

**REDACTED VERSION**

**COMPLIANCE WITH ESI AGREEMENT**

**Prescription  
Benefit Manager  
Audit Report**

*N e v a d a* PUBLIC EMPLOYEES' BENEFITS PROGRAM



*Health Matters.*

**Plan Year 2019 (July 2018 – June 2019)**

**Conducted on  
Express Scripts, Inc.**

**Submitted By:  
Health Claim Auditors, Inc.**

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## **INTRODUCTION**

In September and October 2019, Health Claim Auditors, Inc. (HCA) performed a Prescription Drug Audit of Express Scripts, Inc. (ESI) on behalf of The State of Nevada Public Employees' Benefits Program (PEBP). ESI is a contracted vendor that provided administration of the PEBP's Benefit Plan for prescription drug claims as per terms within PEBP RFP 3220. Terms and guarantees were audited as per negotiated and signed Agreement Addendum No. 02 with effective date of 01 July 2018.

The audit was performed to assure PEBP that ESI is doing a proficient job of controlling prescription costs while paying claims accurately within a reasonable period of time and in compliance with the contract for services.

The prescription claims audited were processed by ESI from 01 July 2018 to 30 June 2019 (PEBP Plan Year 2019). HCA reviewed 100% of the prescription drug claims processed during this time period.

The preliminary report of audit results was electronically delivered to ESI representatives on 18 November 2019 for their review and comments. ESI comments and responses were requested with a return date within the xxxxx (xx) days allowed by agreement and will be inserted within this report displayed in ***Bold and Italicized type*** for easy detection. ESI responses and supporting documentation was received as displayed within this report electronically on 16 January 2020. ESI provided HCA the pricing guarantee reconciliation on 25 March 2020 (269 days from end of plan year). HCA requested additional definition/explanation for the ESI specialty drug claim identifiers within their year-end calculations on 26 March 2020. The ESI response was received on 09 April 2020 and the manufacturer true up report was received on 20 April 2020, of which, is reflected within this final report. Any differences from HCA findings are described within the Executive Summary/ Conclusions/Recommendations section of this report.

**Please note: Certain contract discount data contained within this report is considered proprietary and thereby has been redacted in this report for confidentiality purposes to be in compliance with the ESI agreement. This version of the report is in compliance with all ESI requests for confidentiality redactions. The audit measured the actual values of specific negotiated rates for discounting, dispensing fees, rebates and all performance guarantees, however, are displayed within this version of the report as xx.x% or \$xx.xx.**

The detail claims data received for this audit reflected the Average Wholesale Pricing (AWP) for name brand and generic claims dispensed by retail and mail order pharmacies.

## EXECUTIVE SUMMARY-

### Summary of Findings for Contracted/Guaranteed Performance Measurements Audit Period: PEBP Plan Year 2019 (01 July 2018 through 30 June 2019)

The table below provides an overview of the audit findings for contracted services with performance standards and financial guarantee indicators. Details of each category can be found within the Executive Summary and Report Details sections of this report.

Perf. Category	Detail Category	Under/Over Perform. Pass/Fail
Discounts	Retail Name Brand 1-83 days	*Over Performance
	Retail Name Brand 84-90 days	*Over Performance
	Retail Generic	*Under Performance
	Mail Order Name Brand	*Pass
	Mail Order Generic	*Under Performance
	ESI Pharmacy Specialty Drugs	*Under Performance
	<b>Aggregate of all Categories</b>	<b>*Under Performance</b>
Dispensing Fees	Retail Name Brand 1-83 days	*Over Performance
	Retail Name Brand 84-90 days	*Under Performance
	Retail Generic 1-83 days	*Under Performance
	Retail Generic 84-90 days	*Pass
	Mail Order Name Brand	*Pass
	Mail Order Generic	*Pass
	Specialty Drugs	*Pass
	<b>Aggregate of all Categories</b>	<b>*Over Performance</b>
Manuf. Rebates	\$xx.xx Ret. NB 1-83 dys/\$xxx.xx Ret NB 84-90 dys/\$xxx.xx per MO NB/\$xxx NB Specialty Timely remittance to PEBP	<b>*Over Performance</b> Pass to date
Admin. Fees	\$x.xx per employee per month (PEPM)	Pass
Customer Service	Telephone Response within xx seconds	Pass
	Abandonment Rate less than x%	Pass
	Network Pharmacy xx% within x mi.	Pass
	xx% or greater First Call Resolution	Pass
	Mail clms shipped in x dys (no intrvntn)	Pass
	Mail clms shipped in x dys (w/intrvntn)	Pass
	Survey, xx% at "satisfactory" or better	Fail
Adjdcn Accuracy	xx% of Retail claims with no errors	Pass
	xx% of Mail Order claims with no errors	Pass
Reporting	Monthly, quarter and annual in xx days	Pass
Disclosures	All new subcontractors	No exceptions noted
	All movement of data storage	No exceptions noted
Claim Transfer	xx% daily data file transfer to TPA	Pass
Eligibility Data	xx% extracts available next bus. day	Pass

\* Per Agreement, OTC, U&C, compounds, products subject to patent actions, member submitted claims, subrogation claims, vaccines, specialty products, biosimilar products, long term care pharmacy claims and products filled through in-house or 340b pharmacies were excluded from the performance guarantee calculations.

**Summary of Findings for NON Contracted/Guaranteed Performance Measurements  
Audit Period: PEBP Plan Year 2019 (01 July 2018 through 30 June 2019)**

The table below provides an overview of the audit findings for services that do not include performance standards and financial guarantees. The data has been provided for informational purposes only. Details can be found within the Executive Summary and Report Details sections.

<b>Category, Plan Year 2019</b>	<b>Detail Category</b>	<b>Note</b>
Generic Distributions	Percentage of Generic claims to all claims	Exceeds industry
Specific Pricing	Zero Balance Pricing	Pass
Claim Adjudication	Days Supply Limits	Pass

**Other findings**

- PEBP should be congratulated for the xx% distribution of Generic Drug utilization of all Retail and Mail Order claims. This distribution is among the highest in the nation and drives an overall lower cost to PEBP participants and the PEBP plan;
- It is recommended that PEBP review the Possible Drug Exceptions for verification and confirmation with ESI for plan exclusion;
- The ESI adjudication system edits and DUR edits tested were found to follow proper protocol and practices in areas to include, but not limited to scheduled drugs, dosage limitations, days supply, step therapy, generic substitutions, etc.;

## **Executive Summary/Conclusions/Recommendations**

ESI was found to provide and apply numerous services as PEBP's Prescription Benefit Manager that met and/or exceeded the contracted guarantees and vendor responses remitted within the processes for The State of Nevada Purchasing Division Request For Proposal (RFP) No. 3220.

