

Prescription Benefit Management Audit

ANNUAL FINDINGS REPORT

State of Nevada Public Employee Benefit Program Plans
Administered by Express Scripts

Audit Period: July 1, 2022 – June 30, 2023
Audit Number 3. FY2023

Presented to

State of Nevada Public Employee Benefit Program

Prepared by



Subcontractor to



PART OF THE BROWN & BROWN TEAM

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EXECUTIVE SUMMARY

This **Specific Findings Report** contains detailed information, findings, and conclusions the PillarRx Consulting, LLC's (PillarRx) audit team has drawn from our Prescription Benefit Management Audit of Express Scripts' (ESI's) administration of State of Nevada Public Employee Benefit Program's (PEBP's) pharmacy plan.

Scope

PillarRx performed an audit of ESI's administration of PEBP's pharmacy plan for the period of July 1, 2022, through June 30, 2023 (FY2023). The population of claims and amount paid during the audit period reported by ESI:

Pharmacy	
Number of Prescriptions Paid	463,240
Net Plan Paid	\$71,383,983.76

The audit included the following components which are described in more detail on the following pages.

1. Pricing and Fees Audit
2. Reconciliation of Pricing Guarantees
3. Benefit Payment Accuracy Review
4. Rebate Review
5. Performance Guarantee Review

Auditor's Findings

PillarRx has the following opinion/recommendations based on the FY2023 audit of ESI:

- ESI should complete a re-reconciliation of Pricing and Fees at the conclusion of the audit for the confirmed errors found. PEBP should ensure this is complete and variance is reimbursed.
- PillarRx recommends PEBP follow up with ESI to obtain reimbursement for penalty payments due PEBP for FY2023.
- ESI should provide an action plan to ensure performance guarantee will be met moving forward.
- For the minimum rebate guarantees, PillarRx recommends PEBP work with ESI on the contract interpretation differences and request the additional rebate money be paid to PEBP.

FY2023 Audit Findings	
Pricing and Fees Reconciliation	\$405,789.61 additional owed to PEBP
SLA Performance Guarantees	Missed targets for nine performance standards additional \$763,195.48 owed to PEBP (see detail below)
Minimum Rebate Reconciliation	\$5,154,762.98 additional owed to PEBP

Performance Guarantees FY 2023 (Missed Targets)		
Service Performance Standard	Penalty	Met/Not Met
Member Satisfaction with Retail, Mail Order, and Specialty Program (p. 14)	\$60,363.79	Not Met
Dispensing Timeliness – 2 Business Days (p. 14)	\$128,771.89	Not Met
Dispensing Timeliness – 4 Business Days (p. 14)	\$128,771.89	Not Met
Speed of Answer – Member (p. 14)	\$29,486.12	Not Met
Abandonment Rate – Member (p. 14)	\$29,486.12	Not Met
First Call Resolution (p. 14)	\$128,771.89	Not Met
Prior Approvals (p. 14)	\$128,771.89	Not Met
ID Card Turnaround – Maintenance (p. 15)	\$128,771.89	Not Met

AUDIT OBJECTIVES

This **Specific Findings Report** contains detailed information, findings, and conclusions that the PillarRx audit team has drawn from its audit of ESI's administration of PEBP's pharmacy plan. This report is provided to PEBP, the plan sponsor, and ESI the pharmacy benefit manager (PBM).

The findings in this report are based on data and information ESI and PEBP provided to PillarRx, and the report's validity relies upon the accuracy and completeness of that information.

The audit was planned and performed to obtain a reasonable assurance that prescription drug claims were adjudicated according to the terms of the contract between ESI and PEBP as well as client approved benefit descriptions (summary plan descriptions, plan documents or other communications).

PillarRx is a firm specializing in audit and control of pharmacy benefit plan administration. The statements made by PillarRx in this report relate narrowly and specifically to the overall efficacy of ESI's policies, processes, and systems relative to PEBP's paid claims during the audit period. While performing the audit, PillarRx complied with confidentiality, non-disclosure, and conflict of interest requirements and did not receive anything of value or any benefit of any kind other than agreed upon audit fees.

The objectives of the PillarRx audit of ESI's pharmacy benefit management were to:

- verify claims were processed in accordance with the pricing terms specified in the contract;
- verify claims adjudicated according to plan provisions;
- review minimum rebate guarantees and verified payment was made;
- validate ESI is meeting contractually approved Performance Guarantees.

PRICING AND FEES AUDIT

Objective

The Pricing and Fees Audit verified claims were processed in compliance with the discounts and fees specified in ESI's contract with PEBP.

Scope

After verification of the electronic claim data provided by ESI, PillarRx systematically repriced 100% of prescription drug claims paid during the audit period to determine whether:

- Discounts were applied correctly based on the lesser of the Maximum Allowable Cost (MAC), Average Wholesale Price (AWP), and Usual and Customary (U&C); and
- Pharmacy dispensing and administrative fees were applied correctly.

Methodology

Contract Document Review

PillarRx requested and received from PEBP and ESI the applicable contract, amendments, formulary drug lists, and reconciliation documents.

