.00%	89.63%	$977,884	$1,013,651	$35,767	3.66%
Total			$32,578,467	$31,788,486	($789,982)	-2.42%

*Diplomat Specialty Pharmacy had a retro rate adjustment. Pre-AWP pricing from 1/1/2012 to 6/30/2013 and Post-AWP from 7/1/2013 to present.

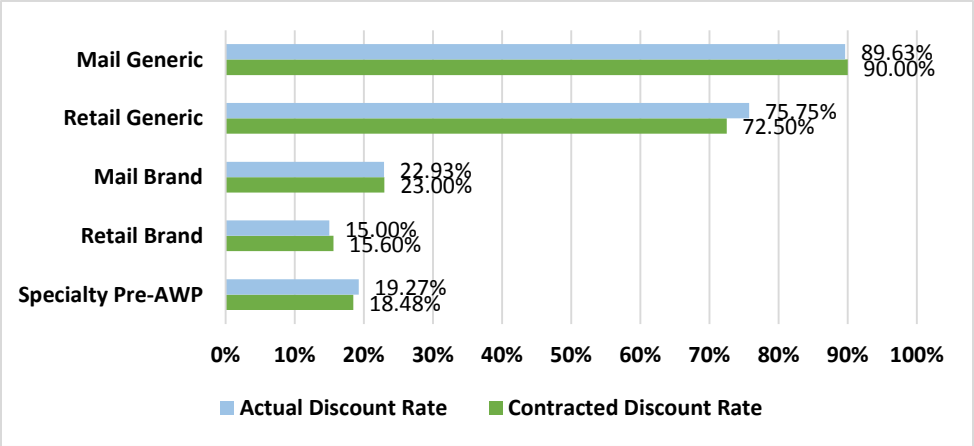


Figure 1. Commercial Discount Rates (1/1/2012 - 12/31/2012)

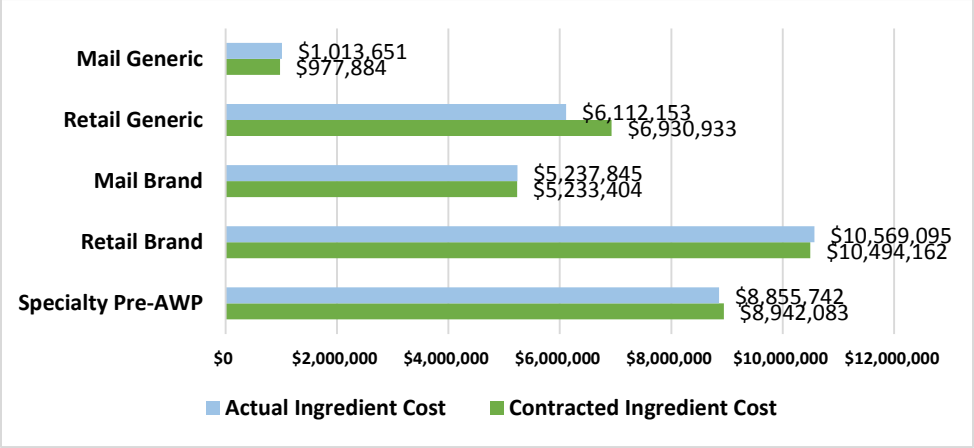


Figure 2. Commercial Ingredient Cost (1/1/2012 – 12/31/2012)