HCA audited to the defined contents, exclusions, exceptions and negotiated terms of the Plan Year 2019 Agreement and Amendments. ESI was found to be in compliance with performance guaranteed metric measureable areas for customer services, dispensing fees, rebates, administration fees, eligibility and claim file transfers during the audited period.

The audit detected underperformance exceptions of the Agreement in the categories of the Aggregate Discount Rates (which included underperformances of Retail Generic, Mail Order Generic and ESI Specialty Drug categories). HCA and ESI calculations are similar for all categories with the exception of Retail Name Brand. In aggregate, ESI calculates the performance guarantees underperformance at \$1,924,753. It is HCA's unbiased opinion that PEBP accept this amount for the discounting and dispensing fees guarantee underperformance of PEBP Plan Year 2019.

The Customer Satisfaction Survey results reported at xx% of participants being "satisfied" were below the xx% performance guarantee. It is HCA's unbiased opinion that the penalty as defined within the Plan Year 2019 Agreement for this underperformance be calculated and collected by PEBP.

*ESI Comment: – ESI notes the 4<sup>th</sup> quarter rebate reports have been requested and will be provided upon receipt. Please also note the pricing guarantee reconciliation will be completed by March 01, 2020 (240 days from end of plan year) in accordance with the PBM Agreement. The guarantees will be requested and provided within two weeks of the completion date.*

**HCA UPDATE 09 April 2020:**

*ESI provided HCA their pricing guarantee reconciliation on 25 March 2020. This report reflects the data provided by ESI for their calculations of discounting and dispensing fee performance guarantees. HCA requested additional definition/explanation for the ESI specialty drug claim identifiers. The ESI response was received on 09 April 2020, of which, is reflected within this final report.*

## AUDIT SUMMARY

This report consists of HCA's findings and observations concerning the system edit capabilities, procedures, contract compliance and savings provided by Express Scripts, Inc. (ESI). Areas that have performance standards listed in the PEBP contract are listed first.

## AUDIT CRITERIA

### SELECTION PROCESS

One hundred percent (100%) of claims provided by ESI within the detailed claim report were audited for appropriate discount rates and compliance with PEBP's contract for services. The audit included, but was not limited to compliance with the following categories within the contract for services in force at the time of the adjudication:

- 1) Retail drug dispensing fee;
- 2) Mail order brand name and generic drug dispensing fees;
- 3) Manufacturer rebates;
- 4) Customer Service;
- 5) Drug Utilization Review (DUR) policies and procedures;
- 6) Claim processing and procedures;
- 7) Eligibility (both internal and compliance with PEBP's Medical Plan Administrator);
- 8) Accumulator data (both internal and compliance with PEBP's Plan Administrator);
- 9) Quality assurance and internal audits and training;
- 10) Security access;
- 11) Report capabilities;
- 12) Savings;
- 13) Administration Fees.

The individual prescription costs audited were calculated from the PEBP current detailed claims listings as supplied by ESI. Confidential data was collected and utilized to formulate this report.

## AUDIT RESULTS– Period: 01 July 18 through 30 June 19, Performance Standards Apply

**\*Important Note:** Due to the issues experienced by PEBP with previous PBM services, the Average Wholesale Pricing (AWP) displayed within the detail claims report received from ESI for Name Brand drug claims was checked against a 2009 pre-class action lawsuit accounting format. It has been confirmed that the AWP supplied is in compliance with the current negotiated agreement between PEBP and ESI.

As per the Agreement, AWP's were audited and calculated utilizing the database supplied by Medi-Span for the allowables as of the date of service. Per Agreement, OTC, U&C, compounds, products subject to patent actions, member submitted claims, subrogation claims, vaccines, specialty products, biosimilar products, long term care pharmacy claims and products filled through in-house or 340b pharmacies were excluded from the performance guarantee calculations as displayed in each category results.

## **Transparency**

Per Agreement, PEBP and ESI have negotiated metric measurements minimums for each category, i.e. xxxxxx, xxxxx, etc. PEBP and ESI have also entered into xxxxxxxxxxxx arrangements where PEBP pays ESI the xxxxx xxxxxx xxxxx and xxxxx xxxxx amount paid by ESI for a particular claim when the claim is adjudicated to the pharmacy.

**HCA Findings:** HCA has reviewed reconciliation reports to ensure ESI is providing PEBP the transparency portion of the Agreement as described above and concludes that ESI is in compliance with the Agreement.

## **Retail Claims Discount Rate**

### **Retail Name Brand Claims**

Per the agreement, the discount rate for Retail Pharmacy Name Brand Drugs is to be an aggregate of xx.xx% from 100% AWP (Average Wholesale Price) for 1-83 days supply.

**HCA Findings:** The aggregate discount rate for this category was calculated to be AWP – xx.xx% for the audited period and in compliance of the contract agreement. The aggregate paid by PEBP reflects an overperformance by an estimated \$21,378 as compared with the performance guarantee.

Per the agreement, the discount rate for Retail Pharmacy Name Brand Drugs is to be an aggregate of xx.xx% from 100% AWP (Average Wholesale Price) for 84-90 days supply of standard claims and AWP – xx.xx% for Smart90 claims.

**HCA Findings:** The aggregate discount rate for this category was calculated to be an aggregate AWP – xx.xx% for the audited period and in compliance of the contract agreement. The aggregate paid by PEBP reflects an overperformance by an estimated \$11,285 as compared with the performance guarantee.

### **Retail Generic Claims**

Per the agreement, the discount rate for Retail Pharmacy Generic Drugs is to be an aggregate of xx.xx% from 100% AWP for standard claims and AWP – xx.xx% for S90 claims.

**HCA Findings:** The aggregate discount rate of this category for the entire audited period was found to be an aggregate AWP – xx.xx% for the audited period, below the contract agreement and not in compliance of the contract agreement. The aggregate paid by PEBP reflects an underperformance by an estimated \$1,755,763 as compared with the performance guarantee.

