# Oversight of Pharmacy Benefit Manager
## *Office of Group Benefits*

## Why We Conducted This Audit

The Office of Group Benefits (OGB) is authorized by state law to provide health insurance coverage for state employees, retirees, and their dependents. OGB contracts with MedImpact, a Pharmacy Benefit Manager (PBM), to administer the prescription drug benefits associated with its health plans. We conducted this audit to evaluate whether OGB effectively monitored MedImpact to ensure compliance with contract requirements. From January 2015 through June 2018, OGB paid $1.5 billion for prescriptions and $27.8 million to administer its prescription drug benefit for an average of 212,035 plan members.

## What We Found

Overall, we found that OGB has not sufficiently monitored MedImpact to ensure that it complies with all contract requirements. Specifically, we found the following:

- **OGB has not ensured that MedImpact remits rebate payments timely, as required by the contract. As a result, OGB did not earn approximately $119,257 in interest revenue and did not assess approximately $85,000 in penalties to MedImpact for late payments for rebates earned during calendar year 2017.** According to the contract, rebate payments are due within 60 days after the end of the quarter.

- **OGB has not ensured that MedImpact complies with contract terms related to mail-order pricing. As a result, OGB overpaid $89,553 for mail-order prescriptions filled from January 2017 through October 2018 because MedImpact charged a minimum price for them, which is prohibited by the contract.** For example, we identified claims that had a minimum price of $10.99 for Aspirin Enteric Coated that is filled by a prescription at its mail-order pharmacy, while the average cost for Aspirin Enteric Coated that is filled by a prescription at walk-in pharmacies was only $1.49 for the same strength and dosage.

- **OGB has not ensured that MedImpact reports accurate adherence rates for specialty medications. According to healthcare literature, adherence to medications helps control healthcare costs and improves patient outcomes.** In addition, OGB could expand adherence rate requirements to include additional medical conditions that require specialty drugs to further help control costs and improve patient outcomes. OGB only requires that MedImpact guarantee adherence rates for three (14%) of the 22 medical conditions that require specialty drugs.

- **OGB relies on MedImpact to self-report performance guarantees it does not meet and to pay any associated penalties, but OGB does not verify the accuracy of information reported by MedImpact.** As a result, OGB cannot ensure that MedImpact is meeting all performance guarantees and paying all performance penalties. For example, MedImpact guarantees that it will answer plan members' calls by a live voice within a minimum timeframe, but OGB does not monitor to ensure MedImpact achieves this guarantee.

- **OGB has not ensured that MedImpact charges OGB the same price it pays the pharmacy for prescription drug claims, as required by the contract, and does not ensure MedImpact complies with the formulary that outlines what drugs are covered.** Although we did not identify any issues in these areas, OGB should ensure it does not overpay for prescription drug claims.

### OGB Prescription Expenditures and Members
Calendar Year 2015-2018*

**Total OGB Expenditures**
$4.8 billion

**Cost of Prescriptions paid to MedImpact**
$1.5 billion

**Cost of Administrative Fees paid to MedImpact****
$27,760,527

**Total Rebates received from MedImpact**
$197,090,619

**MedImpact Plan Members (monthly average)**
212,035

*As of June 30, 2018.

**Administrative fees include the per claim fee, clinical management program fees, prior authorizations fees, and appeals fees.

**Source:** Prepared by legislative auditor's staff using unaudited information provided by OGB.