Commercial Discount Rates (1/1/2013 - 12/31/2013)						
Description	MAHCP Contracted Discount Rate	Actual Discount Rate	Contracted Claims Ingredient Cost	Actual Claims Ingredient Cost	Variance	Variance Percent
Specialty Pre-AWP*	17.84%	17.82%	$4,119,005	$4,119,745	$741	0.02%
Specialty Post-AWP*	15.05%	14.01%	$4,604,728	$4,660,691	$55,963	1.22%
Retail Brand	15.60%	15.38%	$5,290,661	$5,304,165	$13,504	0.26%
Retail Generic	72.50%	74.59%	$3,897,560	$3,600,832	($296,727)	-7.61%
Retail Brand eff 7.1.13	15.00%	14.55%	$5,599,362	$5,628,763	$29,401	0.53%
Retail Generic eff 7.1.13	77.00%	78.13%	$3,452,378	$3,282,922	($169,456)	-4.91%
Mail Brand	23.00%	23.08%	$4,887,344	$4,882,490	($4,854)	-0.10%
Mail Generic	90.00%	89.78%	$1,012,842	$1,034,645	$21,803	2.15%
Total			$32,863,879	$32,514,254	($349,625)	-1.06%

*Diplomat Specialty Pharmacy had a retro rate adjustment. Pre-AWP pricing from 1/1/2012 to 6/30/2013 and Post-AWP from 7/1/2013 to present.

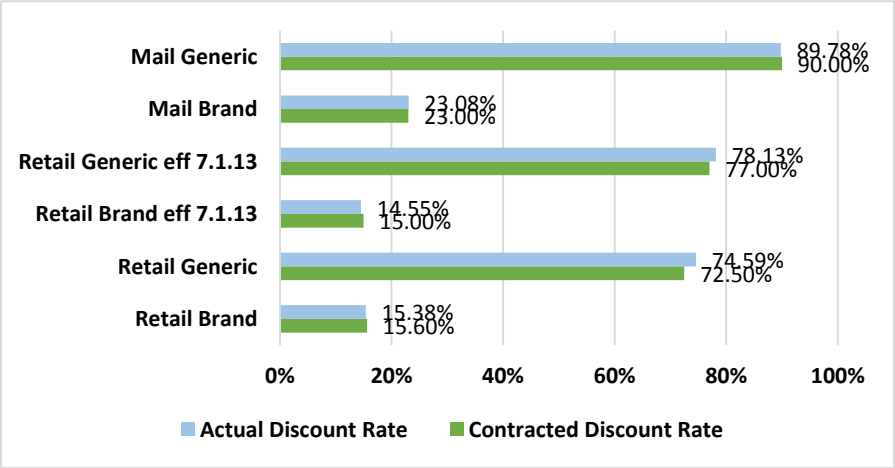


Figure 3. Discount Rates (1/1/2013 - 12/31/2013)

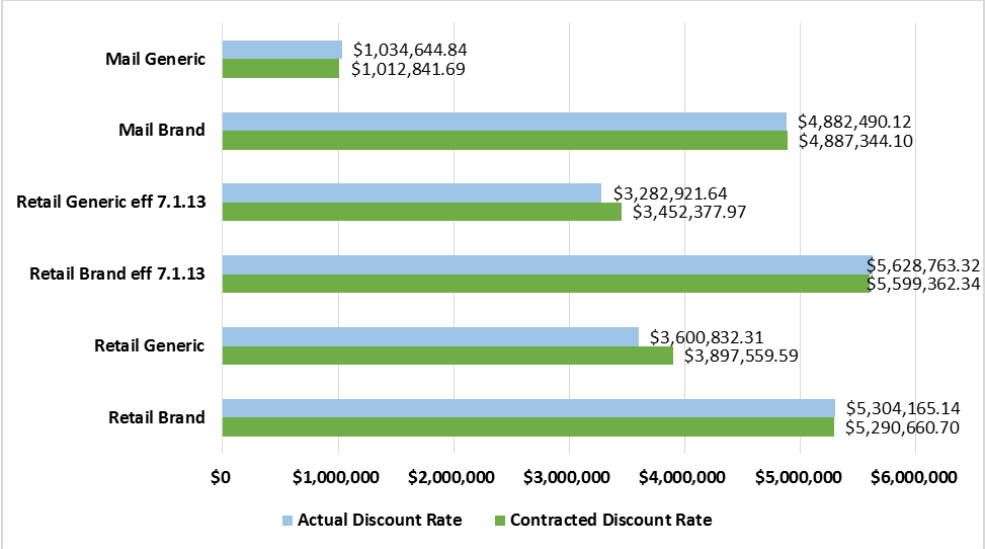


Figure 4. Ingredient Cost (1/1/2013 - 12/31/2013)

