

Prescription Benefit Management Audit

SPECIFIC FINDINGS REPORT

State of Montana

Administered by Navitus Health Solutions, LLC

Audit Period: January 1, 2017 – December 31, 2017

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 Navitus Health Solutions, LLC's (Navitus) 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 Navitus, the pharmacy benefit manager (PBM).

The information in this report is confidential and intended for the sole use of the Montana legislature, the State of Montana, Navitus 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 Navitus, as the pharmacy benefit manager 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 Navitus 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 Navitus' 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

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INTRODUCTION

Audit Objectives

The objectives of the TRICAST audit of Navitus' pharmacy benefit management were to determine if:

- Navitus adhered to the contractual and pricing terms outlined in the agreement with the State;
- Navitus accurately administered benefit provisions for both commercial and Employer Group Waiver Plan (EGWP) plans.

Audit Scope

TRICAST's audit encompassed the contract in force and the pharmacy benefit claims administered by Navitus for the audit period of January 1, 2017 through December 31, 2017. The State's population of claims and the total net plan paid (equals total payment less member copayment) during this period:

Audit Period January 1, 2017 through December 31, 2017	
Commercial Plan	
Number Prescription Drug Claims Paid	291,252
Net Plan Paid	\$31,979,641
EGWP Plan	
Number Prescription Drug Claims Paid	84,105
Net Plan Paid	\$9,674,351

The audit included the following three components:

1. **Pricing and Fees Audit**
2. **Benefit Payment Accuracy Review - Commercial and EGWP**
3. **Prescription Drug Event (PDE) Review - EGWP**

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 Navitus' contract with the State.

Pricing and Fees Audit Scope

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

- 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 Navitus all contracts, amendments, formulary drug lists and reconciliation documents.

Claim Validation

We mapped and validated the raw claim data provided by Navitus 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 Navitus' 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 provided our forensic report to Navitus to verify that the:

- 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’s contract with Navitus is considered a pass-through contract, in which all discounts and billing are passed on to the State and no discount guarantees are outlined.

TRICAST has assessed discounts and dispensing fees against a standard template PBM contract for a client of this size with the understanding that Navitus is passing through all discounts to the State.

TRICAST concludes that Navitus is performing as expected on discounts and dispensing fees. TRICAST reviews national contracts on a regular basis, pricing parameters compare favorably with the size and scope expected in the market place for the time period analyzed.

2017		TRICAST BENCHMARKS
Discounts		
Mail	Achieved Discounts	Discounts
Brand	AWP – 23.09%	AWP – 23.00%
Generic	AWP – 88.55%	AWP – 80.25
Specialty	AWP – 17.87%	AWP – 17.75%
Retail	Achieved Discounts	Discounts
Brand	AWP – 19.66%	AWP – 15.25%
Generic	AWP – 87.33%	AWP – 76.00%
Dispensing Fees		
Dispensing Fees Collected		
\$216,789		

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 plan 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 Navitus 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 Navitus 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 Navitus for review.

TRICAST provided 1,465 claims to Navitus 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 and show a \$325,223 or 6% variance between the copayments per plan and the copayments collected from members.

Initial Commercial - Copayment Plan Analysis (1/1/2017 – 12/31/2017)				
Total Claims	Copays per Plan	Copays Collected	Variance	Variance Percent
291,252	\$5,421,781	\$5,096,558	\$325,223	6%

TRICAST submitted 1,271 commercial claims to Navitus that represented potential exceptions to the copayment requirements.

TRICAST's findings with Navitus' responses below:

Retail and Mail Prescription Drugs - Commercial			
Copayment Rule	TRICAST Initial Findings	Navitus Responses	TRICAST's Final Conclusion
\$0 copay	Using the drug list provided by Navitus, we would expect these NDC's to charge a \$0 copay and they are not. All claims are for 2 drugs: Atorvastatin calcium and rosuvastatin calcium.	<ul style="list-style-type: none"> The \$0 copay for statins was not effective for the State of Montana until 1/1/18; claim is processing correctly. 	Based on additional information provided by Navitus, TRICAST agrees claims adjudicated appropriately.
DAW	0 drugs with a DAW 1 or 2 should charge a T3 copay plus a penalty and it appears the member is only being charged a flat copay without a penalty.	<ul style="list-style-type: none"> This is a coordination of benefits (COB) claim where Navitus is paying secondary. Generic product identifier (GPI) is Tier 1 on formulary and preferred over generic, therefore dispense as written (DAW) is waived. Member Prior Auth (MPA) on file to transition member from previous formulary to Navitus formulary. 	Based on additional information provided by Navitus, TRICAST agrees claims adjudicated appropriately.
Tier 1 – Pref Generics	Various copay amounts are being charged outside of what is in the plan documents of \$15. There are many Prior Authorizations for these claims.	<ul style="list-style-type: none"> MPA overriding copay to \$0. "Per client, member is part of Asthma Management Program." This is COB claim where Navitus is paying secondary. Out of Pocket Met. 	Based on additional information provided by Navitus, TRICAST agrees claims adjudicated appropriately.
Tier 2 – Pref Brand	Most claims are paying a 100% of the cost of the drug and do have a PA.	<ul style="list-style-type: none"> Medication is Non-covered (NC) - MPA entered to allow member to get medication at Navitus Contracted Rate (100% coinsurance). MPA on file for \$0 copay to transition member to Navitus formulary. Tablet Splitting Program - member will receive half a copay for getting half tabs dispensed. This is COB claim where Navitus is paying secondary. Out of Pocket Met. 	Based on additional information provided by Navitus, TRICAST agrees claims adjudicated appropriately.
Tier 3 – Non Pref	Most copays are charging either	<ul style="list-style-type: none"> Member Prior Auth in place for NC GPI 	Based on additional