Claim Validation

We mapped and validated the raw claim data provided by ESI to our standard layout. Raw claim data represented the successive pharmacy claim transactions that included both paid and reversed claims and was critical to our understanding of ESI's processing and adjudication rules. Once mapped, the data was reconciled against control totals and put through a rigorous process referred to at PillarRx as data forensics – or the verification of claim data by assessing appropriate patterns and relationships. The data forensics included comparing the mapped data to the following benchmarks:

- Prior Authorizations (PA)
- Rejections
- Reversals
- National Provider Identifier (NPI)
- National Drug Code (NDC)

To complete the claim validation, we conducted a conference call with ESI to verify whether:

- Pharmacy benefit claims data provided for this audit was complete and accurate;
- Claims were loaded correctly into the PillarRx system; and
- Claim counts and total paid claim amounts were accurate.

Pricing and Fees Analysis

The analysis of pricing and fees included electronic comparison of the pharmacy reimbursements for brand, generic and specialty drugs, or products.

The allowance for brand drugs compared the contracted guaranteed reimbursement rate to the ingredient cost. For this audit of ESI, the ingredient cost allowance was determined using the Blue Book AWP from the MediSpan Drug Database or the pharmacy's U&C listed on the claim for the date each

prescription was dispensed. ESI used MediSpan as well as First Data Bank for generic or brand drug classification.

PillarRx also electronically verified dispensing fees for each drug type, distribution channel, and service fees (e.g., compound drug service fees) were paid in accordance with ESI's contract.

Findings

Pricing Findings

ESI applied adjudication methods for determining the correct allowance for prescriptions drugs by type and distribution method during the audit period.

Dispensing Fee Findings

The dispensing fee was the amount contractually agreed upon by PEBP and ESI as the amount to be paid by the plan to the pharmacy for dispensing a prescription.

As shown in the following table, the dispensing fee analysis identified fees were not in alignment based on the contract for FY2023.

Note: In the following chart, a **negative** variance indicates a higher than contracted dispensing fee collected. A **positive** variance indicates a lower than contracted dispensing fee collected. Only negative variances have been included in the Total as outlined in contract guidelines.

Dispensing Fees (7/1/2022 – 6/30/2023)					
Component Description*	Contracted Dispensing Fee	Number of Claims	Total Actual Dispensing Fee	Total Contracted Dispensing Fee	Total Overage/ (Shortfall)
Retail Brand (1-83 DS)**	\$0.35	42,530	\$199,238.94	\$14,885.50	(\$184,353.44)
Retail Brand (84-90 DS) **	\$0.00	5,695	\$31.70	\$0.00	(\$31.70)
Retail Generic (1-83 DS)**	\$0.35	264,508	\$109,232.75	\$92,577.80	(\$16,654.95)
Retail Generic (84-90 DS)**	\$0.00	42,194	\$157.26	\$0.00	(\$157.26)
Mail Brand	\$16.03	14,286	\$141,669.76	\$229,004.58	\$87,334.82
Mail Generic	\$16.03	61,437	\$996,710.67	\$984,835.11	(\$11,875.56)
Specialty Accredo Brand	\$170.00	5,117	\$852,056.95	\$869,890.00	\$17,833.05
Specialty Accredo Generic	\$170.00	356	\$54,195.71	\$60,520.00	\$6,324.29
TOTAL		436,123	\$2,353,293.74	\$2,251,712.99	(\$213,072.91)

*Compound, Over the Counter, Retail Usual and Customary, Vaccines, Subscriber, and Coordination of Benefits claims were excluded from contract guarantees, PillarRx reviewed claims for reasonableness and found no outliers.

** DS= Days' Supply

RECONCILIATION OF PRICING GUARANTEES

Objective

The Reconciliation of Pricing Guarantees determined whether the discount savings and other price controls with guaranteed performance levels in ESI's contract with PEBP were met, and if not met, that accurate credit or payment was made to PEBP within the timeframe specified in the contract.

Scope

Using the terms of PEBP's contract with ESI, we accumulated prescription claims by type and distribution method for the period specified in the contract and balanced the total discount savings against the specified minimum discount guarantees. Similarly, other performance guarantees were mapped against the actual prescription claims as adjudicated during the prescribed contract periods for performance guarantees. This reconciliation included the following contractual guarantees:

- AWP discounts applied for each drug against third party pricing sources;
- MAC allowance for generic;
- Specialty drug allowance; and
- Dispensing fees.

Methodology

PillarRx used its proprietary AccuCAST® system to electronically compile total discount savings by silo (drug type and distribution method) and compare them to the contract guarantees in the ESI contract. If ESI's performance fell short of any of the guarantees, we validated that ESI recognized the shortfall and credited or paid the difference to PEBP on a timely basis.

Findings

The following tables demonstrate our findings relative to pricing guarantees.

Note: In the following chart, only underperformances have been included in the total as outlined in contract guidelines.