Final Outcome: Discounts

The actual overall discounts were greater than the rates MedImpact was contractually obligated to provide for MAHCP, reflecting an over-performance of approximately $789,982 for 2012 and $349,625 for 2013. MedImpact's network met the guaranteed performance levels.

TRICAST will validate the 2013 number of claims and overall discount once MedImpact provides the annual discount reconciliation documentation.

Dispensing Fees

A dispensing fee is the charge for the professional services provided by the pharmacy when dispensing a prescription (including overhead expenses and profit). The dispensing fee is a defined amount per claim.

The dispensing fee audit identifies any differences between the dispensing fees contractually agreed on between State of Montana and MedImpact, and the dispensing fees that were actually charged in the processing of the State of Montana claims. A **negative** variance indicates a lower than contracted dispensing fee collected. A **positive** variance indicates a higher than contracted dispensing fee collected.

A renewal amendment effective July 1, 2013 changed the retail dispensing fee per claim to $1.70 from $2.00. To better measure each segment, TRICAST separated the dispensing fee analysis for 2013 into two periods per the below charts.

Dispensing Fee Findings

Commercial Dispensing Fees (1/1/2012 – 12/31/2012)							
Description	Contracted Dispensing Fee	Number of Claims	Total Contract Disp. Fee	Total Actual Disp Fee/ Claim	Total Actual Disp. Fee	Variance	% Variance
Mail	$13.45	53,610	$721,055	$12.74	$683,247	$37,808	5.24%
Retail Brand	$2.00	65,568	$131,136	$1.85	$121,165	$9,971	7.60%
Retail Generic	$2.50	330,201	$825,503	$2.18	$721,031	$104,472	12.66%
Total		449,379	$1,677,693		$1,525,443	$152,250	9.07%

Commercial Dispensing Fees (1/1/2013 – 6/30/2013)							
Description	Contracted Dispensing Fee	Number of Claims	Total Contract Disp. Fee	Total Actual Disp Fee/ Claim	Total Actual Disp. Fee	Variance	% Variance
Mail	$13.45	24,566	$330,413	$12.82	$314,851	$15,562	4.71%
Retail Brand	$2.00	30,158	$60,316	$1.89	$57,037	$3,279	5.44%
Retail Generic	$2.50	177,080	$442,700	$2.14	$378,119	$64,581	14.59%
Total		231,804	$833,429		$750,007	$83,422	10.01%

Commercial Dispensing Fees (7/1/2013 – 12/31/2013)							
Description	Contracted Dispensing Fee	Number of Claims	Total Contract Disp. Fee	Total Actual Disp Fee/ Claim	Total Actual Disp. Fee	Variance	% Variance
Mail	$13.45	25,524	$343,298	$12.97	$330,951	$12,347	3.60%
Retail Brand	$1.70	31,934	$54,288	$1.51	$48,185	$6,103	11.24%
Retail Generic	$1.70	179,411	$304,999	$1.54	$276,328	$28,671	9.40%
Total		236,869	$702,584		$655,464	$47,120	6.71%

Commercial Dispensing Fees (1/1/2012 – 12/31/2013)							
Description	Contracted Dispensing Fee	Number of Claims	Total Contract Disp. Fee	Total Actual Disp Fee/ Claim	Total Actual Disp. Fee	Variance	% Variance
Mail	NA	103,700	$1,394,765	$12.82	$1,329,049	$65,716	4.71%
Retail Brand	NA	127,660	$245,740	$1.77	$226,387	$19,353	7.88%
Retail Generic	NA	686,692	$1,573,201	$2.00	$1,375,478	$197,723	12.57%
Total		918,052	$3,213,706		$2,930,914	$282,792	8.80%

Final Outcome: Dispensing Fees

The variance indicates a lower than contracted dispensing fee collected savings achieved by MedImpact of $282,792 (Variance of 8.80%). No further action is required.

