

# HCCA Part D Compliance Conference

## PBM Delegation and Oversight

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# Agenda

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# Section 1

## Introduction and Session Objectives

## Introduction and Session Objectives

- Delegation and Oversight objectives:
  - To help PDPs and MA-PDPs identify an approach to oversight of their Pharmacy Benefit Managers.
  - To discuss tips and methods for PDPs and MA-PDP plans to oversee their Pharmacy Benefit Manager's activities related to the processing of the Medicare Part D drug benefit.
  - To discuss best practices for leveraging internal resources in executing the oversight plan.

## Section 2

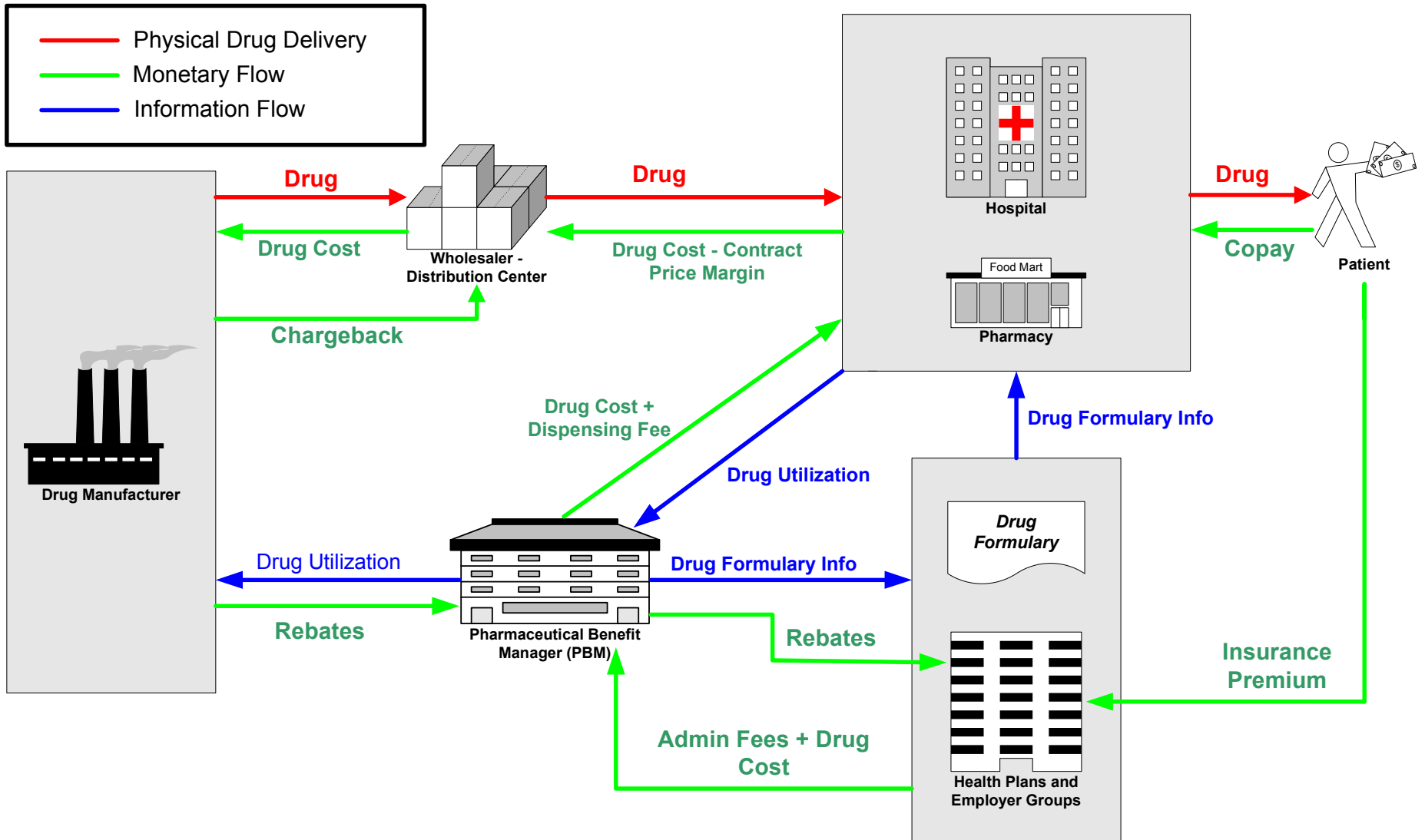
# Why is PBM Oversight Important?

# Why is PBM Oversight Important?

## ■ Because:

- The PBM interacts with Medicare beneficiaries on behalf of the Plan Sponsor
- The money that changes hands with the PBM may be significant – CMS recognizes the potential for Fraud in the absence of oversight.
- The Plan Sponsor has indirect control over the activities the PBM performs – control is either delegated contractually or via the working relationship
  - » Contractual Oversight – legal requirements defined in the contract
  - » Procedural Oversight – Plan requirements defined through the working relationship between the Plan Sponsor and the PBM

# PBM Business Model



**PBM Review:** The drug manufacturer hires PwC to perform testing to help the manufacturer assess rebate compliance between the PBM and the manufacturer. PwC observes the manufacturer contracts and drug utilization to recalculate the rebates and compares that to what the PBM is claiming from the manufacturer.

