

Date: October 4, 2017

To: SJVIA Staff

From: Keenan & Associates

RE: PBM Audit Report Revised with Recommendation

Keenan & Associates contacted four organizations that conduct pharmacy benefit audits to request quotes to audit the SJVIA 2016 pharmacy benefit plan year:

- Aon Hewitt
- Mercer
- RSC
- TFG Partners.

Each was advised of the pharmacy plan and administrator that would be audited and the budget available. Responses were received from all four. An audit of a group's pharmacy benefit plan administrator may include the following minimum objectives:

- Review general contract provisions
  - Each type of drug is identified clearly (i.e. generic, brand, and specialty)
  - Plan Design and Provisions are applied accurately (i.e. Average Wholesale Price, Dispensing fee, Maximum Allowable Cost and Usual and Customary)
  - PBM Performance is clearly stated and criteria has been met
  - Formularies are reviewed and updated when necessary
  - Time and manner of claims processing
- Process for when new specialty products are released or reclassification of a drug and proper notification to members
- Confirm rebate contracts are reviewed
- Generic guarantees are included
- Audit claims processed

### **Recommendation of Vendor for PBM Audit for SJVIA**

We are recommending SJVIA utilize the PBM audit services of TFG Partners. TFG Partners has proposed the most comprehensive and detailed audit for SJVIA considering the total budget available.

### **Summary of Quotes and Responses Received**

- **Aon Hewitt \$40,000** - Perform a comprehensive financial and benefit audit. Please see Attachment A.  
*The quote is over the budget available.*

- **Mercer \$25,000\*** - Conduct an electronic claims audit of 100% of the retail and mail order pharmacy claims. Each claim will be reviewed from a financial and benefits perspective. Each claim will be independently re-priced, the plan design and benefit parameters reviewed for accurate administration, confirm if non-covered drugs were appropriately denied or payments properly documented and if specific days supply limits were correctly applied. Please see Attachment B.

\*Mercer will bill for associated travel and expense, if needed.

*A PBM Audit is one of the many services that Mercer offers. Mercer may not assign primary resources to a group that is not a current client utilizing their core suite of services.*

- **Risk Stratification Consulting (RSC) \$25,000** - Provide a pharmacy benefit audit and data analysis service. A standard reconciliation of financial performance guarantees for AWP discounts and dispensing fees based upon the contract. 100% of paid claims will be tested by reviewing the contract, data files, client invoices, and running validation checks of key indicator fields. Please see Attachment C. *RSC is offering a suite of PBM audit services based upon the budget available and states that it should be completed within 30-60 days. In comparison, this proposal may not be as comprehensive as other vendors are offering.*

- **TFG Partners \$25,000\*** - Conduct a 100% adjudication accuracy claims audit.

Provide an accurate and detailed audit data and insights into the administrative performance of the PBM with a variety of electronic audits, manual reviews and claim sample selection. A review of plan benefit compliance and exclusions, duplicate and erroneous claims, administrative technical correct coding, and discount pricing compliance. Please see Attachment D.

\*TFG will request reimbursement for travel and out-of-pocket expenses.

***TFG Partners is proposing the most comprehensive audit over a period of 5-6 months and assigning a dedicated team to complete the audit. They request a 100% claims review and subsequent on-site audit. Keenan & Associates pharmacy services team refers TFG Partners to their clients for independent auditing services.***

Please Note: All four responses indicate that SJVIA will be responsible for any costs incurred from Envolve, the pharmacy benefit manager that will be audited, for providing data or files needed to conduct the audit.

Please contact Bordan or myself with any questions. Thank you.

Sincerely,



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