Benefit Plan Design Adherence

Several criteria make up a benefit plan design including member and plan financial obligations and drug coverage rules along with other guidelines. TRICAST verifies all plan design components.

Benefit Plan Design Audit Components

- Completion of a full benefit plan review
- Assessment of 100% of claims
- Proper application of copayments and coinsurance by drug type
- Proper calculation of copayment based on drug type or benefit accumulator
- Administration of:
    - Drug exclusions and prior authorizations
    - Quantity limits
    - Age rules

After receiving the current plan design detail, inclusive of copayment, coverage rules and SPD, TRICAST built an independent plan design in TRICAST's proprietary software system and then re-processed each claim utilizing those rules to identify any discrepancies. These discrepancies were then aggregated by category and a claim level analysis was conducted for further review.

A sampling of claims was provided to MedImpact for their review and response. MedImpact's responses are included in the details of this report and TRICAST's audit results are based upon those responses.

Copayment Adjudication Review

Copayments indicate the dollar amount required to be paid by the member when a prescription drug is purchased. A TRICAST copayment audit compares the plan designs received from the PBM to the plan designs received from the client. Benefit plan design rules are created to ensure members' claims have been properly adjudicated at the pharmacy.

TRICAST re-adjudicated each claim to identify any discrepancies and a claim level analysis was conducted. TRICAST worked with MedImpact to resolve any issues. A **negative** variance indicates an overpayment of the copay by the member and a lower plan paid by State of Montana. A **positive** variance indicates an underpayment of the copay by the member and a higher plan paid by State of Montana.

Copayment Findings

Initial Copayment Analysis				
Total Claims	Copays per contract	Copays Collected	Variance	% Variance
925,934	$15,670,258	$15,477,299	$192,958	1.22%

TRICAST's copayment analysis identified these key reasons contributing to the 1.22% variance:

- Grandfathering of Drugs: Specialty, Mail or Retail drugs that were previously on a lower copay tier were moved to a higher copay tier. When this occurs, most often the claim will be grandfathered and the member will pay the lower copay.
- Copay Tier Logic: MedImpact indicated, as an example, that if a specific National Drug Code (NDC) drug was on Retail Tier A, which has a zero ($0) copay, and that NDC was also on a Tier with a higher copay, then the claim would default to the higher paying Tier. TRICAST identified some Oral Contraceptives claims in which the member paid a Tier B copay of $15 at retail or $30 at mail instead of a zero ($0) copay. MedImpact's programming logic requires that the higher copay be charged to the member.
- Prior Authorization of Drugs: allows for the member to pay a lower copay tier. These are not the grandfathered drugs but member specific overrides.
- Coordination of Benefits: Claims are displaying a zero ($0) copay for members who had other payor coverage however claims are not marked as COB claims in the source claims.

Final Outcome: Copayments

TRICAST was able to validate MedImpact's responses to the sample claims provided and claims are adjudicating according to plan design documents.

Drug Exclusions/Prior Authorizations

Exclusion criteria describe the medications a plan does not cover or requires 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. This was done to ensure plan design adherence.

Drug Exclusion/Prior Authorization Findings

TRICAST identified claims that were processing without a PA for medications on the exclusion list and on the PA required list. TRICAST provided MedImpact with sample NDCs to review.

MedImpact reviewed the NDCs in question and provided two responses:

- NDCs beginning with '8888' are compound claims and would not be considered excluded or PA required.
- Specific NDCs obtained via the Home Infusion and Specialty facilities would not be considered excluded or PA required.