Retail and Mail Prescription Drugs - Commercial			
Copayment Rule	TRICAST Initial Findings	Navitus Responses	TRICAST's Final Conclusion
	\$0 or 100% with a PA.	for member to pay 100% contracted rate. • Pharmacy submitted a DAW code of 5 which will reimburse the pharmacy for the generic rate for a brand drug which results in the member receiving the generic copay.	information provided by Navitus, TRICAST agrees claims adjudicated appropriately.

Upon review of Navitus's response to our questions about the 1,271 commercial claims that initially represented potential exceptions to copayment requirements, the variance was reduced to \$0 as shown below:

Commercial - Copayment Plan Analysis (1/1/2017 – 12/31/2017)				
Total Claims	Copays per Plan	Copays Collected	Variance	Variance Percent
291,252	\$5,421,781	\$5,421,781	\$0	0%

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 Navitus, TRICAST created an exclusion drug list and PA drug list and then re-adjudicated the claims for these non-covered and prior authorized medications.

Navitus provided TRICAST with a drug list which included NDC's that were not covered or that required a PA. After entering this into our system, there are 274 claims that require a PA that didn't have a PA on the file and 1,126 claims that are not covered however claims processed without a PA.

Navitus responded to all claims and identified that the 274 claims that require a PA were processed appropriately because members were under the age restriction required for a PA and 984 claims for non-covered drugs were covered at various Tiers prior to certain dates. The remaining 142 non-covered drugs were for Simvastatin which Navitus explained the generic product identifier (GPI) should have been non-covered but was coded as covered.

Based on Navitus' responses, TRICAST agrees claims adjudicated appropriately except for the 142 claims that should have been excluded for Simvastatin. Navitus is in agreement with the formulary setup issue and would like to discuss next steps with the State. The estimated financial impact of this set-up error is \$1,084.

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's analysis didn't find any claims outside the quantity limits. No response required.

EGWP - Copayment Plan Analysis (1/1/2017 – 12/31/2017)				
Total Claims	Copays per Plan	Copays Collected	Variance	Variance Percent
84,105	\$2,058,595	\$2,058,595	\$0	0%

TRICAST submitted 194 EGWP claims to Navitus that represented potential exceptions to the copayment requirements. TRICAST's findings with Navitus' responses below:

Retail and Mail Prescription Drugs - EGWP			
Copayment Rule	TRICAST Initial Findings	Navitus Responses	TRICAST's Final Conclusion
\$0 copay	Using the drug list provided by Navitus, we would expect these NDC's to charge \$0 copay and they are not. All claims are for 2 drugs: Atorvastatin calcium and rosuvastatin calcium.	<ul style="list-style-type: none"> Generic Product Indicator (GPI) was not added to the \$0 list until 9/1/17. 	TRICAST confirmed that all claims were adjudicated prior to 9/1/17 and therefore claims paid appropriately.
Mail Tier 1	Claims not charging the expected copay of \$30	<ul style="list-style-type: none"> There was a system issue identified in 2017 that caused claims to not read the out-of-pocket (OOP) accumulators correctly. This claim inappropriately processed as if the member had met their medical out-of-pocket (MOOP) but had not. This claim was reversed and reprocessed on 3/1/18 as part of the clean-up. MOOP was met. 	TRICAST confirmed Navitus' responses and agrees claims paid appropriately.
Mail Tier 2	Claims not charging the expected copay of \$100	<ul style="list-style-type: none"> The decision was made by Gov't Programs to allow up to 100 DS of Diabetic supplies for 1 copay, this was implemented 9/1/17. This drug is part of the Tablet Splitting program. The member received 45 tabs for 90DS which qualified for 1/2 of a copay. A member prior authorization was entered on 2/2/17 to allow drug at tier 3 for 1 year. Tier 3 copay is 50%. 	Based on Navitus' responses, TRICAST agrees claims are adjudicating appropriately.
Mail Tier 3	All claims in question are charging \$100 copay however there is a PA for each claim. Review the PA to see if that is overriding the copay and give a screen print if that is the case.	<ul style="list-style-type: none"> Copay lowering was approved for 1 year, for various members. PA was approved for 1 year for various members. 	Based on additional information provided by Navitus, TRICAST agrees claims adjudicated appropriately.
Retail Tier 1 (1-34 ds)	Some members appear to reach the MOOP however continue to pay copays until a later time.	<ul style="list-style-type: none"> A \$400 OOP adjustment was entered on 4/11/17. This plus copays allowed the member to meet the \$1,800 	Based on additional information provided by Navitus, TRICAST