Key	Over Performance > Greater Than Contracted Rates			Acceptable Performance — Same as Contracted Rates		Underperformance < Less Than Contracted Rates	
Discounts FY2023							
Component Description*	Number of Claims	Contracted Discount Rate	Actual Discount Rate	Difference in Rate (Contracted vs Actual)	Contracted Claim Ingredient Cost	Actual Claim Ingredient Cost	Variance Total Overage/ (Shortfall)
Retail Brand (1-83 DS)**	42,530	22.50%	22.52%	+.02%	\$11,847,836.11	\$11,844,654.34	\$3,181.77 >
Retail Brand (84-90 DS)**	5,695	27.53%	25.54%	-1.99%	\$7,499,718.70	\$7,705,419.74	(\$205,701.04) <
Retail Generic (1-83 DS)**	264,508	85.60%	86.35%	+0.75%	\$4,449,389.79	\$4,217,150.85	\$232,238.94 >
Retail Generic (84-90 DS)**	42,194	88.15%	88.50%	+0.35%	\$2,117,496.86	\$2,055,410.34	\$62,086.52 >
Mail Brand	14,286	21.20%	20.04%	-1.16%	\$11,703,294.78	\$11,875,387.51	(\$172,092.73) <
Mail Generic	61,437	94.95%	92.36%	-2.59%	\$1,120,486.17	\$1,695,199.14	(\$574,712.97) <
Specialty Accredo Brand	5,117	85.00%	68.37%	-16.63%	\$416,082.71	\$877,250.66	(\$461,167.95) <
Specialty Accredo Generic	356	21.30%	20.83%	-0.47%	\$39,179,975.95	\$39,415,804.12	(\$235,828.17) <
				TOTAL	- 21.72%	\$78,334,281.07	\$79,686,276.70
							(\$1,649,502.86) <

*Compound, Over the Counter, Retail Usual and Customary, Vaccines, Subscriber, and Coordination of Benefits claims were excluded from contract guarantees. PillarRx reviewed claims for reasonableness and found no outliers. The aggregate total for each standard is calculated separately (retail, mail, and specialty) and then combined to determine the total over or underperformance.

** DS= Days' Supply

PillarRx found that ESI incorrectly excluded 21,756 vaccine and nine specialty brand claims that should have been included in the guarantees. PillarRx also found that ESI incorrectly included three claims in the mail guarantee that should have instead been included in specialty. ESI confirmed these errors and agreed to re-reconcile at the conclusion of the audit.

In summary, when aggregating the pricing guarantee discounts with the dispensing fee outcome, ESI self-reported a total underperformance of (\$1,456,379.24). However, PillarRx found an additional underperformance due the client in the amount of \$405,789.61. See chart below for breakout.

	PillarRx Combined Discounts and Dispensing Fee Guarantees	ESI Combined Discounts and Dispensing Fee Guarantee Reconciliation
Discounts	(\$1,649,502.85)	(\$1,416,877.32)
Dispensing Fees	(\$213,072.91)	(\$39,501.92)
Price Assured Shared Savings	\$73,581.36	\$73,174.45
FY2023	(\$1,788,994.40)	(\$1,383,204.79)

ESI has agreed to the additional underperformance error and will work with PEBP to make the appropriate payments.

BENEFIT PAYMENT ACCURACY REVIEW

Objective

The objectives of the Benefit Payment Accuracy Review was to verify correct adjudication of plan design provisions and quantify potential opportunities for recovery and/or cost savings.

Scope

PillarRx created an exact model of the benefit plan parameters of PEBP's pharmacy plan in AccuCAST and systematically re-adjudicated 100% of paid prescription drug claims. Benefit plan parameters analyzed included, but were not limited to:

- Age and gender
- Copay/coinsurance
- Day supply maximums
- Excluded drugs
- Prior authorizations
- Quantity limits
- Refill limits
- Zero balance claims

Methodology

After receiving the plan documentation from PEBP and ESI including member cost share, accumulators and coverage rules, and summary plan descriptions and/or plan documents, PillarRx programmed PEBP's plan design in AccuCAST. Each claim was then readjudicated and exceptions were identified. The exceptions were aggregated by category and our benefit analysts reviewed each category.

Exceptions that could not be explained were submitted to ESI for review. When adequate documentation was provided to support that exceptions were adjudicated correctly, AccuCAST was reset to represent the revised plan parameters and the claims were electronically readjudicated to ensure consistency.

Findings

Cost share indicates the dollar amount required to be paid by the member when a prescription drug is purchased. A PillarRx cost share audit compares the plan design received from ESI to the plan design received from PEBP. Benefit plan design rules are created to ensure members' claims have been properly adjudicated at the pharmacy.

Member Cost Share

Cost share (copay, deductible, or coinsurance) represented the dollar amount required to be paid by the member when a prescription drug was purchased. Our observations and conclusions relative to cost share application are shown in the following chart.

Member Cost Share (7/1/2022 – 6/30/2023)	
Total Claims	Cost Share Collected
463,240	\$17,240,707.38

PillarRx submitted 246 claims based on 8 different observations to ESI that represented potential exceptions to the member cost share requirements for FY2023. After review of the supporting documentation and explanations provided by ESI, PillarRx was able to confirm that claims were processing correctly. A description of each observation and responses can be found below.

Observation 1 – Glucose Monitors not applying \$0 Cost Share.

ESI Response – Per supporting documentation, CDHP PEBP Master Plan, members are only allowed one \$0 blood glucose monitor per plan year.

PillarRx agrees, nothing additional required.

Observation 2 – ACA medication applying cost share greater than \$0.

ESI Response – Bowel Prep- ESI noted that per "Attachment F -BAC Addendums" and "Preventive Set up Form BAC Addendum" Bowel Prep products follow an age restriction of adults >49 and <76 years of age. The age requirement changes to 45 - 75 years of age on 1/1/2023.

ACA Contraceptives Statins- ESI noted that these drug were targeted by the RRA program, and the member had exceeded their retail refill allotment prior to the processing of this claim. The member was appropriately charged the RRA copay as RRA takes precedence over HCR copay waivers.

PillarRx agrees, nothing additional required.