## Mail Order Claims Discount Rate

### Mail Order Name Brand Claims

Per the agreement, the discount rate for the Mail Order Program Name Brand Drugs is to be xx.xx% from 100% AWP.

**HCA Findings:** Aggregate discount rate for this category was calculated to be AWP – xx.xx% for the audited period, within the agreement and in compliance of the contract agreement. The aggregate paid by PEBP reflects an equal value as compared with the performance guarantee.

### Mail Order Generic Claims

The discount rate for Mail Order Generic Drugs is to be xx.xx% from 100% AWP.

**HCA Findings:** HCA found the AWP discount for Mail Order Generic claims to be AWP – xx.xx% for the audited period, in compliance with the contract. The aggregate paid by PEBP reflects an underperformance by an estimated \$212,908 as compared with the performance guarantee.

## Specialty Claims Discount Rate

Per Agreement (Performance Standards and Guarantees) a separate pricing category for Specialty Medications is to be applied.

Per agreement, the discount rate for Express Scripts Specialty Pharmacy Drugs, displayed in the agreement as “ESI Specialty Pharmacy Fills Only” is to be reimbursed as per the Exclusive Specialty Pharmacy Price List and guaranteed an aggregate discount of xx.xx% from 100% AWP.

**HCA Findings:** The aggregate discount rate of this category for the entire audited period was found to be AWP – xx.xx% for the audited period, below the contract agreement and not in compliance of the agreement. The aggregate paid by PEBP reflects an underperformance by an estimated \$49,110.26 as compared with the performance guarantee.

**HCA note:** The detail claim report for claims within the performance guarantee for specialty drugs (GTY Key xxxxxx) provided from ESI displays an indicator (column s) that identifies the drug as “yes, retail claim, specialty” and “no, retail claim, not specialty”. HCA’s original calculations reflected an underperformance of \$254,000 when only “yes, retail claim, specialty” claims were included. ESI data included column DP, which is an indicator for “non standard specialty indicator”. When these claims are all included, HCA concurs with the ESI calculation of the \$49,000 underperformance for this category. HCA requested an explanation of why an ESI “non specialty drug could be considered as a “specialty drug”. HCA received the following response:

*ESI response received on 09 April 2020: Prior to xxxx, specialty drugs were being identified using standard indicators (Spec\_Flg) to include/exclude these drugs in pricing guarantees. This represented drugs considered specialty by ESI, but was not completely in line with the client’s custom specialty listing. Starting in xxxx, ESI moved to only use ‘Non\_Standard\_Specialty\_Ind’ as this would be in line with the client’s custom specialty listing.*

### Aggregate Claims Discount Rate

Per the Agreement supplied, HCA did not recognize language regarding that overperformances may be used to offset discount rate underperformances, however, PEBP has stated that the intent was to combine the discount categories for an aggregate measurement.

HCA Findings:	Claim Type Category	Over/(Under) \$ Performance
	Retail Name Brand 1-83 days	\$21,378
	Retail Name Brand 84-90 days	\$11,285
	Retail Generics	(\$1,755,763)
	Mail Order Name Brand	\$0
	Mail Order Generics	(\$212,908)
	Specialty Drugs (ESI Pharmacy	(\$49,110)

**ESI Comment:** – *ESI notes the pricing guarantee reconciliation has not yet been reconciled therefore ESI's self-reported performance cannot be provided at this time. The reconciliation will be completed by March 01, 2020 (240 days from end of plan year) in accordance with the PBM Agreement. The guarantees will be requested and provided within two weeks of the completion date.*

### HCA UPDATE 09 April 2020:

*ESI provided HCA their pricing guarantee reconciliation on 25 March 2020 and additional explanations on 09 April 2020. ESI calculates the discount underperformance of the guarantee(s) at \$1,902,399.91.*

### Retail Claims Dispensing Fees

#### Name Brand Claims

Per the Agreement, the dispensing fee during the audited period is to be an aggregate of \$x.xx for 1-83 days supply of Retail Name Brand prescriptions.

**HCA Findings:** The dispensing fees ranged from \$x.xx to \$x.xx with an aggregate average dispensing fee of \$x.xx, below the guaranteed level. The aggregate paid by PEBP reflects an overperformance by an estimated \$15,825 as compared with the guarantee.

Per the Agreement, the dispensing fee during the audited period is to be an aggregate of \$x.xx for 84-90 days supply of Retail Name Brand prescriptions.

**HCA Findings:** The dispensing fees ranged from \$x.xx to \$x.xx with an aggregate average dispensing fee of \$x.xx, above the guaranteed level. The aggregate paid by PEBP reflects an underperformance by an estimated \$691 as compared with the guarantee.

#### Generic Brand Claims

Per the Agreement, the dispensing fee for the audited period is to be an aggregate of \$x.xx for 1-83 days supply of Retail Generic prescriptions.

**HCA Findings:** The dispensing fees ranged from \$x.xx to \$x.xx with an aggregate average dispensing fee of \$x.xx, above the guaranteed level. The aggregate paid by PEBP reflects an underperformance by an estimated \$8,166 as compared with the guarantee.

Per the Agreement, the dispensing fee for the audited period is to be an aggregate of \$x.xx for 84-90 days supply of Retail Generic prescriptions.

**HCA Findings:** The dispensing had an aggregate average dispensing fee of \$x.xx, within the agreement guarantee.

## **Mail Order Brand Name Dispensing Fees**

### **Name Brand and Generic Claims**

The dispensing fee for Mail Order Name Brand and Generic prescriptions is to be \$x.xx.

**HCA Findings:** The average dispensing fee was found to be \$x.xx in compliance with the agreement.

### **Specialty Drug Dispensing Fees**

The dispensing fee for all Specialty Drug claims is to \$x.xx.

**HCA Findings:** The average dispensing fee was found to be \$x.xx in compliance with the agreement.

### **Aggregate Claims Dispensing Fees**

Per Agreement, all dispensing fee guarantees will be reconciled annually against actual results. Overperformance may be used to offset discount rate underperformance.

HCA finds the actual aggregate dispensing fee paid by PEBP for all categories is \$6,968 less than the aggregate guaranteed rate.