Final Outcome: Drug Exclusion and Prior Authorizations

TRICAST is in agreement with MedImpact's responses. No further action is required.

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 of Montana plan design and dosage rules, compares these to the pharmacy claims and identifies any discrepancies or trends.

Quantity Limit Findings

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 comment.

MedImpact's response indicated that the claims provided were within the appropriate quantity limit, which they provided.

Final Outcome: Administration of Quantity Limits

TRICAST is in agreement with MedImpact responses. No further action is required.

Administration of Age Rules

Age rules specify that a member may be within a specific age group for a specific medication to be covered. These drugs are defined in MedImpact's formulary.

Final Outcome: Age Rules

TRICAST notes no rule violations.

HIPAA Compliance

The objective of the HIPAA Compliance Audit is to validate that Health Insurance Portability and Accountability Act (HIPAA) rules and regulations are properly established and being enforced to maintain Protected Health Information (PHI).

HIPAA Analysis

TRICAST evaluated MedImpact's policies and procedures to validate HIPAA rules and regulations are properly established and being enforced to maintain PHI.

HIPAA Findings

TRICAST reviewed MedImpact's policies and procedures and found they demonstrate comprehensive control procedures, employee awareness and business protocols to maintain PHI in compliance with the HIPAA standard. MedImpact has implemented and is exercising best HIPAA practices.

Final Outcome: HIPAA Compliance

No action is needed at this time though continued monitoring is recommended.

Coordination of Benefits

The objective of the Coordination of Benefits Audit is to validate that MedImpact is performing agreed-upon Coordination of Benefits (COB) duties.

Coordination of Benefits Analysis

TRICAST analyzed prescription claims adjudicated with COB coverage and validated that MedImpact is performing COB on behalf of the State of Montana.

Coordination of Benefit Findings

The analysis of State of Montana's COB claims revealed MedImpact is performing claim subrogation and coordination. No response is required.

Final Outcome: Coordination of Benefits

No action is needed at this time though continued monitoring is recommended.

Performance Guarantees

The objective of the Performance Guarantee Audit is to validate that MedImpact is meeting contractually agreed-upon Performance Guarantees.

Performance Guarantee Analysis

TRICAST reviewed the Performance Guarantees included in the Coalition Pharmacy Benefit Administrative Services Agreement, effective May 12, 2009, between the Montana Association of Health Care Purchasers (MAHCP) and MedImpact. TRICAST requested reports from MedImpact to substantiate their performance levels for each of the measures in the Performance Agreement to determine if MedImpact had performed at the minimum level required to avoid paying a penalty to the State of Montana.

Performance Guarantee Findings

Of the 39 total performance guarantees listed in the Service Agreement, 16 are measurable at the client, or individual group level (State of Montana- MTN01) while 23 are measure at the MAHCP level.

State of Montana MTN01 Level:

- 2012 and 2013: All 16 of the client or individual group level performance guarantees applicable to the State of Montana were met.

Final Outcome: Performance Guarantee

No action is needed at this time though continued monitoring is recommended.

Fraud, Waste and Abuse (FWA) Audit

The TRICAST FWA report automatically identified patients who should be considered for review if they met three or more of six investigatory criteria as established by TRICAST.

Criterion	Description	What Does It Do?
1	Controlled Substances: Usage of 10 prescriptions in any 10 week period. [**Narcotic Usage**]	Helps identify potential abuse situations by providing high utilization criteria with potential "doctor shopping."
2	Controlled Substances: Prescribed by 4 or more physicians. [**Narcotic Activity**]	
3	High Cost Prescriptions: Greater than $2,500. [**Excessive Cost**]	Helps identify excess cost.
4	Early Refill of Prescriptions: Criteria for retail claims is less than 50% being used and mail order is less than 50% being used when a subsequent prescription dispensed. [**Refill Too Soon**]	Help identify areas that provide oversight of the processing criteria delegated to the contracted PBM vendor.
5	DUR Therapeutic Overlaps: Utilizes the same criteria as identified for early refill but applied to prescriptions at different pharmacy providers, essentially exact duplication. [**DUR]**	
6	Dose/Refill Noncompliance: Reporting that compares the dosage on the prescription to the manufacturer identified benchmark dosage for the age demographic as reported in Medi-Span. It also identifies gaps in therapy when compared to manufacturer benchmarks. The criteria used in this instance was to identify patients exceeding the manufacturer recommended dose by greater than 100% or double the benchmark and had a gap in therapy of greater than 50%. An occurrence such as this would indicate potential copayment avoidance. [**Dose Non-Compliance]**	