Observation 3 – \$20 copay not applying for Generic Mail Order claims.

ESI Response – ESI noted these were adjustment claims. State of Nevada executed a new contract with ESI effective 7/1/2022. This was a very unique Agreement with Mail Order and Accredo acquisition cost billing. ESI is to bill State of Nevada as close to ESI's acquisition costs as possible. Pricing was submitted to be full Pass-through at the Carrier Level. It was not detected until February 2023 that some pricing for State of Nevada was at the Contract Id level. Therefore, Smart90 Pass-Through pricing and Mail Order/Accredo pricing was not using Carrier Level. The Pricing team has included a step in their process to review existing pricing to prevent any negative effects on new contractual pricing due to outdated pricing setups. The client was reimbursed on 7/26/2023. Please note impact related to this issue would have been discussed and shared with the client at the time the adjustment was completed.

PillarRx agrees but recommends confirmation from PEBP that they received the appropriate adjustment.

Observation 4 – Mail Preferred Brand claims applying greater than \$80 copay at ESI Pharmacies.

ESI Response – ESI noted these claims were adjustment claims. State of Nevada executed a new contract with ESI effective 7/1/2022. This was a very unique Agreement with Mail Order and Accredo acquisition cost billing. ESI is to bill State of Nevada as close to ESI's acquisition costs as possible. Pricing was submitted to be full Pass-through at the Carrier Level. It was not detected until February, 2023 that some pricing for State of Nevada was at the Contract Id level. Therefore, Smart90 Pass-Through pricing and Mail Order/Accredo pricing was not using Carrier Level. The Pricing team has included a step in their process to review existing pricing to prevent any negative effects on new contractual pricing due to outdated pricing setups. The client was reimbursed on 7/26/2023. Please note impact related to this issue would have been discussed and shared with the client at the time the adjustment was completed.

PillarRx agrees but recommends confirmation from PEBP that they received the appropriate adjustment.

Observation 5 – Generic Meds applying a \$0 cost share at Mail Order.

ESI Response – ESI noted these claims were adjustment claims. State of Nevada executed a new contract with ESI effective 7/1/2022. This was a very unique Agreement with Mail Order and Accredo acquisition cost billing. ESI is to bill State of Nevada as close to ESI's acquisition costs as possible. Pricing was submitted to be full Pass-through at the Carrier Level. It was not detected until February, 2023 that some pricing for State of Nevada was at the

Contract Id level. Therefore, Smart90 Pass-Through pricing and Mail Order/Accredo pricing was not using Carrier Level. The Pricing team has included a step in their process to review existing pricing to prevent any negative effects on new contractual pricing due to outdated pricing setups. The client was reimbursed on 7/26/2023. Please note impact related to this issue would have been discussed and shared with the client at the time the adjustment was completed.

PillarRx agrees but recommends confirmation from PEBP that they received the appropriate adjustment.

Observation 6 – Mail Preferred Brand claims applying \$0 cost share at Mail Order.

ESI Response – ESI noted these claims were adjustment claims. State of Nevada executed a new contract with ESI effective 7/1/2022. This was a very unique Agreement with Mail Order and Accredo acquisition cost billing. ESI is to bill State of Nevada as close to ESI's acquisition costs as possible. Pricing was submitted to be full Pass-through at the Carrier Level. It was not detected until February, 2023 that some pricing for State of Nevada was at the Contract Id level. Therefore, Smart90 Pass-Through pricing and Mail Order/Accredo pricing was not using Carrier Level. The Pricing team has included a step in their process to review existing pricing to prevent any negative effects on new contractual pricing due to outdated pricing setups. The client was reimbursed on 7/26/2023. Please note impact related to this issue would have been discussed and shared with the client at the time the adjustment was completed.

PillarRx agrees but recommends confirmation from PEBP that they received the appropriate adjustment.

Exclusions

Exclusions specify the drugs and products that a plan would not cover unless there was a Prior Authorization (PA) on file. Based on documentation provided by ESI, PillarRx created excluded drug and PA drug listings and re-adjudicated the claims for these non-covered and prior authorized medications.

Observation 7 – Claims processing with no PA on file.

ESI Response – ESI notes that the pharmacy submitted this claim with an 'SCC_1' of '13'. This is an emergency override submission clarification code (SCC) which caused the claim to pay without a UM Review. Please see the 'SCC_1' field for support. Claims that process with an emergency override are excluded from clinical rules processing.

PillarRx Follow Up Response – Please provide supporting documentation showing that claims that are processed with an emergency override of 13 are excluded from clinical rule processing and that that is the standard practice and intent of the pharmacy benefit.

ESI Response 2 – Please see the attached email titled “[EXTERNAL] RE: BDR 57-71”. The client was aware and acknowledged that “The Emergency Access to Benefits claims processing capability ensures access to pharmacy benefits for members during an emergency. It would not provide members any exception to the benefit design. For example, if a CDHP member needs an early fill of their maintenance medication during a declared natural disaster, this added benefit allows that individual the ability to obtain that medication. If that medication has an expired PA and a PA case is not yet completed, this emergency access benefit will bypass that so that the member can get their meds. If that CDHP individual has not satisfied their DED, they will still be subject to paying 100% in that DED phase of the benefit.”

PillarRx agrees no issue - Per the [EXTERNAL] RE: BDR 57-71 email provided, claims that process with an emergency override are excluded from clinical rules processing.