**ESI Comment:** – *ESI notes the pricing guarantee reconciliation has not yet been reconciled therefore ESI's self-reported totals cannot be provided at this time. The reconciliation will be completed by March 01, 2020 (240 days from end of plan year) in accordance with the PBM Agreement. The guarantees will be requested and provided within two weeks of the completion date.*

### **HCA UPDATE 09 April 2020:**

**ESI provided HCA their pricing guarantee reconciliation on 25 March 2020 and additional explanations on 09 April 2020. ESI calculates the discount underperformance of the guarantee(s) at \$22,353.94.**

### **Processing Accuracy**

Per agreement, xx% of all claims (Retail and Mail Order) are to be paid with no errors. Errors are displayed as the incorrect drug, form, strength or wrong patient.

**HCA Findings:** Reports for this issue was reviewed by HCA and found to be xx% for retail and xx% for mail order claims during the audited period.

## Mail Order Processing Time

Per agreement, clean claims (without intervention) are to be shipped within x business days of receipt and claims requiring intervention are to be shipped within x business days for each quarter year period.

**HCA Findings:** All claims paid within this audited period were in compliance with this portion of the agreement with claims without intervention being shipped in an average of x.x days and claims with intervention shipped in an average of x.x days.

## Manufacturer Rebates

The contract for services with PEBP is to collect, report and pay manufacturer rebates on a xxxxxx basis and payments will be made within xx calendar days after the last calendar day of the xxxxx in which such rebates are received. As per Agreement, ESI agreed to provide PEBP the greater of a flat guarantee of \$xx.x per net 1-83 day supply retail name brand paid claim, \$xxx.xx per net 84-90 day supply retail name brand paid claim, \$xxx.xx per net mail order name brand paid claim, \$xxx.xx per specialty drug claim dispensed through participating pharmacies and \$xxx.xx per specialty drug claim dispensed exclusively through ESI Specialty Pharmacy or the yield of manufacturer rebates collected for PEBP claims by ESI.

There are typically multiple types of payments pertinent to manufacturer rebates; (access, administration cost, base and market share). PEBP is paid an estimation of rebates by quarter and the actual amount is calculated as the rebates are received.

Reports received from ESI reflected the manufacturer rebate reimbursement payments made to PEBP in the following amounts and require PEBP verification of receipt:

Quarter	Period	Retail	Mail Order	Total
1	01 Jul - 30 Sep 18	\$x,xxx,xxx.xx	\$x,xxx,xxx.xx	\$x,xxx,xxx.xx
2	01 Oct - 23 Dec 18	\$x,xxx,xxx.xx	\$x,xxx,xxx.xx	\$x,xxx,xxx.xx
3	01 Jan - 31 Mar 19	\$x,xxx,xxx.xx	\$x,xxx,xxx.xx	\$x,xxx,xxx.xx
4	01 Apr - 30 Jun 10	\$x,xxx,xxx.xx	\$x,xxx,xxx.xx	\$x,xxx,xxx.xx
	<b>TOTALS</b>	\$x,xxx,xxx.xx	\$x,xxx,xxx.xx	\$xx,xxx,xxx.xx

**HCA findings:** HCA requested the appropriate reports regarding the calculations and payments to PEBP for PEBP's Plan Year 2019. HCA received the ESI reports on 20 April 2020 for the audited quarters. The total reported as PEBP's paid share is \$xx,xxx,xxx.xx, an overperformance of the guarantee for this category. HCA requests that PEBP verify that this amount was received by PEBP for Plan Year 2019 manufacturer rebates.

**ESI Comment:** – *ESI notes the rebate report will be available once the true up is completed. The true up will be completed by March 01, 2020 (240 days from end of plan year) in accordance with the PBM Agreement. The report will be requested and provided within two weeks of the completion date.*

**HCA Update:** *The rebate true up was received on 20 April 2020.*

## Customer Service

- A. Per the contract for services, the telephone response time is to be an average of xxxxx seconds (x:xx) or less.

**HCA Findings:** HCA obtained the data for this issue and found the telephone response time range per quarter to have a range of x.x seconds (x:xx.x) to xx.x seconds (x:xx.x) for an aggregate average of xx.x seconds (x:xx.x) over-performing the benchmark level guaranteed within the agreement.

- B. Per the contract for services, the telephone abandonment rate is to be less than xxxx percent (x%) of all calls.

**HCA Findings:** HCA obtained the data for this issue and finds that the abandonment telephone rate ranged from x.x% to x.x% for each quarter year measurement, within the guarantee level.

- C. Per the contract for services, xx% or greater of the incoming telephone calls from participants are to be resolved within the first call received.

**HCA Findings:** HCA obtained the data for this issue and finds that the first call resolution equaled xx% for the year measurement, within the guarantee level.

- D. Per the contract for services, xx% of PEBP PPO Plan Participants must have a network pharmacy within xxxx (x) miles of their residence.

**HCA Findings:** HCA requested a report that reflects the percentage of this issue. The report reflected that xx% of PEBP participants had at least one (1) Network Pharmacy within x miles of their residence for each of the quarter year periods.

- E. Per Agreement, an annual Program Satisfaction Survey is to be conducted of PEBP plan participants who have used the pharmacy benefit. xxxxx percent (xx%) or more of participants must provide a “satisfactory” level of services they received or a penalty can be assessed.

**HCA Findings:** Per the Customer Satisfaction Survey results, ESI underperformed the guaranteed metric measurement of xx% with xx% satisfied members surveyed.

***ESI comment: – ESI agrees with HCA’s findings. ESI estimates the penalty payment to be \$6,301. The final amount will be provided upon finalization of the audit in accordance with the PBM agreement.***

## Subcontractor Disclosures

Per Agreement supplied to HCA, is requesting that ESI supply a statement confirming if there are any exceptions of ESI notifying PEBP and receive approval a minimum of xx days prior to any subcontractor commencing work utilizing PEBP information or data.

***ESI comment: ESI initially provided Nevada PEBP with a list of approved subcontractors, which Nevada PEBP approved. The ESI Account Team sends all changes occurring throughout the year to Nevada PEBP.***

## Data Storage Change Disclosures

Per Agreement, ESI must disclose to PEBP all physical locations of PEBP data storage. HCA is requesting that ESI supply a statement confirming if there are any exceptions of ESI notifying PEBP for movement of any data storage xxxx (xx) days prior to a subcontractor vendor of ESI.