Retail and Mail Prescription Drugs - EGWP			
Copayment Rule	TRICAST Initial Findings	Navitus Responses	TRICAST's Final Conclusion
		MOOP. <ul style="list-style-type: none"> • There was a system issue identified in 2017 that caused claims to not read the out-of-pocket (OOP) accumulators correctly. This claim inappropriately processed as if the member had met their MOOP but had not. This claim was reversed and reprocessed on 3/1/18 as part of the clean-up. 	agrees claims adjudicated appropriately.
Retail Tier 2 (1-34 ds)	Member is either paying \$0 or a higher than expected copay.	<ul style="list-style-type: none"> • Claim qualifies as a Short Cycle claim and therefore applied prorated copay. • An MPA was entered to allow different copay. 	Based on additional information provided by Navitus, TRICAST agrees claims adjudicated appropriately.
Retail Tier 3 (1-34 ds)	Claims in question are charging \$50 copay instead of 50% however they all do have a PA. Verify the PA is for the copay and provide a screen print.	<ul style="list-style-type: none"> • Copay lowering was approved. 	Based on additional information provided by Navitus, TRICAST agrees claims adjudicated appropriately.
Specialty	Many claims are charging \$200 copay which is the commercial specialty copay.	<ul style="list-style-type: none"> • Per State's Benefit Matrix the copay for specialty drugs at Lumicera and Diplomat is \$200. • Claim was paid under Transition patient. 	Based on additional information provided by Navitus, TRICAST agrees claims adjudicated appropriately.

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 Navitus, TRICAST created an exclusion drug list and PA drug list and then re-adjudicated the claims for these non-covered and prior authorized medications.

Navitus provided TRICAST with a drug list which included National Drug Codes (NDC's) that required a PA. After entering this into our system, there are 108 claims that require a PA that didn't have a PA on the file.

Navitus provided claim level responses for all the claims that should have a PA according to plan design documentation. Navitus indicated that claims paid correctly because Zostavax is covered for members' over 50, claims paid under Transition and PA was not required on the 2017 wrap formulary. Based on Navitus' responses TRICAST agrees claims are adjudicating appropriately.

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's analysis identified 27 claims that could potentially be going over the maximum quantity limit.

Navitus indicated that all claims paid appropriately as claims paid under Transition and the pharmacy submitted SCC (submission clarification code) 16 which overrides quantity limits due to LTC (long term care) dispensing. Based on Navitus' responses, TRICAST agrees claims are adjudicating correctly.

PDE Analysis

TRICAST audited 100% of the Prescription Drug Event (PDE) records processed from January 1, 2017 through December 31, 2017. TRICAST identified 32 claims that matched to a Rejected or Deleted PDE and 20 claims that didn't have a PDE. All claims have been provided to Navitus for review and response.

Navitus provided documentation and responses to all 52 claims and PDE's were either accepted at the end of 2017 or claims were reversed in 2018. Based on Navitus' responses, TRICAST agrees all PDE's were processed correctly.



APPENDIX

PBM'S RESPONSE TO DRAFT REPORT



Chris C. Janssens <Chris.Janssens@Navitus.com>

Stacy Ausprung

4/19/2018

RE: State Of Montana Observations/Draft Report

You replied to this message on 4/20/2018 11:00 AM.

Hi Stacy,
I apologize for the delay in responding back to you.

I followed up with my management team regarding the formulary setup issue with the Simvastatin 80mg claims. Our preference would be to make the State of Montana aware of the setup error and discuss the next steps with them. If the State prefers, we can reprocess the claims and attempt to recover funds from their members but we are also open to any other suggestions.

Thank You,
Chris

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