Administration of Age Rules

Age rules specify that a participant must be within a specific age group for a specific medication to be covered. Sample claims including review of age rules were included and reviewed in Observation 2 for bowel prep medications.

PillarRx found no issues, nothing additional required.

Administration of Quantity Limits

Quantity limits are included in plans to ensure safety and appropriate utilization. PillarRx noted that based on the language in the drug coverage documents provided by ESI, claims were adjudicated within plan parameters.

Observation 8 – Claims exceeding the max quantities allowed per plan.

- Erectile dysfunction drugs exceeding max quantity of 8 in 30 days or 24 units in 90 days.
- Nizoral 2% shampoo to be dispensed at max quantity of 120mL in 21 days or 360mL in 63 days.

ESI Response – ESI noted that the pharmacy submitted this claim with an 'SCC_1' of '13'. This is an emergency override submission clarification code (SCC) which caused the claim to pay without a UM Review. Please see the 'SCC_1' field for support. Claims that process with an emergency override are excluded from clinical rules processing.

PillarRx Follow Up Response – Please provide supporting documentation showing that claims that are processed with an emergency override of 13 are excluded from clinical rule processing and that that is the standard practice and intent of the pharmacy benefit.

ESI Response 2 – Please see the attached email titled “RE: BDR 57-71” and “[EXTERNAL] RE: BDR 57-71”. Nevada PEBP has the following in place today for Emergency Access to Benefits: Option 1: allowing the benefit to automatically use this benefit without action from myself to activate it in time of a declared disaster. However, this option is limited to a set amount of fills per a period of time. They are set up to allow 1 additional fill every 365 days. This fill will bypass all edits: refill too soon, refills not allowed, PA required, step therapy requirements, dose edits (but does not apply to maximum daily dose high dose rejects).

PillarRx agrees No issue. Per the [EXTERNAL] RE: BDR 57-71 email provided, claims that process with an emergency override are excluded from clinical rules processing.

PERFORMANCE GUARANTEE REVIEW

Objective

The objectives of PillarRx's Performance Guarantee Assessment is to verify ESI's internal quality control measures critical to minimizing financial loss meet the States contractual requirements and are in full compliance with all applicable laws, regulations, and industry standards.

Findings

PillarRx reviewed the annual performance guarantee documentation provided by ESI for reporting period, July 2022 through June 2023, and summarized the findings in the chart below. Overall, ESI met most of the expectations for the contracted standards.

Guarantee and Metric		Penalty	Met/ Not Met
1	Implementation Guarantee Benefit Set Up: Measured by vendor's ability to complete all key functions in an accurate and timely manner according to the detailed work plan. Must achieve an average of 4 or better on a scale of 1 to 5.	Year 1 – \$5.00/member	Met
2	Implementation Guarantee ID Card Production and Mailing: within five (5) business days.	Year 1 – \$5.00/member	Met
3	Implementation Guarantee Open Enrollment Support: provide support for open enrollment meetings.	Year 1 – \$5.00/member	Met
4	Implementation Guarantee Pre-Implementation Audit: Guarantees that the pre-implementation audit will be completed, including follow up test claims at least 15 days prior to effective date.	\$30,000 per implementation audit	Met
5	Overall, Client Satisfaction with Service: ESI will initiate quarterly customer service reviews, with PEBP staff and call center staff to analyze member questions and trends to improve member and client satisfaction. Measured and reported annually.	\$300,000	Met
6	Pharmacy Access Rate: At least 97% of participants shall reside within 1.5 miles of a network pharmacy for Urban areas, within 3 miles for Suburban areas and within 10 miles for Rural areas. Measured and reported annually.	1% Annual Administrative Fees	Met
7	Network Stability: There will not be greater than 5% total net loss of pharmacies in the broadest network. Measured and reported annually.	1% Annual Administrative Fees	Met
8	Account Management Action Log: Designated members of client's staff will complete an annual report card to evaluate vendor account team, or the overall service performance. PBM shall be responsible for survey design, data collection, analysis and all costs associated with conducting the surveys. Measured and reported annually.	1% Annual Administrative Fees	Met
9	Account Management Open Issue Log: Account team will maintain an open issues log and share it with client on at least a monthly basis.	2% Quarterly Administrative Fees	Met
10	Account Management Responsiveness: Respond to client within 2 business days: Service warranty within 5 business days.	2% Quarterly Administrative Fees	Met
11	Account Management Team Continuity: Account team will not change over the duration of the contract term except for promotion or termination of employment, unless mutually agreed by client and PBM. Target 100%	2% Quarterly Administrative Fees	Met
12	Annual Benefit Plan Review: Vendor will conduct an annual benefit plan review by November 15 th .	1% Annual Administrative Fees	Met
13	Timeliness of Standard Performance: Monthly – within 15 business days of the end of billing cycle. Quarterly – within 30 business days of the end of billing cycle.	2% Quarterly Administrative Fees	Met
14	Timeliness of Billing Reports: Vendor will mail billing reports, providing client with detailed claim activity within 5 business days.	2% Quarterly Administrative Fees	Met
15	Timeliness of Management Reports: Standard quarterly management reports shall be available within 45 calendar days.	2% Quarterly Administrative Fees	Met