***ESI comment: ESI initially provided Nevada PEBP with a list of approved data storage facilities which Nevada PEBP approved. The ESI Account Team sends all changes occurring throughout the year to Nevada PEBP.***

## Eligibility Accumulators/Data Transfer delivered to PEBP Third Party Administrator

Per Agreement, ESI must make available xx% of full electronic claim accumulator extracts by xx:xx xxx on the next business day.

**HCA Findings:** Report received and reviewed for this category reflect that ESI met the guarantee for each quarter and is in compliance with the guarantee.

Per Agreement, a daily operational data file must be transferred, retrieved and processed by the predetermined time with no incorrect content.

**HCA Findings:** Report received and reviewed for this category reflect that ESI met the guarantee for each quarter and is in compliance with the guarantee.

## AUDIT RESULTS – Period of 01 July 2018 through 30 June 2019

### Performance standards do not apply

#### 1. Distributions

Based on audit results, calculations for the distribution of Name Brand versus Generics and Retail versus Mail Order were measured for the audited period. Please note that Specialty Drugs and Compound Drug claims are not included within the number of claims and ingredient cost of claim distributions.

##### Number of Claims

Retail - Brand, xx.x% of total retail claims; Generic, xx.x% of total retail claims;  
Total, xx.x% of all claims.

Mail Order - Brand, xx.x%; Generic, xx.x% of mail order claims;  
Total, xx.x% of all claims.

Name Brand Prescriptions, xx.x% of all claims.

Generic Prescriptions, xx.x% of all claims.

##### Ingredient Cost of Claims

Retail - Brand, xx.x% of total retail claims; Generic, xx.x% of total retail claims;  
Total, xx.x% of all claims.

Mail Order - Brand, xx.x% of m.o. claims; Generic, xx.x% of mail order claims;  
Total, xx.x% of all claims.

Name Brand Prescriptions, xx.x% of all claims.

Generic Prescriptions, xx.x% of all claims.

##### Specialty Drugs

Distribution by claims number volume, xx.x% of all claims;

Distribution by Ingredient Cost, xx.x% of all claims.

## 2. Days Supply

The audited period was reviewed for claims that exceed the Day Supply maximum levels as per the PEBP PPO benefit plan. The claim detail reports were audited for retail claims that exceeded xx day supply and mail order claims that exceeded xx day supply that did not reflect a Prior Authorization or a maintenance drug prescription.

**HCA Findings:** The audit detected no exceptions within all categories.

## 3. Administration Fees

The audit reviewed the administration fees billed to PEBP for claim processing services during the audited period as compared with the PEBP Agreement. Per Agreement, PEBP will pay an administrative fee of \$x.xx per employee per month (PEPM) for the period of PEBP's Plan Year 2019.

**HCA Findings:** Calculations for each month reflect that the correct method of "each employee" was applied at the agreed to PEPM value. PEBP paid a total of \$xxx,xxx with an average of xx,xxx member fees per month.

The audit reviewed the fees billed to PEBP for appeal services during the audited period as compared with the PEBP Agreement. Per Agreement, PEBP will pay a fee of \$xx.xx for Administrative level two appeals.

**HCA Findings:** x,xxx level two appeal services were provided to PEBP for a total fee of \$xx,xxx for the audited period. HCA determined that these charges are in compliance with the Agreement.

The audit reviewed the fees billed to PEBP for AUM services during the audited period as compared with the PEBP Agreement.

**HCA Findings:** The audit reflects that PEBP paid a fee of \$x.xx PEPM for the PEBP month of July 2018 and \$x.xx for the remaining months of Plan Year 2019 for a total fee paid of \$xxx,xxx.

## 4. Drug Utilization Review

This audit and previous audits have detected claims with extensive utilization (dispensing in every month of the audited period or excessive multiple prescriptions within the same time period) with scheduled drugs. HCA was supplied protocols and cases with said drugs where case management and the appropriate interventions were found to be applied and utilized.

HCA also previously requested documentation regarding sample cases in which the patients are utilizing drugs in which step therapy or alternate over the counter drugs should be used before prescriptions of said drugs are to be charged to the RX plan. Review of these reports reflects that ESI was found to have the correct system edits in place and properly reviewed each case for Drug Utilization Review and possible case management.

## 5. Possible Drug Benefit Exceptions

The audit revealed drugs paid within claims of the audited period, which could be considered exclusions of the PEBP PPO benefit plan. These possible drug exclusions should be verified by PEBP. Drugs audited for exclusions included but were not limited to: Fertility Agents (injectable and oral), sexual dysfunction (quantity greater than allowed), self injectables, diagnostic/biologicals, blood products, growth hormones without PA, hemophiliac factors, immunization, OTC, nutritional supplements, anorexiant, cosmetic, hair growth/replacement, infertility, and investigational drugs. ESI provided a report reflecting the following drugs dispensed through the PEBP benefit plan as permitted, however, they should be presented to PEBP for verification of possible exceptions that could be considered outside the PEBP benefits:

-xxxxxx, over age 26 to age 50 without Prior Authorization, (cosmetic);

**ESI Response: x**

X  
X  
X  
X  
X  
X

-xxxxxx, over age 26 to age 64 without Prior Authorization, (cosmetic);

**ESI Response: x**

X  
X  
X  
X  
X  
X

-xxxxxx, without a Prior Authorization, (xxxx);

**ESI Response: x**

X  
X  
X

HCA supplied a file containing samples of possible drug benefit exception claims for each of the drug as described above for ESI research and response. These sample claims and ESI responses can be found within file upon request from PEBP officials: St.NV.PEBP.RX.Possible Drug Exceptions.PY2019.ENCRYPTED.

## **REPORT DETAILS**

### **I. SYSTEM CAPABILITIES**

#### **A. Drug Utilization Review (DUR)**

ESI has the capability for the pharmacist to utilize a screen indicating specific patient information regarding known allergies and/or possible drug reactions. ESI Clinical Personnel will conduct a retroactive DUR review if necessary.

ESI does generate reports to determine prescribing and dispensing patterns for patients and pharmacies. ESI currently does not provide Current DUR Savings or Retrospective DUR reports monthly for PEBP; however, the ESI clinical pharmacist does provide physicians with reporting to encourage increased generic and formulary prescribing.

#### **B. Diagnosis Sensitive Prescription Drugs.**

The ESI system does not currently have the capability to edit specific prescriptions by comparing the diagnosis with other clinical data to determine appropriate dispensing.

#### **C. Adverse/Potential Chemical Reaction.**

The ESI system will edit if the prescriptions being dispensed would have an adverse reaction or potential chemical reaction when taken together.