TRICAST reviewed claims to assess any potential waste or abuse when evaluated from a member, pharmacy and medical provider perspective. Analysis based on utilization trends were examined to understand if any utilization anomalies exist.

Fraud, Waste and Abuse Findings

TRICAST identified only two individuals with claims that had the potential of fraud, waste or abuse. When compared to other TRICAST clients of similar size, the number of cases and dollar amount involved were statistically insignificant. TRICAST provided MedImpact with a report detailing the two cases and requested a dialog to discuss with MedImpact.

Final Outcome: Fraud, Waste and Abuse

MedImpact agreed that case management would benefit the two individuals identified in TRICAST's findings. One of the individuals has since termed.

April 30, 2014

Stacy L Ausprung
Business Analyst
Stacy.Ausprung@Tricast.com
414. 302. 9733 x 246

Dear Stacy,

Enclosed, please find the MedImpact response to the draft findings report received on April 4, 2014 for the #499

State of Montana PBM Oversight Audit conducted beginning November 14, 2013.

Please let me know if you have any questions.

Sincerely,

Kurt Laycock

Regional Director, Self-Insured Account Management

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Prescription Benefit Management Audit Specific Findings Report

MedImpact Responses

State of Montana
Prescription Drug Plans
January 1, 2012 – December 31, 2013

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Pricing Audit

The pricing audit evaluated the PBM's financial performance by validating the drug discount guarantees outlined in the PBM contract. These parameters included:

- Average Wholesale Price (AWP) discounts applied for all drugs against third-party pricing sources
- Network discount guarantee performance for brand and generic including retail and mail
- Generic pricing algorithms including Maximum Allowance Costs (MAC) drugs, single source generics (SSG) and overall generic discounts
- Specialty drug discount performance against guarantees
- Brand, generic and specialty drug dispensing fees

Discount 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.

MAHCP has contracted with AmeriPharm for the mail order discounts and dispensing fee rates. MedImpact then codes those rates in their system for appropriate adjudication. The overall discount guarantee is at the MAHCP level.

Discount Findings

TRICAST audited the time period of January 1, 2012 through December 31, 2013. TRICAST's results were then compared to the 2012 MTN01 true-up report. TRICAST was able to validate the number of claims and overall discount rate achieved for each component. The caveat is, all contracted guarantees are measured and reported at the MAHCP level which is inclusive of all groups under MAHCP. Therefore, should MedImpact under-perform in any pricing guarantee specific to State of Montana, MedImpact will not pay out money to State of Montana.

At this time, TRICAST is unable to provide an analysis of the State of Montana 2013 true-up, which was to have been available 90 days after the calendar year or April 1, 2014. Per MedImpact's email on 4/4/2014:
"The 2013 True-Up document for the MAHCP is being finalized. This may be broken out to show the State of Montana, however the rates are guaranteed at the MAHCP level.
MedImpact will be able to provide the document to you as soon as they are ready."

Final Outcome: Discounts

The actual overall discounts were greater than the rates MedImpact was contractually obligated to provide for MAHCP, reflecting an over-performance of approximately $789,982 for 2012 and $349,625 for 2013 the State of Montana. MedImpact's network met the guaranteed performance levels.

TRICAST will validate the 2013 number of claims and overall discount once MedImpact provides the true-up documentation.