Guarantee and Metric		Penalty	Met/ Not Met
16	Fraud, Waste and Abuse Reporting: Vendor will provide quarterly reports to client addressing potential fraud, waste, and abuse within 30 calendar days.	2% Quarterly Administrative Fees	Met
17	Claims Compliance Format: Vendor will guarantee that 99% of the prescription drug claims submitted on behalf of eligible participant will be submitted in a HIPAA-compliant format.	2% Quarterly Administrative Fees	Met
18	Claims Processing Accuracy: Based on vendor's internal quality review for retail, mail order, and specialty claims. Target 99.99%	2% Quarterly Administrative Fees	Met
19	Eligibility Processing Accuracy: Vendor guarantees that 100% of usable, error-free eligibility files received by organization will be loaded without error.	2% Quarterly Administrative Fees	Met
20	Eligibility Updates: 2 Business days	2% Quarterly Administrative Fees	Met
21	Retail Direct Reimbursement Claims Timeliness of Processing and Response: 5 business days.	2% Quarterly Administrative Fees	Met
22	Mail Order Turnaround Time for Prescription Drugs Requiring no Intervention: 100% dispensed within 2 Business Days	2% Quarterly Administrative Fees \$128,771.89	Not Met Q1 - 94% Q2 - 94% Q3 - 90% Q4 - 91%
23	Mail Order Turnaround Time for Prescription Drugs Requiring Administrative/ Clinical Intervention: 100% dispensed within 4 Business Days	2% Quarterly Administrative Fees \$128,771.89	Not Met Q1 - 97% Q2 - 97% Q3 - 97% Q4 - 97%
24	Mail Order Dispensing Accuracy: 99.99%	2% Quarterly Administrative Fees	Met
25	Average Speed of Answer: 100% of calls will be answered by a live voice within an average of 25 seconds or less.	2% Quarterly Administrative Fees \$29,486.12	Not Met Q1 - 6.1 Q2 - 17.7 Q3 - 107.8 Q4 - 4.4
26	Phone Abandonment Rate: 2% or less will be abandoned before the call is answered by CSR.	2% Quarterly Administrative Fees \$29,486.12	Not Met Q1 - 0.3% Q2 - 0.7% Q3 - 6.1% Q4 - 0.2%
27	First Call Resolution: At least 98% of all calls will be resolved at first point of contact.	2% Quarterly Administrative Fees \$128,771.89	Not Met Q1 - 97% Q2 - 97% Q3 - 97% Q4 - 96%
28	Prior Approvals: PBM will respond to requests for prior approval for specific drugs following receipt of all required information in no more than 2 Business Days.	2% Quarterly Administrative Fees \$128,771.89	Not Met Not Measured All 4 Quarters
29	Plan Administration Turnaround Time: Vendor guarantees that client's standard plan design changes will be implemented within 10 calendar days.	2% Quarterly Administrative Fees	Met
30	Member Satisfaction with Retail, Mail Order, and Specialty Program: At least 95% satisfaction.	2% Quarterly Administrative Fees	Not Met Q1 - 90% Q2 - 89% Quarters 3 and 4 Not Measured

Guarantee and Metric			Penalty	Met/ Not Met
31	ID Card Mailing: Vendor will issue at least 99% of all new member ID cards within four business days and 100% within seven business days following your receipt and update of a processable eligibility tape or transmission identifying the applicable eligible participant(s).		2% Quarterly Administrative Fees \$128,771.89	Not Met <i>Not Measured All 4 Quarters</i>
32	Written Inquiry (Paper or Electronic mail response time): 100% within 5 Business days or 98% within 7 Business days.		2% Quarterly Administrative Fees	Met
33	Performance Guarantee Reporting: Vendor guarantees to provide reporting to the client within 45 calendar days of the end of the measurement period.		2% Quarterly Administrative Fees	Met

The penalties shown in the table above, *Performance Guarantees FY 2023 (Missed Targets)*, have been calculated based on the total admin fees reported by ESI for FY 2023. Please see table below for breakout.

Total Admin Fees FY2023		
Quarter	Amount	Calculated 2%
1	\$1,065,334.43	\$21,306.69
2	\$1,952,855.04	\$39,057.10
3	\$1,474,306.11	\$29,486.12
4	\$1,946,098.91	\$38,921.98
Total FY 2023	\$6,438,594.59	\$128,771.89

REBATE REVIEW

Objective

The Rebate Review provides confirmation that ESI reimbursed PEBP the minimum amount per brand claim as outlined in the PBM contract.

Scope

PillarRx's Rebate Review assessed whether the minimum per claim rebates listed within PEBP's contract with ESI were met. The review assessed whether there were any differences between the rebates contractually agreed upon between PEBP and ESI and the rebate amounts that were actually paid to PEBP.

Methodology

PillarRx identified each brand claim per distribution channel and calculated the minimum rebate amount owed to PEBP based on its contract terms with ESI. These amounts were then reconciled against the rebate reports provided by ESI.

Findings

PillarRx has found that differences can occur in the rebate amounts billed to manufacturers by a PBM and the rebate amount calculated by PillarRx for an individual health plan. The primary reason for this difference lies in the common practice by PBMs of submitting rebate-eligible claims to a manufacturer for the PBM's book of business rather than for each plan sponsor individually.

This typically works to the advantage of the plans, as the amount of rebates paid by the manufacturer will be based on a larger pool of claims. The PBM then pays rebates to each plan sponsor separately based on the plan's claims.