#### **D. Duplicate Claim Submissions.**

The system edits for duplicate claims submitted either on-line or by paper. Three types of duplicate edits exist on the ESI system. These edits are for a True Ingredient Duplicate, which is when both claims have the exact same NDC number, a Therapeutic Duplicate and a "Refill Too Soon" Duplicate.

The ESI system will edit when multiple drugs are prescribed which would have the same therapeutic effect and if similar prescriptions are received from multiple providers concurrently.

#### **E. Frequency/Dosage.**

The ESI system will edit if a prescription is purchased prior to the time the original drug dispensed will be depleted (refill too soon). This edit is client specific. For PEBP participants, this edit will not allow the refill until xxxx xxxx percent (xx%) of the retail prescription and xxxx xxxx percent (xx%) of the dispensed mail order prescription usage time has expired.

The system is capable to edit if a prescription being dispensed indicates long term usage for a drug that is normally prescribed on a short term basis. The system is capable and will edit for failure to refill a prescription at the appropriate time.

**F. Federal Legend Drug Requirement.**

The system will edit to assure that the Federal Legend Drug Requirement is met utilizing the NDC (National Drug Code) number.

**G. Appropriate Drugs.**

The ESI system does contain edits to assure that drugs prescribed are appropriate for a patient's age or gender.

The ESI system does edit for prescriptions that may cause harm during pregnancy or lactation.

Drugs with possible uses for possible cosmetic or experimental conditions which are not allowed under the PEBP PPO benefit plan are flagged and denied or researched before payment is made.

**H. Correct Pricing.**

ESI utilizes automated pricing to assure that the charge is appropriate for the drug being billed.

**I. Formulary Alternatives and Generic Substitution.**

Currently, the ESI system does edit at the time of sale to show a formulary alternative or a generic substitution.

**J. Ineligible Prescriptions.**

ESI systematically denies specific types of drugs that the client advises them are ineligible by utilizing NDC and GPI, third party exception codes and Route of Administration.

**K. Suspended Physician.**

The ESI system has the capability for denial of a claim when a drug is prescribed by a physician with a suspended or restricted license.

**L. Case Management and Subrogation.**

ESI does have the ability to edit or identify prescriptions that may require Third Party Liability (Subrogation). These edits will be used only if the TPA contacts ESI to advise them of a subrogation situation.

ESI edits all prescriptions to identify drugs utilized for potential Case Management intervention. This information is communicated during a monthly meeting with Case Management personnel.

ESI was found to have the correct system edits in place and properly reviewed each case for Drug Utilization Review and possible case management.

## **II. CLAIM PROCESSING AND PROCEDURES**

### **A. Electronic Claims Submission.**

ESI currently does have a program which has the capability to receive electronic requests for prescriptions from physicians. ESI relies mostly on communications by, e-prescribing, forms, fax and sometimes E-Mail currently.

### **B. Overpayment Procedures.**

If an overpayment is detected, ESI will subtract overpayments from future payments and credit the client when utilizing the retail and mail order programs.

### **C. Turnaround Time for Client Billing.**

ESI remits payment to pharmacies on a xxx xxxxx basis. ESI will provide PEBP with invoices for retail and home delivery drugs on a xxx xxxx time basis.

### **D. Pended Claim Procedures.**

Claims are not pended for additional information; claims are denied and processed when complete information is obtained.

### **E. Compound Drug Reimbursement.**

ESI stated reimbursement for compound drugs is calculated using submitted price of the main ingredient for the compound. Compound drugs over xxxx xxxxx dollars filled at retail and xxxx xxxxx dollars filled through the mail order program require prior authorization.

### **F. Paper Claim Reimbursement.**

Per ESI each client has the option of how paper claims are reimbursed. Under the PEBP agreement, employees are reimbursed at the contracted amount less applicable copayments and/or coinsurance for in network paper claims submitted.

The PEBP plan is currently set-up to reimburse participants at the contracted amount less applicable copayments and/or coinsurance for in network and out of network paper claims.

Per agreement, ESI charges \$x.xx for each paper claim processed.

### **G. Mail Order Program.**

The mail order program is integrated with the retail drug program. The system does not have the capability to pay the difference between the retail and mail order pricing when the mail order program is not utilized. This is pertinent for those plans which require subsequent refilled prescriptions be filled through the mail order program.

### **H. Filing Limitation.**

The ESI system utilizes a filing limitation of xxx months for paper claims and xxxx (xx) days for pharmacies to resubmit a claim.

## **I. Specialty Drugs/Home Infusion**

Many home infusion billings are adjudicated through the medical claims paying system. ESI has wholly owned subsidiaries, Accredo and CuraScript SP Pharmacy which are utilized for specialty drugs. These companies provide specialty pharmacy and related services for patients with certain complex and chronic health conditions. The focus of the specialty pharmacy is on infused, injectable, and oral drugs that:

- Are used recurrently to treat chronic and life-threatening diseases
- Are expensive
- Are difficult to administer
- May cause adverse reactions
- Require temperature control or other specialized handling
- May have restrictions as determined by the FDA

Accredo locations have been continuously accredited by The Joint Commission Home Care Accreditation Program since 2003. Beginning in 2011, Accredo pursued and received URAC Specialty Pharmacy Accreditation. The major Accredo locations in Warrendale PA, Corona CA, Greensboro NC, Orlando FL, Indianapolis IN, Memphis and Nashville TN are currently accredited by URAC.

## **III. ELIGIBILITY**

Eligibility files are maintained on-line at ESI. Communication of eligibility for PEBP participants to ESI is determined by the eligibility listing received daily from PEBP. This includes changes, additions, terminations, dependent eligibility, and disabled dependent status. Eligibility information is loaded onto the ESI system within xxx hours of receipt. PEBP does have the option to have access to ESI's system so that manual eligibility can be entered; however, ESI stated that they have declined this option.

The ESI system has the ability to handle multiple eligibility periods for its members. Claims are processed by date of service to assure accurate processing without regard of benefit or eligibility changes. A pharmacist cannot add or change eligibility information.

The ID card is currently issued by PEBP's third party administrator, HealthSCOPE Benefits.

ESI relies on the information from PEBP to edit for an overage dependent. The ESI system shows dependents as either covered or not covered. ESI can provide claims data for participants who have terminated retrospectively.

