HLX CLIENT

Final Audit Report

2017 Claim Data

Proprietary and Confidential

This report and the subsequent attached or embed reports may contain Protected Health Information (PHI). The information contained in this report is subject to one or more confidentiality agreements. This document cannot be reproduced without the written consent of HealthLinX (HLX).

Audit Standards

HealthLinX has conducted this audit with standards equal to or greater than industry standards for auditing Prescription Benefit Management companies. The practices and benchmarks used by HLX are verified from external resources and are deemed accurate. Proprietary software developed and maintained by HLX was used in the production of this report.

Report Structure

The report provides a description of the process notated as HLX Summary. HLX then provides a description of the findings, which is notated HLX Analysis. The recommendations are labeled as HLX Recommendations and contain the actions that HLX suggests the PBM to consider. Responses from the PBM will be included in the Final Report to allow a complete picture of the discovery process. The finding may have been resolved over the course of the written conversation. A Final Recommendation as to whether the finding was closed or requires additional actions on the part of the PBM or the Plan will be provided in the Final Report.

Background

HealthLinX specializes in assisting clients in the management of their Prescription Drug Program through comprehensive auditing, clinical consulting, and plan management. HLX clients include government agencies, health plans, self-funded groups, Unions, and Workers Compensation Management Companies.

HLX audits are based upon a collegial process that fosters discovery. It is not our mission to compromise your relationship with your PBM. At all times HLX keeps the best interest of our customers in mind while dealing with the PBM staff. The key to a successful audit is documentation, communication, and analysis. HLX functions by replicating the process of claim adjudication using our proprietary system and through the documentation provided by the PBM and the Plan.

Summary of Findings

2.1 Verification of Standard Copay Structure/Deductibles/MOOP

HLX found 167 copay outliers that could not be cleared by PBM. PBM agreed that the claims were processed inaccurately with the member taking the full copay rather than the $0 copay that would apply for generic drugs costing less than $20 at retail or $60 at mail/retail 90. All claims were submitted for service warranty. HLX will validate the service warranty results once received.

Estimated Amount Due to Members: **$744.13**

2.2 DAW Penalty Calculation

HLX agrees that a MAC is typically used to calculate DAW. We have not encountered that a penalty would not have the ability to calculate without a MAC. As more generics come to market, we are missing the DAW penalty since a MAC is not yet established. While our "HLX Summary" from this Section stated the calculation should be made from a MAC reference, the language in the CRD does not indicate that a MAC needs to be in place to calculate the penalty.

Our new approach is that a penalty should be calculated using the difference between the brand and the AWP discount off the generic alternative when no MAC is available. We understand that determining which generic alternative to calculate the penalty can be difficult, but we believe PBM should have this ability. HLX recommends all 184 claims without a DAW Penalty be submitted for service warranty but does not expect to prevail.

2.5 Lesser of Logic

HLX recommends amending the contract to include the lesser of MAC and AWP at the Specialty Pharmacy. The total difference between the MAC and AWP for these claims was $134,246.

2.7 Discounts by Type of Claim

The Implementation Audit does not include a Net Effective Discount or Rebate True-up. Since we did not receive NED buckets from the PBM, HLX cannot validate Section 2.7 it is for reference only. Below is the calculated shortfall for the audit timeframe:

Mail Order Indicator	Generic Indicator	Claim Count	Fee Overage/Shortfall	Billed Ing Cost	AWP	Discount Achieved	Guaranteed Discount	% Overage/Shortfall	$ Overage/Shortfall
Mail	Brand	305	$0.00	$225,682.92	$300,910.36	25.00%	25.00%	0.00%	($0.15)
Mail	Generic	1,781	$0.00	$64,584.03	$615,679.55	89.51%	86.00%	3.51%	$21,611.11
Retail	Brand	23,529	$552.93	$8,920,615.11	$10,814,275.37	17.51%	17.40%	0.11%	$11,976.35
Retail	Generic	154,263	$293.10	$3,144,963.32	$16,110,101.97	80.48%	79.50%	0.98%	$157,607.58
Retail Maintenance	Brand	1,450	($115.57)	$823,509.47	$1,085,721.62	24.15%	25.00%	-0.85%	($9,218.25)
Retail Maintenance	Generic	13,000	($197.60)	$292,250.16	$3,644,119.56	91.98%	86.00%	5.98%	$217,926.58
TOTAL		**194,328**	**($313.17)**						**($9,218.40)**

HLX recommends the Plan compare the above calculations to PBM' Reconciliation Summary once received. If there is a large discrepancy, HLX recommends we proceed with a Financial True-Up.

2.10 Compound Review

HLX does not agree with PBM' response to this section (see page 33).

While we understand that compound claims are excluded from the overall discount guarantees, HLX considers the language found on p 29 of "Las Vegas Plan - Prescription Benefit Services Agreement 2017-2019 _ Fully Executed" to be a separate pricing guarantee for compounds.

HLX recommends PBM submit the 43 compounds will a total shortfall of $1,919.84 for service warranty.

HLX also recommends that the Plan amend the following language in the contract: "PBM shall apply a level of effort charge to the compound drug in addition to the appropriate dispensing fee." The "level of effort charge" should be clearly defined. Most PBMs apply a $7.00 Dispensing Fee to Compound claims. HLX believes the $20-$60 fee being applied to compounds is excessive.

Estimated Amount Due to Plan: **$1,919.84**

3.4 Drug Limitations

HLX found 155 outlier lidocaine claims during their analysis that could not be cleared by PBM. The PBM mentioned that the quantity limits for Lidocaine did not go into place April 2017 per client intent and a service warranty was issued. Because PBM could not provide the Lidocaine service warranty details, HLX reverse calculated the damages for the 155 outlier lidocaine claims. Below is the summary:

Claim Count	Estimated Overbill
155	$179,742.35

The difference between the service warranty results and HLX's calculated damages is $37,739.14. HLX recommends the Plan request the service warranty details from PBM so that we can validate their calculations.

Once approved by the Plan, HLX will submit the uncleared sections to PBM for warranty work and response.

Alan Kellogg, R.Ph.
Principal
HealthLinX, L.L.C.
May 16, 2018

Executive Summary

HLX reviewed the prescription claim data from 1/1/2017-12/31/2017, provided by PBM, to audit the accuracy of implementation and administration of the Prescription Drug Program. The attached Preliminary Audit Report summarizes discrepancies that HLX identified in the claim detail compared to the Contract and other plan documents. To assist PBM in responding to our preliminary findings, HLX attached several files in Adobe Acrobat (PDF) and Microsoft Excel formats. HLX requests that PBM review the findings and respond directly to HLX with a copy to the Plan within 30 days of production of this report. HLX will be available as necessary for PBM to complete their response and clarify any questions in a timely fashion. Responses such as "not enough information" or "do not understand" will not be accepted and will be considered unresponsive. The purpose is to have a complete response on the 30th day. Any questions prior to that time will be responded to by HLX in a prompt and professional manner. The purpose is to find the accuracy of administration and responses that result in delays do not foster that result.

Audit Contents

This preliminary report contains the technical review of financial components (excluding NED and Rebate Validation), plan design, and covered drugs of the Plan's (Plan) prescription drug program. HLX compared the actual claim data results to the contract and identified areas of deficiency. This Preliminary Report has been developed and distributed to the Plan (no response requested) and PBM for review and comment. Once PBM has responded with additional information or rebuttal of HLX findings a Final Audit Report will be developed and distributed. This process of information exchange will continue until a satisfactory response is received for each finding.