MedImpact Response:

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The 2013 Network Performance Report for the State of Montana was provided by MedImpact to Tricast on 4/28/2014.

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Dispensing Fees

A dispensing fee is the charge for the professional services provided by the pharmacy when dispensing a prescription (including overhead expenses and profit). The dispensing fee is a defined amount per claim.
The dispensing fee audit identifies any differences between the dispensing fees contractually agreed on between State of Montana and MedImpact, and the dispensing fees that were actually charged in the processing of the State of Montana claims. A **negative** variance indicates a savings. A **positive** variance indicates overpayment.

A renewal amendment effective July 1, 2013 changed the retail dispensing fee per claim to $1.70 from $2.00. To better measure each segment, TRICAST separated the dispensing fee analysis for 2013 into two different charts on the next page.

Final Outcome: Dispensing Fees
The savings achieved by MedImpact was $179,092. (Variance of 5.76%). No further action is required.

MedImpact Response:
No explanation required.

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Benefit Plan Design Adherence

Several criteria make up a benefit plan design including member and plan financial obligations and drug coverage rules along with other guidelines. TRICAST verifies all plan design components.

Benefit Plan Design Audit Components

- Completion of a full benefit plan review
- Assessment of 100% of claims
- Proper application of copayments and coinsurance by drug type
- Proper calculation of copayment based on drug type or benefit accumulator
- Administration of:
    - Drug exclusions and prior authorizations
    - Quantity limits
    - Age rules

After receiving the current plan design detail, inclusive of copayment, coverage rules and SPD, TRICAST built an independent plan design in TRICAST's proprietary software system and then re-processed each claim utilizing those rules to identify any discrepancies. These discrepancies were then aggregated by category and a claim level analysis was conducted for further review.

A sampling of claims was provided to MedImpact for their review and response. MedImpact's responses are included in the details of this report and TRICAST's audit results are based upon those responses.

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Copayment Adjudication Review

Copayments indicate the dollar amount required to be paid by the member when a prescription drug is purchased. A TRICAST copayment audit compares the plan designs received from the PBM to the plan designs received from the client. Benefit plan design rules are created to ensure members' claims have been properly adjudicated at the pharmacy.

TRICAST re-adjudicated each claim to identify any discrepancies and a claim level analysis was conducted. TRICAST worked with MedImpact to resolve any issues. A **negative** variance indicates an overpayment of the copay by the member and a lower plan paid by State of Montana. A **positive** variance indicates an underpayment of the copay by the member and a higher plan paid by State of Montana.

Copayment Findings

TRICAST's copayment analysis identified these key reasons contributing to the 1.22% variance:

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- Grandfathering of Drugs: Specialty, Mail or Retail drugs that were previously on a lower copay tier were moved to a higher copay tier. When this occurs, most often the claim will be grandfathered and the member will pay the lower copay.
- Copay Tier Logic: MedImpact indicated, as an example, that if a specific National Drug Code (NDC) drug was on Retail Tier A, which has a $0 copay, and that NDC was also on a Tier with a higher copay, than the claim would default to the higher paying Tier.
- Prior Authorization of Drugs: allows for the member to pay a lower copay tier. These are not the grandfathered drugs but member specific overrides.
- Coordination of Benefits: Claims are showing a $0 copay for members who had other payor coverage however claims are not marked as COB claims in the source claims.

Final Outcome: Copayments

TRICAST was able to validate MedImpact's responses to the sample claims provided and claims are adjudicating according to plan design documents.

MedImpact Response:
No explanation required.

Drug Exclusions/Prior Authorizations

Exclusion criteria describe the medications a plan does not cover or requires 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. This was done to ensure plan design adherence.

