PBM Audit Recommendations

A comprehensive PBM audit can help identify cost savings opportunities and ways to enhance your existing benefit strategy. The following provides a general overview of the types of reviews and audits are available to support employer efforts.

**Operational Review** typically covers:
- Accuracy of discounts provided
- Accuracy of eligibility and plan benefit administration
- Duplicate payments
- Contract compliance
- Retail (including specialty) and mail-service dispensing fees
- Formulary savings and rebates
- Pricing formulas
- AWP discounts
- Maximum caps
- Brand versus generic usage

**Plan Performance Evaluation/Audit:** Provides a more in-depth analysis of cost drivers, utilization patterns and PBM value, while providing the opportunity to assess potential savings that can be realized through benefit design changes utilizing alternative co-insurance or co-pay structures, generic and mail order management tactics.

**Pharmacy Benefit Audit:** May include a fixed fee and/or a performance fee component. The fixed fee payment for executing on specific audit criteria that should be proposed by an employer includes the following:

- Claims audit re-adjudication/evaluation fees on a per claim basis, unless otherwise indicated. Auditor must include all of the following benefit program elements in the per claim fee:
The performance fee payment component is based on a percent of dollars recovered by the employer/plan sponsor from the PBM, ASO or integrated health plan managing the pharmacy program.

A Pharmacy Benefit Audit can result in recommendations or savings opportunities that may include:

- **Formulary Savings** – Determines economic effectiveness by comparing related savings with projected or guaranteed savings
- **Rebates** – Identifies rebate claims that need to be issued
- **Co-payment Applications** – Identifies claims with plan co-payments that have not been accurately calculated and charged
- **Pricing** – Identifies claims in which pricing formulas have not been appropriately applied
- **Administrative and Dispensing Fee Applications** – Insures that administrative, related charge-back and dispensing fees are applied properly
- **Brand vs. Generic Usage** – Identifies claims in which cost-saving generic drugs aren’t being used
  - **Average Wholesale Price (AWP) Discounts** – Insures appropriate and accurate use of AWP and related discount formulas or methods
- **Fraud and Abuse** – Identifies fraudulent and abusive claim submissions involving patients, pharmacist providers and prescribers; also identifies patients who are potential addicts or abusive users
- **Medical Consistency** – Identifies pharmacy claims that misuse medical diagnostic or treatment codes
- **Proactive vs. reactive review of newly launched drugs against employer plan exclusions**
- **Use of compounded drugs**

Depending on the type and scope of the pharmacy audit to be done, it can take from 6 to 12 months to complete. Recovery of funds from the PBM may take longer or result in a protracted arbitrator or legal battle depending on the pharmacy benefit vendor agreement.