Audit Process

The steps taken to audit the prescription drug program accuracy follow a logical process. Each step is documented in a project plan and then tests are built to identify the claims involved in each test. Any inaccuracies are reported to the PBM and a response is requested in writing. The two areas contained in the detailed audit are as follows:

Financial Audit

HLX followed a project plan to verify each pricing component and the contracted discount. There are multiple different pricing scenarios for each claim and HLX developed a process to validate each of these components electronically.

For example, a claim will follow the logic path when it is repriced through the audit process:

- Delivery System: Retail and Mail
- Generic Indicator: Single Source Brand, Multi-Source Brand, Generic, or Single Source Generic
- Final Pricing Indicator: AWP, MAC, U&C, or Submitted
- Verification of AWP on Date Submitted compared to National Database
- Calculated the Lesser of Calculated, U&C or Submitted
- Paper Claim, Electronic Claims, or Compound Drug
- Calculation of Discount off AWP as application
- Verification of Dispensing Fee
- Verification of Tax

All pricing is then summarized by each of the components and compared to the contract. Any outliers are reviewed, and examples are provided to the PBM. The Implementation Audit does not include a Net Effective Discount or Rebate True-up. Since we did not receive NED buckets from the PBM, HLX cannot validate Section 2.7 it is for reference only.

Administrative Audit

The Administrative Audit builds on the Financial Audit by validating all aspects of the plan's benefit design. An example of this logic path for each claim is as follows:

- Delivery System: Retail and Mail
- Generic Indicator: Single Source Brand, Multi-Source Brand, Generic, or Single Source Generic
- Copay Administration
- Are claims that processed without a prior authorization on the plan's formulary?
- Does it exceed the Days' Supply limit?

- Is there a product specific limit such as Quantity Versus Time?
- Is there a Prior Authorization that needs to be reviewed?
- Verification of Max Cost Edits
- Verification of DUR Controls

These are just two examples of the claim review process for each component of the drug adjudication process. There is a purpose and a result for each audit segment. HLX breaks each of the components into sections below. The segments are in a specific order and build upon one another to verify the accuracy. Several reports analyze the data provided. Verification of the data is important since we must have comparable data between the organizations or the audit is useless. Do not skip the verification process.

Finally, HLX believes that this is an opportunity for our organizations to improve the audit process. If you have suggestions or requests that will improve either the accuracy or efficiency of the audit process, we welcome your feedback.

1 Claim Validation

1.1 Data Provided

HLX Summary

HLX takes the data provided by PBM and compares it to the data mapping document provided. HLX use an electronic mapping program developed by HLX to incorporate the PBM data into our proprietary database. After mapping, HLX reports the claim counts and summary financial information to PBM. PBM should agree to the volume of claims provided.

HLX Analysis

HealthLinX (HLX) takes an electronic file from the prescription benefit manager and loads it into our proprietary claim system. Net paid claims were provided by PBM.

Total Claims Reviewed

Raw Data Files Received	1
Claims received	200,152
Total Amount Billed to Customer	$17,768,262.05
Claims Reversed	0
Claims Matching Reversals	0
Claims Outside Audit Timeframe (1/1/17-12/31/17)	0
Net Number of Claims	200,152

Net Ingredient Cost	$19,774,260.83
Net Dispensing Fee	$90,212.76
Net Amt. Billed	$17,768,262.05
Net Total Spend	$19,866,528.17

HLX Attached File

None

HLX Final Recommendations

This report was provided for information purposes to PBM. The totals above match the Control Totals sent by PBM with the data file. We consider the data agreed upon.

Referred to PBM

No

1.2 Claim Balance Detail

HLX Summary

HLX reviews the claim data to match the claim balance formula. In all other audits that HLX has completed, the following formula held as correct: "*Billed Ingredient Cost plus Billed Dispensing Fee plus Billed Sales Tax minus Billed Copay equals Total Amount Billed to Customer.*"

HLX Analysis

HLX analyzed the claim data using this balance formula and found 75 claims not in balance. All 75 claims were vaccines with an additional administration fee of $13.00/$15.00/$18.50 applied. The claims were cleared and found to be in balance.

HLX Attached File

None

Referred to PBM

No

1.3 Drugs Not Found in Database

HLX Summary

HLX matches the NDC numbers provided in the data file with our system. Without a properly matching NDC, HLX is unable to evaluate the pricing, copays, plan design, etc.

HLX Analysis

HLX checks to see which NDC's are in the data set but not in the Medispan file. HLX then reviews for compounds, DMR's, and other items that can have pseudo NDC numbers. HLX then reviews the outlier claims for Old NDC numbers and identifies any claims that do not match.

HLX Findings

HLX identified 7 unique NDC's that are not available in Medispan as either a current NDC or an "OLD NDC" indicator in the file. The total amount billed for these unidentifiable claims is $115.70. The claims included OTCs and Diabetic supplies. HLX does not consider this a material finding.

HLX Attached Files

None

Referred to PBM

No

2 Financial

2.1 Verification of Standard Copay Structure/Deductibles/MOOP

HLX Summary

HLX takes the Plans' Benefit Design and incorporates the claim data to validate the copays adjudicated. HLX reviews each claim which is designated as a Max Out of Pocket claim and calculates the running sum according to the plan design. A Maximum Benefit Deductible is the accumulation of Billed Copay totals and when a maximum benefit is reached the Expected Copay is converted to zero. In each case the changeover between each deductible involves a single claim called the "Cusp" claim. The Cusp claims are validated on a sample basis or electronically depending upon the complexity of the calculation. Any outlying claims are grouped in a summary document and report to the PBM for review.

HLX Analysis

HLX determined the copay structure using client signed Plan Design Documents and implementation documents. This copay structure included 3 different benefit IDs for 20 different Group IDs. The Copay structure is as follows:

Benefit Plan	Account ID
001	A07, A08, A09, A10, C07, C08, C09, C10
002	A05, A06, C05, C06
003	A01, A02, A03, A04, C01, C02, C03, C04

Select PPO and PA Plan

Benefit Plan 001/002	**Changes Below**	
DAW 1/DAW 2	**YES/YES**	
Integrated MOOP ADDED	**Individual: $2,000, Family: $4,000**	
RETAIL/SPECIALTY 30 DS	**30 Day Supply**	**90 Day Supply**
Generic LESS THAN	Drug Cost <= $20, $0 Copay	Drug Cost <= $60, $0 Copay
Generic GREATER THAN	Drug Cost > $20, 25% with max of $25	Drug Cost >$60, 16% with max of $50
Formulary Brand LESS THAN	Drug Cost <= $60, $15 Copay	Drug Cost <= $180, $45 Copay
Formulary Brand GREATER THAN	Drug Cost > $60, 25% with max of $50	Drug Cost > $180, 25% with max of $150
Formulary DAW Penalty	25% plus diff between brand and generic cost	25% plus diff between brand and generic cost
Non-Formulary	$30 Copay or 50% whichever is greater with a max of $150. Max Benefit $1500	$90 Copay or 50% whichever is greater with a max of $450. Max Benefit $4500
Non-Formulary DAW Penalty	$30 Copay or 50% whichever is greater, plus diff between brand and generic cost. Max Benefit $1500	$90 Copay or 50% whichever is greater, plus diff between brand and generic cost. Max Benefit $4500
MAIL	**ANY DAYS SUPPLY**	