Rebate Calculations FY2023		
Component Description	Number of Claims	Total Minimum Contract Rebate
Brand 1-83 Days' Supply	18,071	\$4,698,460.00
Brand 84-90 Days' Supply	5,752	\$4,486,560.00
Specialty Accredo	4,736	\$10,467,410.00
Specialty	645	\$331,188.00
Mail Brand	8,784	\$6,851,520.00
TOTAL	37,988	\$26,835,138.00

ESI Rebate Payments FY 2023		
Allocation Period	Payment Date	Total Amount
FY23 Q1: 7/1/22 - 9/30/22	11/28/2022	\$6,071,449.81
FY23 Q2: 10/1/22 - 12/31/22	2/27/2023	\$6,284,649.96
FY23 Q3: 1/1/23 - 3/31/23	5/26/2023	\$5,819,454.30
FY23 Q4: 4/1/23 - 6/30/23	8/30/2023	\$3,504,820.95
	TOTAL	\$21,680,375.02

ESI's rebate amount is less than PillarRx's calculated rebate amount. PillarRx's Rebate Review showed, based on the minimum rebates stipulated within the contract between PEBP and ESI, that ESI did not meet the minimum rebates owed. PillarRx found a variance of (\$5,154,762.98) which is owed to PEBP. Please see below for a summary of the differences.

PillarRx found a discrepancy of 21,879 claims.

- 20,346 claims had a lower rebate amount than expected.
- Six claims were expected to be included with the ESI specialty but were included in the general retail/mail categories.
- Two claims were expected to be included within the mail specialty bucket, not retail.
- 69 claims were expected to be included in rebates but were not found on the rebate reconciliation provided by ESI.
- 1,456 claims were non-preferred brand claims that were included in rebates.

PillarRx and ESI disagree on ESI's response to the minimum rebate differences and recommends PEBP and ESI discuss the discrepancies. PillarRx and ESI have different interpretations of the contract language. ESI states the guaranteed amount provided in the contract is prorated based on the days' supply of the claim, yet there is no methodology included, nor does it state this in the contract. Additionally, per PEBP ESI contract Attachment DD – Fee Schedule, non-preferred brand claims should be included in the minimum rebate guarantees, yet ESI stated they should be excluded.

Upon review of the rebate amount difference and contract methodology, PEBP agrees with PillarRx and requests ESI to provide the specific contract details that states prorating of the rebate dollars is correct.

RECOMMENDATIONS

PillarRx has the following opinion/recommendations based on the FY2023 audit of ESI:

1. ESI should complete the re-reconciliation of the Pricing and Fees at the conclusion of the audit for the confirmed errors found. PEBP should ensure this is completed and any variance reimbursed.
2. For the performance guarantee standards not met, PEBP should follow up with ESI to obtain reimbursement for penalty payments due for FY2023.
3. ESI should provide an action plan to ensure performance guarantees are met.
4. For the minimum rebate guarantee, PEBP should work with ESI on the contract interpretation differences and request any additional rebate money be paid to PEBP.

APPENDIX – PBM RESPONSE TO DRAFT REPORT



May 9, 2024

Shaidikia DeVaughn
PillarRx Consulting
shaidikia.devaughn@pillarrx.com

RE: State of Nevada Specific Findings DRAFT Report FY 2023

Dear Shaidikia DeVaughn:

Please find enclosed ESI's responses to the pharmacy audit report received on 4/8/2024 that was performed on behalf of Nevada Public Employees Benefit Program for the audit period 7/1/2022 - 6/30/2023. ESI has provided responses as well as excerpts from the PillarRx report to provide context.

If you have any questions after reviewing the enclosed information, please let me know.

Sincerely,

Marcia Corredor
Client Audit Senior Advisor



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PRICING AND FEES AUDIT

Pricing and Fees Audit Objective

The Pricing and Fees Audit verified that claims were processed in compliance with the discounts and fees specified in ESI's contract with the PEBP.

Pricing and Fees Audit Scope

After verification of the electronic claim data provided by ESI, PillarRx systematically repriced 100% of prescription drug claims paid during the audit period to determine that:

- Discounts were applied correctly based on the lesser of MAC, Average Wholesale Price (AWP), and Usual and Customary (U&C); and
- Pharmacy dispensing and administrative fees were applied correctly.

Pricing and Fees Audit Methodology

Contract Document Review

PillarRx requested and received from PEBP and ESI each contract, amendments, formulary drug lists, and reconciliation documents.

Claim Validation

We mapped and validated the raw claim data provided by ESI to our standard layout. Raw claim data represented the successive pharmacy claim transactions that included both paid and reversed claims and was critical to our understanding of ESI's processing and adjudication rules. Once mapped, the data was reconciled against control totals and put through a rigorous process referred to at PillarRx as data forensics – or the verification of claim data by assessing appropriate patterns and relationships. The data forensics included comparing the mapped data to the following benchmarks:

- Prior authorizations
- Rejections
- Reversals
- National Provider Identifier (NPI)
- National Drug Code (NDC)

To complete the claim validation, we conducted a conference call with ESI to verify that:



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- Pharmacy benefit claims data provided for this audit was complete and accurate;
- Claims were loaded correctly into the PillarRx system; and
- Claim counts and total paid claim amounts were accurate.

Pricing and Fees Analysis

The analysis of pricing and fees included electronic comparison of the pharmacy reimbursements for brand, generic and specialty drugs, or products.