Drug Exclusion/Prior Authorization Findings

TRICAST identified claims that were processing without a PA for medications on the exclusion list and on the PA required list. TRICAST provided MedImpact with sample NDCs to review.
MedImpact reviewed the NDCs in question and provided two responses:

- NDCs beginning with '8888' are compound claims and would not be considered excluded or PA required.
- Specific NDCs obtained via the Home Infusion and Specialty facilities would not be considered excluded or PA required.

Final Outcome: Drug Exclusion and Prior Authorizations

TRICAST is in agreement with MedImpact's responses. No further action is required.

MedImpact Response:
No explanation required.

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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 of Montana plan design and dosage rules, compares these to the pharmacy claims and identifies any discrepancies or trends.

Quantity Limit Findings

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 comment.
MedImpact's response indicated that the claims provided were within the appropriate quantity limit, which they provided.

Final Outcome: Administration of Quantity Limits

TRICAST is in agreement with MedImpact responses. No further action is required.

MedImpact Response:
No explanation required.

Administration of Age Rules

Age rules specify that a member may be within a specific age group for a specific medication to be covered. These drugs are defined in MedImpact' formulary.

Final Outcome: Age Rules

TRICAST notes no rule violations.

MedImpact Response:
No explanation required.

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HIPAA Compliance

The objective of the HIPAA Compliance Audit is to validate that Health Insurance Portability and Accountability Act (HIPAA) rules and regulations are properly established and being enforced to maintain Protected Health Information (PHI).

HIPAA Analysis

TRICAST evaluated MedImpact's policies and procedures to validate HIPAA rules and regulations are properly established and being enforced to maintain PHI.

HIPAA Findings

TRICAST reviewed MedImpact's policies and procedures and found they demonstrate comprehensive control procedures, employee awareness and business protocols to maintain PHI in compliance with the HIPAA standard. MedImpact has implemented and is exercising best HIPAA practices.

Final Outcome: HIPAA Compliance

No action is needed at this time; continued monitoring is recommended.

MedImpact Response:
No explanation required.
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Coordination of Benefits

The objective of the Coordination of Benefits Audit is to validate that MedImpact is performing agreed-upon Coordination of Benefits (COB) duties.

Coordination of Benefits Analysis

TRICAST analyzed prescription claims adjudicated with COB coverage and validated that MedImpact is performing COB on behalf of the State of Montana.

Coordination of Benefit Findings

The analysis of State of Montana's COB claims revealed MedImpact is performing claim subrogation and coordination. No response is required.

Final Outcome: Coordination of Benefits

No action is needed at this time; continued monitoring is recommended.

MedImpact Response:
No explanation required.

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Performance Guarantees

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Performance Guarantee Analysis

TRICAST reviewed the Performance Guarantees included in the Coalition Pharmacy Benefit Administrative Services Agreement, effective May 12, 2009, between the Montana Association of Health Care Purchasers (MAHCP) and MedImpact. TRICAST requested reports from MedImpact to substantiate their performance levels for each of the measures in the Performance Agreement to determine if MedImpact had performed at the minimum level required to avoid paying a penalty to the State of Montana.

Performance Guarantee Findings

Of the 39 total performance guarantees listed in the Service Agreement, 16 are measurable at the client, or individual group level (State of Montana- MTN01) while 23 are measure at the MAHCP level.
State of Montana MTN01 Level:

- 2012 and 2013: All 16 of the client or individual group level performance guarantees applicable to the State of Montana were met.

Final Outcome: Performance Guarantees

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No explanation required.

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Fraud, Waste and Abuse (FWA) Audit

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Fraud, Waste and Abuse Findings

TRICAST identified only two individuals with claims that had the potential of fraud, waste or abuse. When compared to other TRICAST clients of similar size, the number of cases and dollar amount involved were statistically insignificant. We provided MedImpact with a report detailing the two cases and requested a dialog to discuss with MedImpact.

Final Outcome: Fraud, Waste and Abuse

MedImpact agreed that case management would benefit the two individuals identified in our findings. One of the individuals has since termed.

MedImpact Response:
No explanation required.

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