Generic LESS THAN	Drug Cost <= $60, $0 Copay
Generic GREATER THAN	Drug Cost > $60, 16% with max of $50
Formulary LESS THAN	Drug Cost <= $180, $45 Copay
Formulary GREATER THAN	Drug Cost > $180, 25% with a max of $150
Formulary DAW Penalty	25% plus diff between brand and generic cost
Non-Formulary Brand	NOT OFFERED THROUGH MAIL SERVICE

Choice PPO

Benefit Plan 003	**Changes Below**	
DAW 1/DAW 2	**YES/YES**	
Integrated MOOP ADDED	**Individual: $3,000, Family: $6,000**	
RETAIL/SPECIALTY 30 DS	**30 Day Supply**	**90 Day Supply**
Generic LESS THAN	Drug Cost <= $20, $0 Copay	Drug Cost <= $60, $0 Copay
Generic GREATER THAN	Drug Cost > $20, 25% with max of $25	Drug Cost > $60, 16% with max of $50
Formulary Brand LESS THAN	Drug Cost <= $60, $15 Copay	Drug Cost <= $180, $45 Copay
Formulary Brand GREATER THAN	Drug Cost > $60, 25% with max of $50	Drug Cost > $180, 25% with max of $150
Formulary DAW Penalty	25% plus diff between brand and generic cost. Penalty Amount not applied to OOP	25% plus diff between brand and generic cost. Penalty Amount not applied to OOP
Non-Formulary	25%, does not apply to OOP	25%, does not apply to OOP
Non-Formulary DAW Penalty	25% plus diff between brand and generic cost. Penalty Amount not applied to OOP	25% plus diff between brand and generic cost. Penalty Amount not applied to OOP
MAIL	**ANY DAYS SUPPLY**	
Generic LESS THAN	Drug Cost <= $60, $0 Copay	
Generic GREATER THAN	Drug Cost > $60, 16% with max of $50	
Formulary LESS THAN	Drug Cost <= $180, $45 Copay	

Formulary GREATER THAN	Drug Cost > $180, 25% with a max of $150
Formulary DAW Penalty	25% plus diff between brand and generic cost
Non-Formulary Brand	NOT OFFERED THROUGH MAIL SERVICE

The following outliers were found for the audit timeframe:

Copay Cleared	Copay Outlier Reason	Claim Count
N	Diabetic Lancets >$0	409
N	Retail Generic < $20 not at $0	41
N	Retail Main Generic < $60 not at $0	127
N	Specialty Formulary Brand at max of $150 not $50	50

All outliers were member overpayments. Below is the member impact for each:

Copay Cleared	Copay Outlier Reason	Member Impact
N	Diabetic Lancets >$0	$3,726.51
N	Retail Generic < $20 not at $0	$124.23
N	Retail Main Generic < $60 not at $0	$619.90
N	Specialty Formulary Brand at max of $150 not $50	$5,000

Four sample claims of each copay outlier were sent to PBM for review.

HLX Recommendations

HLX recommends that the PBM review the outlier claims and provide an explanation for the copays applied.

HLX Attached Files

Examples to PBM.xlsx (Sheets: *Copay Outliers*)

Referred to PBM

Yes

PBM Response

Diabetic Lancets are set to take the plan copay per client document "Diabetic CRD Update.pdf". Las Vegas Plan. elected to only have test strips and fast acting insulin take a $0 copay, while the other diabetic supplies are to take a plan copay. In the cases provided by HealthLinX to PBM, the member paid the full cost as it was less than the copay.

Specialty Formulary Brand at a max of $150 not $50 – The Select PPO plan has non-preferred drugs at $30 Co-pay or 50% of the cost with a $150 max, whichever is greater. In each instance, the drug on the claim is a non-preferred drug per the formulary, driving the cost structure seen.

Claims from October 17th, 2017 through October 20th, 2017 inaccurately processed with the member taking the full copay rather than the $0 copay that would apply for generic drugs costing less than $20 at retail or $60 at mail/retail 90. This was due to the 2018 copay tables being inaccurately promoted early, which was quickly noted and corrected by benefits. PBM requested the full claim file for review. Upon receipt, only one claim that fell into the Retail Generic < $20 not at $0 and Retail Main Generic < $60 not at $0 buckets was found to be cleared as it processed outside of the time period for a multi-ingredient compound claim. This claim processed as a non-generic drug, please refer to the screenshot below. The other claims will be submitted for service warranty upon conclusion of the audit and returned to HealthLinX for review with Las Vegas Plan. prior to payment.

HLX Response

The CRD had Diabetic Lancets at $0 copay. The "Diabetic CRD Update.pdf" provided went into effect 1/9/17 and replaces the CRD language. All Diabetic Lancet outliers are cleared.

The outliers for "Specialty Formulary Brand at a max of $150 not $50" all had a "Formulary PDL Status" of "Y" meaning a formulary drug. Upon further review of the file format, HLX found that the field "Formulary PDL Status" may not reflect the preferred status of a product. HLX pulled the field "Claim Formulary Drug Tier Indicator" for all outliers claims and found them all to be Tier 3. These claims have been cleared.

HLX will validate the service warranty results for the "Retail Generic < $20 not at $0" and "Retail Main < $60 not at $0" outliers once received. The estimated damage is $744.13 to the members.

2.2 DAW Penalty Calculation

HLX Summary

The DAW or Dispense As Written penalty is applied when a member chooses a brand drug when a generic is available. The cost difference between the brand and the generic is accessed on top of the expected copay. This difference is difficult to calculate since the claim is priced as a brand and then uses the MAC list as the reference. HLX uses the Member DAW Penalty field provided by the PBM to verify that the penalty was applied. A separate manual validation of the penalty occurs to make sure the logic is correct.

HLX Analysis

The plan design shows a DAW 1 and DAW 2 penalty. According to the implementation documents provided, members are required to pay the Brand copay plus the difference between the actual cost of the brand name drug and the amount the plan would have paid for the generic equivalent. We can take the PBM's provided penalty calculation and apply it to the correct base copay. Based upon the analysis HLX found 1,127 DAW 1 claims and 345 DAW 2 claims that did not have a penalty applied.

HLX was able to clear 1,288 of the initial outliers: 1,154 claims were Brands without a Generic alternative, 94 had a billed copay greater than the expected copay (we believe the DAW member penalty was not captured in the data), and 40 had $0 Billed to the Plan (no financial impact).

Five samples of the 184 remaining claims were sent to the PBM for review.

For the claims that did have a DAW Penalty applied, HLX deducted the DAW Penalty shown in the data and reversed calculated the copay. HLX found that all claims with a DAW Penalty had the appropriate 25% base copay applied.

HLX Recommendations

HLX recommends the PBM review the outlier claims and explain why no DAW penalty was applied.

HLX Attached Files

Examples to PBM.xlsx (Sheet: *DAW Penalty Outliers*)

Referred to PBM

Yes

PBM Response

MAC pricing has to be available for the system to assess a DAW penalty. Of the 5 claims submitted by HealthLinX, one was a type N drug. A DAW penalty would only apply if a generic was available to the member. The other 4 claims are explained out below:

Claim 172351797542182 was filled 8/23/17. MAC pricing was not added for this drug until 11/3/17.

Claim 171310763703131, there is no MAC pricing available for this drug.

Claim 171330876440151 was filled 5/13/17. MAC pricing was not added for this drug until 10/12/17.

Claim 170464761927107 was filled on 2/15/17. MAC pricing was not added for this drug until 2/23/17.