ESI does have the capability for card to card COB determination through the RX system. ESI stated that currently PEBP is not using this feature.

ESI will deny any claim for Subrogation if they are notified of such by the TPA. ESI is not specifically notified of PEBP participants who elect benefits under COBRA rulings under the eligibility file from the TPA. These elected participants are included as active within the regular eligibility listing.

## **IV. CUSTOMER SERVICE**

### **A. Customer Service Availability**

ESI Customer Service Representatives are available xxxx (x) days a week. In addition, an ESI Registered Pharmacist is available for questions xxx xxxx (xx) hours a day, xxxx (x) days a week. The telephone number for ESI is included on all prescription cards issued to the employees.

Benefit and specific client information is documented on-line. Telephone conversations are recorded. Customer Services Representatives are not able to make claim adjustments. Representatives are audited by phone monitoring and quality control.

Per the contract for services, the telephone response time is to be an average of xxxxx seconds (x:xx) or less. HCA obtained the data for this issue and found the aggregate average telephone response time to be in compliance with the guarantee for PEBP plan year 2019.

Per the contract for services, the telephone abandonment rate is to be less than xxxx percent (x%) of all calls. HCA obtained the data for this issue and finds that the abandonment telephone rate ranged from x.x% to x.x% for each quarter year measurement and found to be within the annual guarantee level.

### **B. Network Pharmacy Availability**

Per the contract for services, xx% of PEBP PPO Plan Participants must have a network pharmacy within xxx (x) miles of their residence. HCA requested a report that reflects this issue percentage and in response, received the Accessibility Summary Report from ESI. This report reflected that xx% of PEBP participants had at least xxxx (x) Network Pharmacy within x miles of their residence.

### **C. Customer Satisfaction Report**

Per Agreement, an annual Program Satisfaction Survey is to be conducted of PEBP plan participants who have used the pharmacy benefit. xxxxx percent (xx%) or more of participants must provide a “satisfactory” level of services received or a penalty can be assessed.

Per the Customer Satisfaction Survey results received from ESI, ESI did not meet the guaranteed metric measurement of xx% satisfied members surveyed. ESI supplied a report that displayed the results of the survey scorecard experienced by PEBP members to be at xx% for overall satisfaction during the audited period.

## **V. QUALITY ASSURANCE AND INTERNAL AUDITS/TRAINING**

### **A. Quality Assurance Programs**

Quality Assurance Programs exist for Benefit Administration, Eligibility and Pharmacy Services. Each department has its own procedures, checks and standards.

### **B. Internal Audit for Fraudulent/Abuse Claims**

ESI does conduct internal audits for possible fraudulent drug abuse related claims. ESI issues monthly reports which display potential risk claims and presents them to a committee of Registered Nurses and Doctors for determination of possible action.

### **C. On-site/ Internal Desk Audit of Vendors.**

ESI does perform on-site auditing of vendors. ESI audited xx.xx% of the pharmacies that submitted at least xxx claims, onsite and desk, for the time period 7/1/18-6/30/19.

### **D. Appropriate Care.**

The ESI claims system edits for appropriate diagnosis, age and gender as well as edits on quantity and dollar limits. If ESI receives a complaint from a participant regarding the quality of service provided by a pharmacy, the ESI Provider Relations Department will contact the pharmacy/pharmacist for immediate resolution.

### **E. Employee Self-Audit.**

ESI does not send EOB letters with a listing of prescriptions to PEBP participants in order to perform a self-audit. PEBP participants are able to view their EOB through the ESI website for self-audits.

### **F. Preapproval Programs.**

ESI offers a preapproval program to predetermine appropriateness and medical necessity of specific prescription drugs.

### **G. Disease Management Programs.**

ESI does offer Patient Care Management Programs to patients, physicians and pharmacists in the areas of Diabetic, etc.

### **H. Physician Assistance.**

Pre-certification is generally provided by ESI Clinical Pharmacists. ESI's Medical Director is also available to assist as necessary.

ESI does have educational programs for physicians and pharmacists for potential drug substitutions.

**I. Participant Assistance.**

ESI does offer educational materials to PEBP participants with chronic diagnosis(es) through the Disease Management program. ESI stated that PEBP groups allow them to disseminate information regarding the Diabetes Sense program but does not have any mandatory programs in place.

ESI does notify associates when a mail order prescription is shipped and filled with a name brand drug that a generic drug is available.

**J. Internal Audit/Training.**

ESI does have an Internal Audit Department. Newly hired ESI employees are required to complete a formal training program. The duration of the training varies by the department employing the new hire. Additional/continued training needs are identified by internal audits, Quality Assurance or a customer/client complaint.

**VI. SECURITY ACCESS**

Security logs are created and monitored by ESI. Passwords are utilized by ESI employees and client personnel and must be updated. Client can access online eligibility via internet.

**VII. REPORT CAPABILITIES**

**A. Possible Fraud and Drug Abuse.**

ESI does have the capability to provide possible fraud and drug abuse reports by pharmacy and physician.

**B. Percentage of Generic Drugs Dispensed.**

ESI provides monthly reports to PEBP groups that will allow them to monitor the percentage of generic drugs dispensed.

**C. Formulary Alternatives.**

ESI has the capability to produce detailed reports regarding the percentage of brand name prescriptions filled with a formulary alternative. ESI stated that they currently provide Formulary Utilization Reports for PEBP groups at no additional cost.

**D. Stop-Loss Accumulators.**

ESI can communicate information to the TPA of stop-loss (if or when it may be appropriate) on a monthly basis. Since PEBP does not include stop-loss coverage this process is not required.

**E. Prescribing Patterns of Individual Physicians.**

ESI does have the capability to produce reports detailing prescribing patterns of physicians.

**F. Large Numbers of Prescriptions per Patient.**

ESI does have the capability to provide information to PEBP regarding participants who incur a large number of prescription claims.

## **G. Current and Retrospective Drug Utilization Review.**

ESI does not generate reports to determine prescribing and dispensing patterns for patients and pharmacies. ESI currently does not provide Current DUR Savings or Retrospective DUR reports monthly for PEBP groups.

ESI's clinical pharmacist meets with the top prescribing physicians to provide benchmarking and encourages increased generic dispensing as well as use of OTC products.