**Employer Review:** The employer group hires PwC to perform testing to help the employer group assess rebate compliance between the PBM and the employer group. PwC observes the manufacturer contracts and drug utilization to recalculate the rebates and compares that to what the PBM is paying the employer group. Drug rebates are initially passed from the manufacturer to the PBM, then the PBM passes either a portion or all of the rebates to the employer group.

**Chargeback Review:** The drug manufacturer hires PwC to perform testing of the chargebacks the wholesaler bills the manufacturer. PwC observes drug utilization to recalculate the chargebacks and compares what the wholesaler is billing the manufacturer.

## PBM Oversight – Financial

- Contractual

- Claims processing costs
- Rebate program definitions
- PDE submission costs
- Clinical program costs
- Other (FWA, Clinical, etc.) program costs
- Non-standard report development costs

- Procedural

- Claims process review – report analysis
- Rebate process review – report analysis
- PDE process review – report analysis
- Clinical Program review – report analysis
- Other program review



## PBM Oversight – Member Services

- Contractual

- Call center performance – answer rate, call wait, etc.
- Enrollment and Eligibility Processing requirements
- Grievance and Appeals responsibilities
- Tracking of TrOOP, LICS, COB
- EOB and Plan Materials requirements

- Procedural

- Operations staff oversight of call center (report review, weekly calls)
- Enrollment file exchange and update process
- Grievance and Appeals hand offs between plan and PBM
- File exchange between plan and PBM
- Coordination of marketing materials

## PBM Oversight – Pharmacy Provider

- Contractual

- Contractual obligations of pharmacies
- Retail Pharmacy Auditing requirements
- Pharmacy Provider help desk and VRU

- Procedural

- Contract Audit for pharmacy performance requirements
- Plan Sponsor rights to audit the PBM and its pharmacies
- Monitoring of PBM reports for VRU and Provider Call Center statistics

# PBM Oversight – Claims Processing

- Contractual

- Electronic Claims Processing (system response time and availability, contract language on member protections for inaccurate claims payment)
- Paper Claims processing requirements
- Out of Network Claims Processing requirements

- Procedural

- Operational Staff monitoring claims processing center reports on system response times and availability, claims review for payment accuracy
- Operational Staff monitoring claims processing center reports for performance to CMS standards
- Operational Staff monitoring OON claims processing reports

# PBM Oversight - Clinical

- Contractual

- Utilization Management
- Drug Utilization Review Services
- Medical Therapy Management Services
- Formulary Development
- Pharmacy and Therapeutics Committee relationships
- QA and Patient Safety

- Procedural

- Plan clinical staff monitoring and reviewing UM, DUR, MTMP reports
- Plan clinical staff working with P&T committee to define formulary and communication process to PBM for formulary design
- Plan clinical staff working with PBM clinical staff on QA and patient safety

## Section 3

# Management Reports – Value in Oversight

## Management Reports – Value in Oversight

- PBMs generally will supply a wide variety of management reports

- Standard report sampling:

- > Enrollment, Disenrollment, and Eligibility Reports
- > Coordination of Benefits/ Low Income Cost Sharing Reports
- > Prior Authorization Reports/ Reversal Reports
- > PDE Error Reports
- > Call Center Reports
- > Generic Dispensing Reports
- > Rebate Reports
- > Benefit set-up Reports

## Management Reports – Value in Oversight

- PBMs can generally develop a wide variety of non-standard reports (often at a cost)
  - Non Standard Reports:
    - > How are PDEs affected by rebate-able drugs
    - > How are PDEs affected by high cost drugs
    - > Specialty Drug Reports
    - > Pharmacy Performance (dispensing rates by pharmacy for certain drugs)
    - > Other potential reports including those identified by compliance, internal audit, and SIU

## Management Reports – Value in Oversight

- Using reports in the oversight process

- Reports are useful tools, but only if they are used in assessing and analyzing the process being reported

- > Establish clear responsibilities around who receives each report and how they will be used (policy and procedure including sign-off)

- > Establish a mechanism for report validation – Are the reports accurate?

- > Regular meetings with PBM to discuss the critical reports

- » Operational meetings

- » Clinical meetings

- » Other (FWA)



# Section 4

## Best Practices for Oversight

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- Leverage the knowledge within your organization
  - Compliance and Internal Audit should collaborate to identifying key risk areas in the PBM relationship
  - Leverage Operating Staff Knowledge
    - > Establish regular meetings to understand what the operational staff knows (not just what they do)
  - Leverage Clinical Staff Knowledge
    - > Establish regular meetings to gain an understanding of what the clinical staff is managing and how they are managing it

## Best Practices for Oversight

- Leverage the PBM's knowledge
  - Form a partnership with PBM staff through regular participation in operational and clinical meetings
  - PBMs have special skills in pharmacy data management which can be used in Fraud detection
  - Request and review PBM policy and procedures

## Best Practices for Oversight

- Conduct PBM reviews regularly
  - Incorporate a PBM Part D review into the annual Audit Plan
  - Perform independent assessment of PBM's controls
  - Evaluate PBM's Policies and Procedures for Part D compliance
  - Analysis of Metrics helps to target the review
  - Leverage existing tools and methodologies (CMS Audit Guide, Sarbanes Oxley Controls/ testing results, SAS 70s)

# Discussion/ Questions

# Appendix 1

## Presenters/Team Members

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### PwC Team

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