HLX Response

HLX agrees that a MAC is typically used to calculate DAW. We have not encountered that a penalty would not have the ability to calculate without a MAC. As more generics come to market, we are missing the DAW penalty since a MAC is not yet established. While our HLX Summary Section indicated the calculation should be made from a MAC reference, the language in the CRD does not indicate that a MAC needs to be in place to calculate the penalty (see below).

Our new approach is that a penalty should be calculated using the difference between the brand and the AWP discount off the generic alternative when no MAC is available. We understand that determining which generic alternative to calculate the penalty can be difficult, but we believe PBM should have this ability. HLX recommends all 184 claims without a DAW Penalty be submitted for service warranty.

Generic Drug Rules*	Applies to:	☒ Mail	☒ Retail
Physician DAW (DAW 1)	When a generic is available but the pharmacy dispenses the brand per the physician's request, the ☐ client will pay the cost of the brand name drug. / ☒ plan member will pay the difference between the brand discount and the generic discount . The plan member will be charged the ☒ Brand ☐ Generic ☐ Alternate copay: $_____ See Accumulation section for DAW rules for DED and MOOP.		
Member DAW (DAW 2)	When a generic is available but the pharmacy dispenses the brand per the member's request, the ☐ client will pay the cost of the brand name drug. / ☒ plan member will pay the difference between the brand discount and the generic discount . The plan member will be charged the ☒ Brand ☐ Generic ☐ Alternate copay: $_____ See Accumulation section for DAW rules for DED and MOOP.		
* DAW rules apply to ALL drugs, including Specialty, unless otherwise specified.			

2.3 AWP Validation

HLX Summary

HLX compares the AWP used at the time of adjudication with the HLX proprietary database. This allows us to "lock" the AWP once it is verified and any outlier AWP's are identified. Once the AWP is isolated and reviewed with the PBM, both HLX and the PBM can eliminate AWP from the accuracy equation.

HLX Analysis

HLX verified the AWP's using Medispan. We found 3 claims showing differences in AWP. The total potential overbill for these claims is $22.33. This is not considered a material finding.

HLX Recommendations

None

HLX Attached Files

None

Referred to PBM

No

2.4 MAC Validation

HLX Summary

HLX compares the MAC used at the time of adjudication with the MAC List provided by the PBM. The MAC List contained all MAC prices including all updates that occurred during the audit timeframe.

HLX Analysis

PBM provided the MAC list for the audit timeframe. The MAC list included separate pricing for Mail and Retail Claims. HLX compared the MAC unit price from the list provided to the amount billed to the Plan for all MAC priced claims.

HLX found that the Mail MAC list has more aggressive pricing than the Retail MAC list. Retail Maintenance claims were being priced at the Mail MAC prices, which is to the advantage of the client. Per the contract, Retail Maintenance claims and Mail claims have the same discount guarantees so it is expected that they follow the same MAC list.

HLX found 386 claims that were not priced at the applicable MAC rate and were reviewed due to the potential overcharge to the Plan. 373 Retail Maintenance claims had less than an 84 Days' Supply. The contract does not guarantee the Retail Maintenance rates to claims less than 84 Days' Supply. These claims were priced at the applicable Retail rate and were cleared from the findings.

8 Retail claims with a total overcharge of $12.65 were also cleared from the findings. The difference in MAC can be attributed to rounding errors and paper claim submission (MAC priced at Date Submitted not Date Filled).

The remaining 5 claims were Retail Maintenance claims that were priced at Retail rates. All 5 claims were contraceptives. HLX found instances of the same contraceptive filled at the same pharmacy that had the Retail Maintenance rate applied. The total potential overcharge for these claims is $355.72. All 5 claims were sent to the PBM for review.

HLX Recommendations

HLX recommends the PBM review the 5 contraceptive claims and explain why the Retail rate was applied when the much more aggressive Mail rate has been applied under similar conditions.

HLX Attached Files

Examples to PBM.xlsx (Sheet: *MAC Validation*)

Referred to PBM

Yes

PBM Response

The 5 claims provided by HealthLinX are hitting the pharmacy cost structure, which under a transparent agreement per contract, Las Vegas Plan. will be directly charged in an equal amount. Depending on the pharmacy network that the claim is submitted under, some claims will take a mail cost structure and others a retail cost structure. The mail order network and maintenance choice network specifically will take the mail MAC rate, so maintenance retail drugs that hit the maintenance choice network (MCHCE) will be driven by the mail cost structure specific to that network. The 5 claims provided for review hit retail pharmacy network codes, which in turn will take the retail MAC rate.

HLX Response

For this section, I am looking for an explanation as to why drugs filled at the same PBM pharmacy with the same NDC/Days Supply follow different MAC lists. Below is an example:

PBM Reference	Pharmacy Name	Network Reimbursement ID	Mail Order Indicator	Date Filled	Label Name	Days' Supply	Metric Quantity	NDC	Final Pricing Indicator	Billed Ing Cost
170606740561135999	PBM PHARMACY 02020	1NACHN	Retail Maintenance	01-Mar-17	LEVONOR/ETHI TAB ESTRADIO	91	91	00378728153	MAC	$91.39
173263407106213999	PBM PHARMACY 02020	MAIL	Retail Maintenance	22-Nov-17	LEVONOR/ETHI TAB ESTRADIO	91	91	00378728153	MAC	$11.46

HLX sent the above claims to PBM and ask them to explain why they were submitted under different pharmacy networks. HLX does not consider this a material finding, but their response might result in additional recommendations to the Plan.

PBM Response via email 5/18/18

As previously stated, the difference seen is due to the type of network the claims hit. PBM does not see this as an error in adjudication. The network that the later claims hit is MAIL. This network was created in September of 2017. Prior to that network's existence, claims would hit a retail network and take a retail cost in part due to the client not having a Maintenance Choice as an option. If Plan would like to discuss with PBM, the account team is aware and is happy to address with Plan.

HLX Response

HLX will confirm with the Plan that a maintenance choice network was implemented September 2017.

2.5 Lesser of Logic

HLX Summary

The Lesser of Logic is a contractual feature that compares the discounted billed ingredient price, the Usual and Customary price, the MAC price, and the pharmacy submitted price. The lowest is selected as the amount to be charged to the Plan and is verified in the audit process.

HLX Analysis

HLX found 296 claims that did not follow this logic. All claims were generics that were priced at AWP when a lower MAC price was available. Below is a summary of the findings:

Channel	Final Pricing Indicator	Claim Count	Difference Between Billed Ingredient Cost and MAC Price
Retail	AWP	191	$82,796.87
Retail Maintenance	AWP	46	$51,449.69

Upon further review, HLX found that 203 of these claims were filled through PBM Specialty Pharmacy. There is no language in the contract stating Specialty drugs get the lesser of MAC or AWP, so these claims were cleared from the findings.

Below are the remaining outliers:

Channel	Final Pricing Indicator	Claim Count	Difference Between Billed Ingredient Cost and MAC Price
Retail	AWP	9	$101.47
Retail Maintenance	AWP	25	$678.10

This is not considered a material finding.

HLX Recommendations

HLX recommends amending the contract to include the lesser of MAC and AWP at the Specialty Pharmacy.