ESI does provide retrospective DUR services. These services include:

- Therapeutic Duplication Review of same therapeutic class used concomitantly.
- Drug-Drug Interactions Review of drugs including any new drug interactions identified through review of clinical trials or warnings released by the FDA.
- High Prescription Utilization Review of all covered individuals.
- ESI reviews claims that are over a set dollar amount dispensed through retail and mail pharmacies.
- Narcotic/Controlled Substance Overutilization/Abuse Review of covered individuals who are utilizing multiple controlled substances and multiple physicians/pharmacies.
- Concurrent evaluations of medications with a potential for overuse.

## **H. Benefit Description Report**

ESI has a summary plan description for each individual client. PEBP's summary plan description is utilized to adjudicate claims per the PEBP PPO benefit plan.

## **VIII. SAVINGS**

### **A. Average savings from Average Wholesale Price (AWP).**

A contract was obtained between ESI and PEBP as sponsor which reflects the discount available to PEBP groups when using the Prescription Benefit Manager (PBM) program for name brand and generic drugs dispensed at retail and the discount available when utilizing the mail order program. The agreement relevant to the name brand discounting for this audited period was to be calculated and reported in post lawsuit effect Average Wholesale Pricing (AWP) values. HCA's audit conformed that name brand prescriptions, both retail and mail order are in compliance with terms negotiated within the agreement.

Savings percentages were calculated excluding the dispensing fee and any administrative cost.

The discount rates were audited against the following criteria for PEBP as described within the Prescription Drug Program Services Agreement Attachment Addendum No. 02 (Negotiated Items) and supplied to HCA:

<b>Drug Type</b>	<b>Discount</b>	<b>Disp. Fee</b>
Retail Name Brand 1-83 days	AWP-xx.xx%	\$x.xx
Retail Name Brand 84-90 days	AWP – xx.xx%	\$x.xx
Retail Generics	AWP – xx.xx%	\$x.xx 1 – 83 days \$x.xx 84 – 90 days
Mail Order Name Brand	AWP-xx.xx%	\$x.xx
Mail Order Generics	AWP-xx.xx%	\$x.xx
ESI Pharmacy Specialty Drugs	AWP – xx.xx%	\$x.xx

**B. Usual/Reasonable versus Discount Price.**

Pharmacies enter the Usual/Reasonable amount and the discounted price for each prescription into their computer database. These amounts are systematically compared, and the lower amount is paid. To assure ESI that their clients will pay the lowest cost available, the retail amounts submitted by the pharmacies are audited for accuracy.

**C. Generic Pricing and Carrier Ability to Encourage Generic Prescriptions.**

Typically, the copayments contained in a benefit plan encourage participants to utilize generic drugs. The application of these copayments (when applicable) is systematic. ESI does have the capability to entice the retailer to fill prescriptions with a generic drug by contracting reimbursement of higher dispensing fees. Retail pharmacists will receive an edit if a generic equivalent is available.

ESI does have capability to charge the member the difference between the cost of the brand and generic drug if a prescription is filled with a brand name drug solely at the patient’s request (DAW 2).

In other words, if a generic equivalent for a prescribed brand name drug is available (multisource) but the patient requests the brand name drug, the member pays the difference of the generic allowable and the brand name allowable rate.

ESI will reimburse the retailer the cost of the generic equivalent when a prescription is filled with the brand name drug due to the pharmacists choosing to dispense the brand name drug (DAW3). Provider contract does dictate reimbursement utilized for a DAW 3; however, ESI will reimburse the pharmacy at the generic pricing.

ESI will reimburse the retailer the cost of the generic equivalent when a prescription is filled with the brand name drug if a pharmacy is utilizing a (DAW 4) generic not in stock. The pharmacy is reimbursed at the generic pricing in this situation.

When the mail order program is utilized, the prescription is always filled with the generic equivalent unless prohibited by law.

ESI offers educational programs for physicians, pharmacists and patients for potential substitution of brand name with generic drugs.

## **Formulary Alternative**

This section is for review of the ESI formulary program. When a generic drug is not available, there may be more than one (1) brand name drug to treat a condition.

Formulary programs provide a list of recommended brand name drugs for physicians and pharmacists to utilize when prescribing and dispensing medications. It is an alternative tool for controlling rising drug costs while maintaining patient care.

The brand name drugs listed are a preferred list of drugs that have been selected based on their ability to meet a patient's needs at a lower cost. The Formulary maintained by ESI contains xx% of generic drugs and xxx single source brand drugs. Lists of these drugs are printed and distributed yearly and are available for review via the internet.

The Formulary Committee is composed of clinical pharmacists and a Clinical Director and the Review Committee is composed of physicians and Pharm Ds. Formulary medications are selected based on safety, efficiency, therapeutic merit, current standard of practice and cost. Changes are made as deemed necessary to remain responsive to the needs of patients and clients. Formulary educational materials are sent to physicians, pharmacies and patients.

ESI does have the capability to apply an employee rebate program for those employees who switch and utilize alternate drugs.

## **IX. COPAYMENTS**

### **A. Copayments**

HCA was supplied Benefit Summary for PEBP. The following copayments were - reflected in these summaries. The annual medical deductible does apply to dispensed prescription drug claims and is coordinated with the PEBP Medical Third Party Administrator.

#### **Consumer Driven Health Plan (CDHP)**

- In-network Retail:
  - Name Brand and Generic – 20% Co-Insurance after Deductible
  - Brand Non-Preferred –Not covered - 100% Copay
- Mail Order
  - Name Brand and Generic – 20% Co-Insurance after Deductible
  - Brand Non-Preferred –Not covered - 100% Copay
  - Out-of-network Provider – Not covered
- Specialty Medications
  - Name Brand and Generic – 20% Co-Insurance after Deductible
  - Out-of-network Provider – Not covered

### **Exclusive Provider Organization (EPO) Premier Plan**

- In-network Retail:
  - Name Brand - \$40.00 Copayment
  - Generic – \$7.00 Copayment
  - Brand Non-Preferred – \$75.00 Copayment
  
- Specialty Medications
  - Name Brand and Generic – 30% Co-Insurance after Deductible
  - Out-of-network Provider – Not covered

The audit detected no copayment exceptions within the categories of Retail Name Brand, Retail Generics, Mail Order Name Brand and Mail Order Generics.

#### ***ESI Comment:***

***Express Scripts has completed the research for the findings presented above and is available to discuss plan benefit set-up directly with Nevada PEBP should any questions remain.***

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