

# *Excelsior Solutions Pharmacy Audit Services*

2023



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A male and female doctor in white coats are looking at a tablet together in a clinical setting. The male doctor is on the left, wearing a blue stethoscope and a blue tie. The female doctor is on the right, wearing a blue stethoscope and a blue top. They are both looking down at the tablet held by the male doctor. The background is a bright, out-of-focus clinical setting.

## The Value of Independent Audits

Audits have the potential to expose small errors that can have a large impact on clients and members. Our guiding principle is to “Trust but Verify.”

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# *Introduction to Pharmacy Audit Services*

## *Expertise, Knowledge & Compassion*

Lockton is the largest privately owned insurance consulting firm in the world. This is important because being privately owned, we are not responsible to shareholders. Instead, we are focused on our stakeholders: our Associates, our clients and the communities in which we live.

We believe in TRANSPARENCY and understand the value of the public trust and the importance of looking out for those we serve. We hold ourselves accountable to our clients and stand by our commitment to service. We work diligently to provide solutions and pharmacy audit services for our clients.

## EXPERTS

Lockton's Pharmacy Audit team is comprised of highly tenured, leading industry experts in the field of pharmacy benefit management.

## WHAT WE DO

Our team brings a comprehensive suite of independent, impartial and robust audit services to our clients. We conduct due diligence and validate financial, operational, benefits and clinical data, reports and processes.

## THE VALUE

The following case studies showcase pre-implementation (benefits), financial and formulary (clinical) audits we conducted that realized savings of over \$9,000,000 to two clients and brought a priceless level of assurance to another.

## OUR COMMITMENT

We ensure our clients' pharmacy benefits are performing exactly as intended for their members, and that their pharmacy benefit managers (PBMs) are fulfilling all contractual obligations.



## *Pre-Implementation Audit*

### **BACKGROUND**

A large health plan client was concerned about the PBM's ability to accurately code their two custom formularies prior to January 1, 2023, given they had experienced errors with their formulary coding in the past with the vendor. One of the formularies was experiencing changes only, while the second formulary was brand new to the plan. The client hired Excelsior Solutions to complete a pre-implementation audit on their behalf.

### **SOLUTION**

A pre-implementation audit was kicked off in October 2022, wherein Excelsior gathered formulary source-of-

truth documentation and built a custom set of 300 test claims to test the accuracy of the vendor's coding prior to the effective date of the changes. The tests included the following scenarios: 1) drugs that were newly covered, 2) drugs that should now be rejected or 3) drugs that were subject to clinical edits.

### **METHODOLOGY**

Excelsior's auditor built a custom set of scenarios to test the accuracy of formulary implementation. The PBM ran the test claims and returned several rounds of results to Excelsior over the course of seven weeks until all claims returned expected results, including regression testing post-correction. Excelsior kept the client up to date on



the pass rate of claims and confirmed intent with the client on any unexpected results that did not reflect the source of truth accurately.

## RESULTS

The pre-implementation audit resulted in the confirmation of four errors in formulary implementation, and it revealed a gap between the PBM and client's interpretation of "per fill" quantity limits. Two of the errors were drugs placed on an incorrect formulary tier, one drug was rejecting that should have been covered, and the fourth error was incorrect dose coding of a vaccine product. Excelsior was able to hold the vendor accountable to make the corrections

prior to January 1, 2023, despite PBM plans to fix any errors post go-live. Excelsior reviewed testing after correction to ensure that the correction had taken place accurately.

## OUTCOME

The client received reasonable assurance that their formularies had been coded accurately and that errors were not only identified but also corrected prior to the effective date of the changes.



## *Formulary Audit*

### **BACKGROUND**

A health plan client found through various reports provided by the PBM that their formulary had not been accurately coded. At first glance, it appeared that drugs were covered that should not have been, drugs were misplaced on incorrect tiers and even clinical edits were not applying as intended. The client needed assistance in determining just how far-reaching these errors were as well as the impact to the plan and their members.

### **SOLUTION**

Excelsior performed a custom formulary audit to determine the full extent of the inaccuracies in formulary implementation.

### **METHODOLOGY**

Excelsior's auditor leveraged source-of-truth formulary files as well as pharmacy claim files to determine if there were drugs placed on incorrect tiers, drugs covered that should not have been, rejected claims that should have been paid, and whether the errors had impact to members in the form of incorrect cost share.





## RESULTS

The custom formulary audit revealed numerous errors in the implementation of the client's custom formulary. Several drugs had been covered that were to reject, and a number of drugs were placed on incorrect tiers, which had a direct impact not only on plan cost but also on cost to members, who had paid incorrect copays for almost an entire plan year.

## OUTCOME

Excelsior helped the client to determine the extent of the errors, calculated an amount due to the client of \$8.2M for the audit period, and put together an audit plan on a regular cadence that would help to ensure that future formulary changes would be implemented and checked



*Excelsior calculated an amount due to the client of*

***\$8,200,000***



## *Financial Audit*

### **BACKGROUND**

An employer client wished to complete a due diligence exercise in confirming that the financial performance reported by their PBM accurately reflected actual performance and that no dollars were due back to the client in connection with any shortfall against contractual guarantees.

### **SOLUTION**

Excelsior kicked off a financial audit to validate the average wholesale price (AWP) values leveraged for the PBM reporting, the actual discount and dispensing fee rates achieved, and compared them to contractual guarantees. Excelsior completed an independent evaluation of the calculations to determine the accuracy with which the PBM reported their own performance.

### **METHODOLOGY**

Excelsior's auditor leveraged a pharmacy claim file, the contract and industry AWP benchmarks to complete an independent analysis of the PBM's performance, comparing that performance to the outcomes reported by the PBM. When the audit showed a discrepancy between values, Excelsior performed claim-by-claim analysis to determine the difference in methodology and the source of the variance.

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*Excelsior kicked off a financial audit to validate the AWP values leveraged for the PBM reporting*

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**RESULTS**

The financial audit revealed a large discrepancy (\$830,000) between PBM reported results and those calculated by Excelsior. The audit showed that the client was owed nearly \$1M when the PBM had reported an over-performance with no dollars owed to the plan in connection with their performance.

After completing a claim-by-claim evaluation against contractual guarantees and definitions, Excelsior was able to confirm that the PBM had offset performance

across delivery channels (had used over-performance in retail 90 and mail delivery channels to offset retail 30 performance). Per the contract, this was not allowed, and Excelsior's audit served as a platform to hold them accountable to contract terms and conditions.

**OUTCOME**

Excelsior was able to negotiate, through the audit, payment of \$830,000 to the employer in connection with financial underperformance for the audit period.



*Excelsior was able to negotiate a payment of*

*\$830,000 to the employer*

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UNCOMMONLY INDEPENDENT