HLX Attached Files

None

Referred to PBM

No

2.6 Claim Inclusion/Exclusion

HLX Summary

HLX reviews the claims and calculates an AWP discount for each claim. We then compare the discount for the particular claim and report out any outliers. As per the contract we remove any claims that are not included in the guarantee. The claims are "rolled up" to include several types of claims to accurately reflect the contract agreement. An example that is commonly contracted is the application of Usual and Customary claims to meet a guarantee. The discount of AWP-X% (X indicates the discount from the contract) is achieved using claims that are included plus the use of Usual and Customary claims to help achieve the discount.

HLX Analysis

The document "Plan - Prescription Benefit Services Agreement 2017-2019 _ Fully Executed" contained the guaranteed discounts and exclusion language which allowed us to determine what claims are included/excluded in the guarantees.

Mail Order Indicator	Included/Excluded
100%Member Paid Plans	Included
340B Pharmacy Claims	Excluded
Vaccines with Admin	Excluded
Compounds	Excluded
Usual & Customary	Excluded
DMR/Paper Claims	Excluded
Indian Health Services	Included
Institution	Included
IV Infusion	Included

Mail Order Indicator	Included/Excluded
Long Term Care	Included
Mail Specialty	Included
Military	Included
Coordination of Benefits	Excluded
Specialty	By NDC
VA	Included
Single Source Generics	Included

HLX Recommendations

HLX recommends that the PBM review the same inclusion/exclusion logic since it the basis for the discount verification. Once we agree on inclusion/exclusion the determination of claim indicators in the next step will allow verification of pricing. Please refer to any contractual components that support any changes or recommendations and provide documentation to support your disagreement.

HLX Attached Files

None

Referred to PBM

Yes

PBM Response

PBM is in agreement with the inclusion/exclusion logic.

2.7 Discounts by Type of Claim

HLX Summary

HLX reviews the claims and calculates an AWP discount for each claim. Depending on the type of contract we either guarantee each claim or group the claims into "buckets" for comparison to the contractual guarantees.

HLX Analysis

HLX reviewed the contract and found for the timeframe the applicable guaranteed rates. The contract calls for claims to be guaranteed using a line by line guarantee system.

The following rates were provided in the document "Plan - Prescription Benefit Services Agreement 2017-2019 _ Fully Executed":

Year	Mail Order Indicator	Detailed Generic Indicator	AWP Discount	Dispensing Fee
2017	Mail	Generic	86.00%	$0.00
2017	Mail	Brand	25.00%	$0.00
2017	Retail	Generic	79.50%	$0.50
2017	Retail	Brand	17.40%	$0.50
2017	Retail Maintenance	Generic	86.00%	$0.00
2017	Retail Maintenance	Brand	25.00%	$0.00
2017	Specialty	Generic	By NDC	$0.00
2017	Specialty	Brand	By NDC	$0.00

The Implementation Audit provides the discounts for reference. HLX was not engaged to validate PBM' NED (Net Effective Discount) summary. Below is the HLX calculated NED which will need to be verified once the PBM' bucket file is available.

It should be noted that HLX was unable to exclude 340B claims. A separate list will need to be provided with the PBM's bucket file.

Mail Order Indicator	Generic Indicator	Claim Count	Fee Overage/Shortfall	Billed Ing Cost	AWP	Discount Achieved	Guaranteed Discount	% Overage/Shortfall	$ Overage/Shortfall
Mail	Brand	305	$0.00	$225,682.92	$300,910.36	25.00%	25.00%	0.00%	($0.15)
Mail	Generic	1,781	$0.00	$64,584.03	$615,679.55	89.51%	86.00%	3.51%	$21,611.11
Retail	Brand	23,529	$552.93	$8,920,615.11	$10,814,275.37	17.51%	17.40%	0.11%	$11,976.35
Retail	Generic	154,263	$293.10	$3,144,963.32	$16,110,101.97	80.48%	79.50%	0.98%	$157,607.58
Retail Maintenance	Brand	1,450	($115.57)	$823,509.47	$1,085,721.62	24.15%	25.00%	-0.85%	($9,218.25)
Retail Maintenance	Generic	13,000	($197.60)	$292,250.16	$3,644,119.56	91.98%	86.00%	5.98%	$217,926.58
TOTAL		**194,328**	**($313.17)**						**($9,218.40)**

HLX Recommendations

None

HLX Attached Files

HLX NED Summary.pdf

Referred to PBM

No

2.8 State Tax

HLX Summary

Tax is accepted from the retail pharmacies and mail service with few if any edits. HLX calculates the tax for each claim and reports any discrepancies.

HLX Analysis

HLX verified the tax on each claim and found it to be accurate. There were no outliers that appeared beyond the usual high tax in some states like Louisiana (6 claims) and Illinois (1 claim).

HLX Recommendations

None

HLX Attached Files

None

Referred to PBM

No

2.9 Specialty Pricing

HLX Summary

Specialty Pharmacy is identified as high cost drugs for the treatment of highly complex disease states. HLX compared the specialty pharmacy claims against the pricing in the contract. Most contracts provide pricing for individual NDC numbers. Since this is a

different pricing process than the non-specialty claims, HLX carves out this portion in the audit. Any claims that are outliers are identified in the report.

HLX Analysis

"Plan - Prescription Benefit Services Agreement 2017-2019 _ Fully Executed" provided information on the plan's elected specialty pharmacy program. A specialty rate list with NDCs was provided by PBM for comparison to the data. Using this list, HLX compared the actual claim discount to the guaranteed discounts. There were 69 claims with a total shortage $1,819.73. All claims were filled through Retail and were priced at the Retail Brand discount of 17.4%. Because the Plan selected an Exclusive Specialty program with a "Retail Lockout", these claims are excluded from the Specialty Pricing schedule. HLX found that the 69 claims were adjudicated correctly and cleared them from the findings.

HLX Recommendations

This is not a material finding.

HLX Attached Files

None

Referred to PBM

No

2.10 Compound Review

HLX Summary

Compounds are a difficult claim to administer for the PBM. There are multiple drugs within each claim that may or may not be a covered drug. Paper claims are often submitted and until recently no opportunity for an electronic claim submission was possible. The governing body for prescription drug programs has developed a format that allows a pharmacy to electronically submit a compound with ingredients. Still we find that pharmacies obfuscate the data to get a claim passed that should not be covered. HLX believes that most PBM's do their best to manage this complicated process. We also believe that some PBM's use the difficult process of compound administration to gain inappropriate profits.

HLX Analysis

The following language was found in "Plan - Prescription Benefit Services Agreement 2017-2019 _ Fully Executed ":

"PBM shall determine the appropriate ingredient cost, or NDC, for each component using the lower of (1) the AWP discount, (2) MAC, or (3) the submitted ingredient cost. PBM shall apply a level of effort charge to the compound drug in addition to the appropriate dispensing fee."

The claims data contained 82 compounds for the audit timeframe. The compound detail file provided by PBM contained 85. The 3 compounds missing from the claims data file had a total ingredient cost of $0. These claims were removed from our analysis.
The first step in Compound Validation is verifying the Billed Ingredient Cost. HLX sums the billed cost of each ingredient provided in the detail file and compares it to the Total Billed Ingredient Cost for the compound provided in the claims data. HLX found no discrepancies between the costs.

Next HLX verified the Generic Indicator and AWP using Medispan. Two ingredients were marked as Generic by the PBM but are categorized as Brand in Medispan. This shift is to the advantage of the client and the ingredients were cleared. HLX found 119 ingredients with an AWP differing from Medispan. All 119 had an AWP of $0 and a Billed Ingredient Cost of $0. HLX reviewed the claims and all ingredients appeared to be binding agents. Because there is no financial impact to the Plan the 119 ingredients with differing AWP were cleared.

