

Top Ten Things to Review in your Next Pharmacy Audit



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Identify areas of inaccuracy with regard to drug pricing

- » Distribution channel
- » Financial guarantees
- » Rebates
- » Fees
- » Member cost share
- » Utilization management programs
- » Plan benefit design

Ensuring Pharmacy Benefit Management (PBM) accuracy and accountability through pharmacy audits

The cost of employer-sponsored healthcare benefits is expected to be near \$15,000 per employee in 2019. The pharmacy spend comprises 20 to 25 percent of the total medical cost and is a focal area for employers as they work to manage benefit costs. Pharmacy benefits are not just a crucial part of an employer's budget, but also one of the most critical tools in an employer's arsenal to influence the physical and emotional wellbeing of employees and the overall productivity and wellbeing of their organization. Plan sponsors are continuously challenged with controlling increased pharmacy costs and addressing the proper management of their employee prescription drug program. Payers must protect their financial interests, to mitigate risk and to achieve best-in-class pricing and services from their pharmacy benefit programs. An annual PBM audit can accomplish these goals. Evaluating the PBM program performance identifies whether or not the PBM is meeting and/or exceeding the pricing guarantees and financial terms of the contract, and allows for the payer to understand any shortfalls that may result in owed money by the PBM.

Confirming that your current PBM contract is being administered appropriately and accurately is an essential way to optimize your pharmacy benefit program. This process should include a review of all your pharmacy claims. An audit will review your PBM's performance from a contractual, financial, clinical and operational perspective.



Ten program components that should be reviewed during an audit:

1 Aggregate Financial Guarantees: Review and validate the aggregate financial guarantees (ingredient cost discounts and dispensing fees) against actual performance.

2 Average Wholesale Price (AWP) Accuracy: Verify proper AWP unit pricing was applied on the date of service for the 11-digit National Drug Code (NDC) dispensed.

3 AWP Discounts: Validate the accuracy of brand and generic claim-level discounts for the applicable distribution channels and/or networks outlined in the contract.

4 Dispensing Fees: Validate that the claims reflect accurate dispensing fees for all distribution channels and networks outlined in the contract.

5 Lower of Pricing Logic: Verify the accuracy of "lower of" pricing logic in accordance with the contract.



6 Plan Payment Formula Accuracy: Verify the accuracy of the formula used for plan payment billing accounts for all discounts, fees and reported member cost.

7 Rebate Guarantees: Review quarterly rebate payment reports against contracted per claim/minimum guarantees and rebate sharing to verify that rebates were paid in accordance with the contract terms.

8 Specialty Drug Pricing: Validate that the PBM applied discounts and dispensing fees for specialty products and/or networks were in accordance with the contract.

9 Prior Authorizations (PA): Confirm that all paid claims for medications requiring a prior authorization include a PA number on the adjudicated claim.

10 Utilization Management Protocols: Confirm the proper application of all implemented utilization management protocols (e.g., step therapy, quantity level limits, drug exclusions).



Errors and oversight during the PBM implementation process, along with unmet annual financial guarantees, can result in significant and ongoing costs to a plan sponsor. In assessing the effectiveness of the current pharmacy program and PBM performance, consider these questions:

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| When was the most recent PBM audit conducted, and what were the results of that audit? | What is your confidence level that your PBM is meeting all financial guarantees? | Is your PBM facilitating your clinical utilization protocols accurately to ensure cost containment? | Regarding your annual prescription drug spend, what percentage may have been spent incorrectly? | Based on your organization's risk tolerance, what efforts are in place to confirm accurate PBM performance? |
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It is essential that a full financial audit of the PBM program performance occur at least every two years to ensure that the PBM is consistently upholding all negotiated contractual requirements and terms are consistently being upheld by the PBM. During the years in between financial audits, plan sponsors should consider auditing benefit design compliance and rebate guarantees.

Talk to a Gallagher consultant today to discuss how we can partner with you to ensure that your prescription drug program is well-designed and monitored regularly to keep healthcare costs sustainable and to enhance your employees' wellbeing.

There is significant complexity innate to all prescription drug programs. Routinely monitoring and reviewing all of the components within the program can ensure that risk is mitigated and that the dollars being spent on behalf of members' prescription needs are optimized and without waste.

¹Miller, S. (2018). For 2019, Employers Adjust Health Benefits as Costs Near \$15,000 per Employee. *Society for Human Resource Management*. Retrieved from <https://www.shrm.org/resourcesandtools/hr-topics/benefits/pages/employers-adjust-health-benefits-for-2019.aspx>

²Miller, S. (2018). Employers Hold Down Health Plan Cost for 2019. *Society for Human Resource Management*. Retrieved from <https://www.shrm.org/resourcesandtools/hr-topics/benefits/pages/employers-hold-down-health-plan-costs-for-2019.aspx>

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