Because the PBM did not provide the unit MAC for each ingredient in their detail file, HLX used the MAC list provided to verify that the lesser of MAC and Discount off AWP was used for each ingredient. HLX calculated the Guaranteed Discount off AWP for each ingredient for comparison. The total overage or shortage on the guarantee was summed for each compound. If the compound had a total shortfall it is considered an outlier. Below is the summary of the findings:

Compound Count	Shortfall
43	$1,919.84

5 sample claims with ingredient detail were provided to the PBM for review.

HLX also reviewed the Level of Effort (LOE) charges submitted by the PBM. For the 82 compound claims, $1,418.90 was charged in level of effort fees. 26 compound claims had an LOE charge that was greater than the billed ingredient cost. For example, one compound had a total ingredient cost of $1.12 and an LOE Charge of $60. HLX believes these fees are excessive and should be defined in the contract.

HLX Recommendations

HLX recommends the PBM review each ingredient in the 5 sample claims and determine why the discount is short of the guarantees.

HLX recommends that the Plan amend the following language in the contract “PBM shall apply a level of effort charge to the compound drug in addition to the appropriate dispensing fee.” The “level of effort charge” should be clearly defined. Most PBMs apply a $7.00 Dispensing Fee to Compound claims. HLX believes the $20-$60 fee being applied to compounds is excessive.

HLX Attached Files

Examples to PBM.xlsx (Sheets: *Compound Validation*)

Referred to PBM

Yes

PBM Response

The guarantees outlined in the contract Schedule A are not applicable to compound claims. Please refer to pricing conditions a.(i) on page 27. Following the conditions of the contract, Plan. is a transparent client, meaning the pricing charged by the pharmacy will equal the amount charged to Plan. Compound claims would need to be included for the retail and mail guarantees to be applicable.

HLX Response

We understand that compound claims are excluded from the overall discount guarantees. However, HLX considers the below language found on p 29 of "Plan - Prescription Benefit Services Agreement 2017-2019 _ Fully Executed" to be a separate pricing guarantee for compounds:

"For compound drugs, PBM applies the NCPDP D.0 standard. For each compound drug, the submitting pharmacy shall provide the following: (a) compound indicator; (b) eleven-digit NDC, quantity, and submitted ingredient cost for each component in the recipe; (c) Total quantity and total usual & customary price; and (d) level of effort value. PBM shall determine the appropriate ingredient cost, or NDC, for each component using the lower of (1) the AWP discount, (2) MAC, or (3) the submitted ingredient cost. PBM shall apply a level of effort charge to the compound drug in addition to the appropriate dispensing fee."

HLX recommends PBM submit the 43 compounds will a total shortfall of $1,919.84 for service warranty.

2.11 Invoice Verification

HLX Summary

The final step in the financial analysis is the comparison of actual claims to invoices. If the data received is not comparable to the actual invoice that arrives at the Plan, the data we used would be inconsistent and the audit inaccurate. HLX compares random invoices with the data received in most cases but the PBM can provide a full set summarized electronically.

HLX Analysis

HLX received 6 invoices for the audit timeframe (two invoices for each group: SELECT, CHOICE, PA). The PBM also provided the date range for each invoice. HLX summarized the data by invoice date range, claim count, and total amount billed to customer. We then compared the summarized data to the corresponding invoice. The following table shows the difference between the amount invoiced and what the data shows as the amount billed:

Group	Invoice Number	Invoice Date	Invoice Period	Channel	Invoice Claim Count	Invoice Claim Count Total Per Channel	Data Claim Count per Channel	Claim Count Difference	Invoice Cost	Invoice Cost Total Per Channel	Data Cost	Cost Difference	Variance
CHOICE	51807773	3/24/2017	3/16/2017-3/23/2017	Retail	3,325	4,518	4,514	4	$231,274.30	$305,635.73	$302,483.85	$3,151.88	1.04%
PA	51807774	3/24/2017	3/16/2017-3/23/2017	Retail	650				$38,749.54				
SELECT	5187775	3/24/2017	3/16/2017-3/23/2017	Retail	543				$35,611.89				
CHOICE	51807773	3/24/2017	3/16/2017-3/23/2017	Paper	0	29	29	0	$0.00	$904.14	$904.14	$0.00	0.00%
PA	51807774	3/24/2017	3/16/2017-3/23/2017	Paper	29				$904.14				
SELECT	5187775	3/24/2017	3/16/2017-3/23/2017	Paper	0				$0.00				
CHOICE	51807773	3/24/2017	3/16/2017-3/23/2017	Mail	23	47	44	3	$2,547.66	$10,775.60	$10,407.55	$368.05	3.54%
PA	51807774	3/24/2017	3/16/2017-3/23/2017	Mail	15				$7,412.52				
SELECT	5187775	3/24/2017	3/16/2017-3/23/2017	Mail	9				$815.42				

CHOICE	51807773	3/24/2017	3/16/2017-3/23/2017	Specialty	23	42	41	1	$44,260.18	$143,619.23	$120,427.18	$23,192.05	19.26%
PA	51807774	3/24/2017	3/16/2017-3/23/2017	Specialty	11				$45,231.15				
SELECT	5187775	3/24/2017	3/16/2017-3/23/2017	Specialty	8				$54,127.90				

Group	Invoice Number	Invoice Date	Invoice Period	Channel	Invoice Claim Count	Invoice Claim Count Total Per Channel	Data Claim Count per Channel	Claim Count Difference	Invoice Cost	Invoice Cost Total Per Channel	Data Cost	Cost Difference	Variance
CHOICE	51988146	10/16/2017	10/8/2017-10/15/2017	Retail	3,031	4,222	4,177	45	$201,813.57	$259,418.58	$243,890.86	$15,527.72	6.37%
PA	51988147	10/16/2017	10/8/2017-10/15/2017	Retail	700				$31,882.25				
SELECT	51988148	10/16/2017	10/8/2017-10/15/2017	Retail	491				$25,722.76				
CHOICE	51988146	10/16/2017	10/8/2017-10/15/2017	Paper	10	12	12	0	$167.43	$196.44	$196.44	$0.00	0.00%
PA	51988147	10/16/2017	10/8/2017-10/15/2017	Paper	0				$0.00				
SELECT	51988148	10/16/2017	10/8/2017-10/15/2017	Paper	2				$29.01				
CHOICE	51988146	10/16/2017	10/8/2017-10/15/2017	Mail	31	66	66	0	$4,726.22	$7,916.87	$7,922.42	-$5.55	-0.07%
PA	51988147	10/16/2017	10/8/2017-10/15/2017	Mail	21				$1,035.76				
SELECT	51988148	10/16/2017	10/8/2017-10/15/2017	Mail	14				$2,154.89				
CHOICE	51988146	10/16/2017	10/8/2017-10/15/2017	Specialty	21	30	32	-2	$41,413.07	$67,826.35	$66,225.61	$1,600.74	2.42%
PA	51988147	10/16/2017	10/8/2017-10/15/2017	Specialty	5				$14,869.63				
SELECT	51988148	10/16/2017	10/8/2017-10/15/2017	Specialty	4				$11,543.65				

The positive numbers in "Cost Difference" represent an overcharge in amount invoiced. Negative numbers in this field represent an undercharge. It is not uncommon when verifying invoices to find invoice amounts differing by 2-3% from the data amounts.

HLX found discrepancies in the March and October invoices that exceed the standard variance. March Specialty Costs on the invoice were 19.26% higher than the data Specialty Costs and October Retail Costs were 6.37% higher than the data Retail Costs.

HLX Recommendations

HLX recommends the PBM review the net paid claims for each invoice period and explain the variance.

HLX Attached Files

Invoice Verification.xlsx

Referred to PBM

Yes

PBM Response

The CET file that is standard to provide for audits contains a net value, which may not tie back to an individual invoice depending on in cycle and out of cycle reversals. Claims were pulled for the two time periods referenced above (3/16/17-3/23/17 and 10/8/17-10/15/17) to include all reversed claims. The .txt files of these claims are included with this report to HLX. The invoice totals tie back 100% to the invoice totals when accounting for the reversals within the claim data. Please refer to table below summarizing the claim pulls to include reversals:

3/16/17-3/23/17		10/8/17-10/15/17	
$ 278,082.14	0459CHO	$ 248,120.29	0459CHO
$ 92,297.35	0459PAP	$ 47,787.64	0459PAP
$ 90,555.21	0459SEL	$ 39,450.31	0459SEL
$ 460,934.70	TOTAL	$ 335,358.24	TOTAL

HLX Response

HLX pulled the reversed claims provided into our system for review. Below is the breakdown of the files provided:

March Claims (3/16/17-3/23/17):

	Claim Count	Total Amount Billed to Plan	Notes
TOTAL	5,196	$460,934.70	Matches the amount invoiced
Paid Claims	4,916	$496,080.39	288 Missing from HLX data. Likely reversed the next invoice period
Reversed Claims	280	($35,145.69)	Reversing paid claims from the previous invoice period
Matching HLX Claims	4,628	$434,222.72	Equals what HLX calculated for the Invoice Timeframe
Missing from HLX file	568	$26,711.98	280 Reversed claims totaling ($35,145.69) and 288 Paid claims totaling $61,857.67 that were likely reversed the next invoice period

October Claims (10/8/17-10/15/17):

	Claim Count	Total Amount Billed to Plan	Notes
TOTAL	4,806	$335,358.24	Matches the amount invoiced
Paid Claims	4,568	$355,241.94	281 Missing from HLX data. Likely reversed the next invoice period
Reversed Claims	238	($19,883.70)	Reversing paid claims from the previous invoice period
Matching HLX Claims	4,287	$318,235.33	Equals what HLX calculated for the Invoice Timeframe
Missing from HLX file	519	$17,122.91	238 Reversed claims totaling ($19,883.70) and 281 Paid claims totaling $37,006.61 that were likely reversed the next invoice period

HLX sent 5 samples of the 569 paid claims missing from our data to confirm they were credited back on another invoice.

Documentation Provided by PBM 5/10/18

PBM provided the reversed date and invoice date for the 5 sample claims. PBM provided the invoice summary for all of 2017. The total amount invoiced was $17,768,262.05 which matches the amount billed in our net paid claims file. The invoice discrepancy has been cleared.

3 Administrative Audit/Plan Design

3.1 Covered Drugs

HLX Summary

Covered drugs are generally a broad coverage of most prescription drugs. HLX focuses on the non-covered drugs which are normally, easily identified in the documentation and can be categorized in several ways. HLX uses several filters to identify all drugs that were adjudicated and paid by the PBM which are identified as non-covered drugs.

HLX Analysis

The PBM provided implementation documents signed by the plan indicating their coverage requests.

The following is a chart of the excluded classes according to the SPD and drug coverage documents provided by the PBM:

Therapeutic Class	Excluded
Abortifacient (Mifeprex)	X
Anorexiants	X
Brand PPIs (Cover Generic and OTC)	X
Compounds >$300	X
Contraceptive Implants	X
Contraceptive Injectables	X
Cosmetic Drugs (hair loss, anti-wrinkle creams, hair removal, Botox)	X
Growth Hormones	X
IV Injectables	X
Non-Sedating Antihistamines	X
Nutritional Supplements	X
Periodontal Products	X
Respiratory Therapy Supplies	X
Vitamins	X

Below is the summary of findings:

Cleared	Outlier Reason	Claim Count	Member Pay	Plan Pay
N	Brand PPIs without PA	13	$750.00	$2,975.88
N	Vitamin D Covered at $0 for < 65 y/o	1,570	$0.00	$2,674.11

HLX sent 5 examples of each outlier to the PBM for review.

HLX Recommendations

HLX recommends the PBM review the outlier claims and provide an explanation for coverage.

HLX Attached Files

Examples to PBM.xlsx (Sheet: *Drugs Not Covered*)

Referred to PBM

Yes

PBM Response

Vitamin D is a single entity vitamin. Per the CRD, single entity vitamins are covered unless specified otherwise, "Single entity vitamins - These vitamins have indications in addition to their use as nutritional supplements. For this reason, we recommend covering these medicines. Single entity vitamins are used for the treatment of specific vitamin deficiency diseases." The CRD does not have a separate election specifying that single entity vitamins are not covered. The claims will pay as covered unless elected otherwise.

Brand PPI's – these claims fall under generic step therapy, as elected by Las Vegas Plan. per an updated CPM. Per generic step therapy without PA, the member only has to meet the generic pre-step requirements before a claim is allowed to pass without a

prior authorization. In each instance, the pre-requisite drugs were filled allowing the claims to pay without a PA. An updated CPM was provided to HealthLinX to clear these claims.

HLX Response

The "Vitamin D Covered at $0 for < 65 y/o" claims were originally outliers because they were not in line with the ACA criteria. After reviewing the CRD and the "single entity vitamin" language referenced above, HLX was able to clear these claims.

HLX ran their analysis off of the CPM provided at the beginning of the audit process. This CPM did not show the election of the Generic Step Therapy Program. Once we received the updated CPM, HLX reviewed all outliers in the Brand PPI without PA category. All outliers showed the pre-requisite drug criteria being met in the member's claims history. These claims have been cleared from the findings.

3.2 Prior Authorization

HLX Summary

HLX reviews claims that have a prior authorization required to adjudicate the prescription. This is an exception list which is provided by the PBM on the drug name basis.

HLX Analysis

Drugs requiring prior authorization are addressed in this section. Prior Authorizations for Age Limits and Quantity Limits are address in their own section. The following PAs were found in the provided documentation:

Therapeutic Class	Description
Hypoactive Sexual Desire Disorder (HSDD) Agents	PA
Pain Oral/Intranasal Fentanyl Products (ex: Abstral, Actiq, Fentora, Lazanda, Subsys)	Initial PA

HLX found 8 Fentanyl claims without prior authorization. HLX pulled the claim detail for each member and was able to clear 5 claims after an initial PA was found in the claim history.

HLX pulled the remaining 3 claims paid without a prior authorization and sent them to the PBM for review.

HLX Recommendations

HLX recommends the PBM review the claim examples without prior authorizations and give reason as to why no PA applied to the claim.

HLX Attached Files

Examples to PBM.xlsx (Sheet: *Prior Authorization Outliers*)

Referred to PBM

Yes

PBM Response

The PA type chosen for Fentanyl is an "initial PA with limit" per the CPM. This means that claims outside of the quantity limit of 10/25 days will need an initial PA to process. The 3 claims submitted by HLX were within quantity limits, thus processing without the initial PA.

HLX Response

The CPM provided showed an initial PA on Pain, Oral/Intranasal Fentanyl Products, but did not detail the quantity limit of 10/25 days. Because the quantity limits were addressed in section 3.4 and there were no Fentanyl outliers HLX was able to clear these claims from the findings.

3.3 Age Limitation

HLX Summary

HLX reviews claims that have an age-related limit on their coverage. The most common example is ADHD and Acne products. Each Plan has different specifications based upon the SPD or implementation documents.

HLX Analysis

HLX found some products which have an age restriction which include:

Therapeutic Class	Description
ADHD/Narcolepsy	>=19
Tretinoin (Retin-A, Retin-A Micro, Avita, Ziana, Atralin, Velti, Ziana, Tretin-X)	>= 26

Differin	26+
Tazorac, Fabior	26+

All claims outside the criteria above had a prior authorization.

HLX Recommendations

None

HLX Attached Files

None

Referred to PBM

No

3.4 Drug Limitations

HLX Summary

Some drugs are limited in the quantity of the drug over a period of time. Often known as QVT or Quantity Versus Time, the PBM provides a file electronically prepared by the clinical staff that reflects the recommended dose.

HLX Analysis

The Quantity Limit file provided by the PBM contained over 896 Quantity Versus Time Edits. HLX compared the quantities filled with the limits provided and found several outliers. The summary of outlier reasons is provided below:

Outlier Reason	Claim Count
Exceeding Max Metric Quantity per set Days Supply	3,799
Exceeding Max Daily Dose	30
Exceeding Max Metric Quantity per Fill	3

HLX found 250 Lidocaine claims in the outlier bucket "Exceeding Max Metric Quantity per set Days Supply". The PBM mentioned the quantity limits for Lidocaine did not go into place April 2017 per client intent and a service warranty was issued. The service warranty resulted in a $142,003.21 reimbursement to the Plan. HLX recommends the PBM provide the service warranty results to clear these claims from the audit findings.

Examples of each outlier were sent to the PBM for review.

HLX Recommendations

HLX recommends that the PBM review the outlier claims and provide an explanation to the quantity limit allowed. HLX also recommends the PBM provide the Lidocaine Service Warranty detail for verification.

HLX Attached Files

Examples to PBM.xlsx (Sheet: *Quantity Limit Outliers*)

Referred to PBM

Yes

PBM Response

Lidocaine - The account team identified an issue with Lidocaine quantity limits after pulling some midyear reporting in 2017. The lidocaine cost was higher than anticipated, which is how PBM identified the quantity limits did not go in place in April 2017. The

account team worked with benefits to get the coding updated and processed a service warranty to reimburse Las Vegas Plan. The case to code the lidocaine QL was completed on 9/12. The service warranty was completed on 10/4. Las Vegas Plan. was reimbursed a total of $142,003.21 for the error. HealthLinX will need to work with Las Vegas Plan. to receive the service warranty results, per the standard audit process, as the error was found prior to the audit.

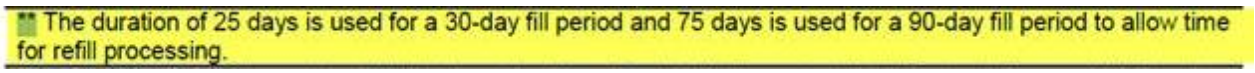
Exceeding Max Metric Quantity per set Days Supply – all claims provided had a prior authorization on the claim with the exception of the Lidocaine claim referenced above. A prior authorization can override quantity limits to allow the claim to pay. PBM requested that HLX review all outstanding claims to submit any without a prior authorization. HealthLinX provided PBM with 4 further claims on 04/25/18. Each claim adjudicated within the limits for the drug type per the CPM. The results were provided back to HealthLinX for review.

Exceeding Max Metric Quantity per Fill – The two sample claims provided were for Tramadol. Per the document "CPM Implementation V1.1.pdf", Tramadol has a 30 unit limit per one-month supply and a 90 unit limit per 3-month supply. All claims provided are for 90 days - 3 months. 90 unit limit met without exceeding the max metric quantity per fill.

Exceeding Max Daily Dose - all claims provided had a prior authorization on the claim. A prior authorization can override quantity limits to allow the claim to pay. PBM requested that HealthLinX review all outstanding claims to submit any without a prior authorization.

HLX Response

"Exceeding Max Metric Quantity per set Days Supply" – HLX conducted their analysis using the Quantity Limit List provided by PBM. The list provided did not take into account the below language that was brought to HLX's attention during the audit process:


The duration of 25 days is used for a 30-day fill period and 75 days is used for a 90-day fill period to allow time for refill processing.

The analysis used the criteria 30/90 days' supply. This should have been adjusted to 25/75 to account for the refill processing time outlined above.

After adjusting the analysis to the criteria above, HLX was able to clear all outliers with the exception of 155 lidocaine claims.

Because PBM could not provide the Lidocaine service warranty details, HLX reverse calculated the damages for the 155 outlier lidocaine claims. Below is the summary:

Claim Count	Estimated Overbill
155	$179,742.35

The difference between the service warranty results and HLX's calculated damages is $37,739.14. HLX recommends the Plan request the service warranty details from PBM so that we can validate their calculations.

"Exceeding Max Metric Quantity per Fill" - The document provided and used for the QL analysis "PLAN GPI QL Listing.xlsx" shows Tramadol HCL Tab SR 24HR 100mg having a Max Quantity of 30. However, HLX reviewed the CPM Implementation V1.1.pdf document and confirmed 90 units per 90 days was an approved edit. These claims are cleared.

"Exceeding Max Daily Dose" - Using the raw data provided, HLX found all outlier claims to have a PA. These claims are cleared.

3.5 Duplicate Claims

HLX Summary

Claims are generally sent as paid only. Sometimes the PBM sends paid and reversed claims. This requires the removal of reversed and matching paid claims from the database. HLX will review the claim file and look for matching reversed claim indicators. The indicators will match up with the paid claims and allow an absolute match with the paid claim. Both claims will be removed from the database and saved for future reference.

HLX Analysis

HLX matches the Cardholder, Rx Number, Date Filled, NDC, and looks for duplicate claims. We found 13 duplicate claims. All the claims in question had prior authorization codes and are considered to have been administered correctly.

HLX Recommendations

This is not a material finding.

HLX Attached Files

None

Referred to PBM

No

3.6 Days' Supply by Retail Mail

HLX Summary

HLX reviews the Days' Supply for each prescription by Retail, Retail 90, Mail, and Specialty. If a claim has greater than a 30 days' supply and is filled at retail and does not have a prior authorization, then they are an outlier. The Mail Service and Retail 90 Network have a 90 days' supply limit. The indicated limit for Specialty is a 30 days' supply. There are some exceptions such as birth control which last for 91 days and are considered a 91 days' supply for one unit. The plan also allows a max 45 Days Supply at Retail for insulin, insulin needles and syringes, and insulin injection devices.

HLX Analysis

HLX found 599 claims at Retail that were greater than 30 Days' Supply (DS). 546 were able to be cleared from the findings: 327 diabetic claims that did not exceed 45 DS, 144 contraceptive claims, and 75 paper claims. HLX reviewed the remaining 53 claims (which did not exceed 34 DS) and found the drugs to be exceptions (ex: Inhalers).

There were 49 Retail Maintenance claims over a 90 Days' Supply. All of the claims were for contraceptives and had a max of 91 DS.

HLX found 2 Specialty Claims over 30 Days' Supply. Both were injectables with a low metric quantity. No Mail Claims exceeded 90 Days' Supply.

HLX Recommendations

This is not a material finding.

HLX Attached Files

None

Referred to PBM

No