The allowance for brand drugs compared the contracted guaranteed reimbursement rate to the ingredient cost. For this audit of ESI, the ingredient cost allowance was determined using the Blue Book AWP from the MediSpan Drug Database or the pharmacy's U&C listed on the claim for the date each prescription was dispensed.

PillarRx also verified electronically that dispensing fees for each drug type, distribution channel and service fees (e.g., compound drug service fees) were paid in accordance with ESI's contract.

Pricing and Fees Audit Findings

Pricing Findings

ESI applied adjudication methods for determining the correct allowance for prescriptions drugs by type and distribution method during the audit period.

Dispensing Fee Findings

The dispensing fee was the amount contractually agreed upon by the PEBP and ESI as the amount to be paid by the plan to the pharmacy for dispensing a prescription.

As shown in the following table, the dispensing fee analysis identified fees were not in alignment based on the contract for FY2023.

Note: In the following chart, a **negative** variance indicates a higher than contracted dispensing fee collected. A **positive** variance indicates a lower than contracted dispensing fee collected.

Dispensing Fees (7/1/2022 – 6/30/2023)					
Component Description*	Contracted Dispensing Fee	Number of Claims	Total Actual Dispensing Fee	Total Contracted Dispensing Fee	Total Overage/ (Shortfall)



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Retail Brand (1-83DS)	\$0.35	42,530	\$199,238.94	\$14,885.50	(\$184,353.44)
Retail Brand (84-90 DS)	\$0.00	5,695	\$31.70	\$0.00	(\$31.70)
Retail Generic (1-83 DS)	\$0.35	264,508	\$109,232.75	\$92,577.80	(\$16,654.95)
Retail Generic (84-90 DS)	\$0.00	42,194	\$157.26	\$0.00	(\$157.26)
Mail Brand	\$16.03	14,286	\$141,669.76	\$229,004.58	\$87,334.82
Mail Generic	\$16.03	61,437	\$996,710.67	\$984,835.11	(\$11,875.56)
Specialty Accredo Brand	\$170.00	5,117	\$852,056.95	\$869,890.00	\$17,833.05
Specialty Accredo Generic	\$170.00	356	\$54,195.71	\$60,520.00	\$6,324.29
TOTAL	436,123	\$2,353,293.74	\$2,251,712.99	(\$213,072.91)	

**Compound, Over the Counter, Retail Usual and Customary, Vaccines, Subscriber, and Coordination of Benefits claims were excluded from contract guarantees, PillarRx reviewed claims for reasonableness and found no outliers.*

ESI Response – Pricing and Fees Audit Findings

ESI acknowledges this was provided for informational purposes only.

RECONCILIATION OF PRICING GUARANTEES

Reconciliation of Pricing Guarantees Objective

The Reconciliation of Pricing Guarantees determined if the discount savings and other price controls with guaranteed performance levels in ESI's contract with the PEBP were met, and if not met, that accurate credit or payment was made to the PEBP within the timeframe specified in the contract.

Reconciliation of Pricing Guarantees Scope

Using the terms of the PEBP's contract with ESI, we accumulated prescription claims by type and distribution method for the period specified in the contract and balanced the total discount savings against the specified minimum discount guarantees. Similarly, other performance guarantees were mapped against the actual prescription claims as adjudicated during the prescribed contract periods for performance guarantees. This reconciliation included the following contractual guarantees:

- AWP discounts applied for each drug against third party pricing sources;
- MAC allowance for generic;



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- Specialty drug allowance; and
- Dispensing fees.

Reconciliation of Pricing Guarantees Methodology

PillarRx used its proprietary AccuCAST® system to electronically compile total discount savings by silo (drug type and distribution method) and compare them to the contract guarantees in the ESI contract. If ESI's performance fell short of any of the guarantees, we validated that ESI recognized the shortfall and credited or paid the difference to the PEBP on a timely basis.

Reconciliation of Pricing Guarantees Findings

The following tables demonstrate our findings relative to pricing guarantees.

Key	Over Performance -> Greater Than Contracted Rates		Acceptable Performance — Same as Contracted Rates			Underperformance < Less Than Contracted Rates	
Discounts FY2023							
Component Description*	Number of Claims	Contracted Discount Rate	Actual Discount Rate	Difference in Rate (Contracted vs Actual)	Contracted Claim Ingredient Cost	Actual Claim Ingredient Cost	Variance Total Overage/ (Shortfall)
Retail Brand (1-83 DS)	42,530	22.50%	22.52%	+.02%	\$11,847,836.11	\$11,844,654.34	\$3,181.77 >
Retail Brand (84-90 DS)	5,695	27.53%	25.54%	-1.99%	\$7,499,718.70	\$7,705,419.74	(\$205,701.04) <
Retail Generic (1-83 DS)	264,508	85.60%	86.35%	+0.75%	\$4,449,389.79	\$4,217,150.85	\$232,238.94 >
Retail Generic (84-90 DS)	42,194	88.15%	88.50%	+0.35%	\$2,117,496.86	\$2,055,410.34	\$62,086.52 >
Mail Brand	14,286	21.20%	20.04%	-1.16%	\$11,703,294.78	\$11,875,387.51	(\$172,092.73) <
Mail Generic	61,437	94.95%	92.36%	-2.59%	\$1,120,486.17	\$1,695,199.14	(\$574,712.97) <
Specialty Accredo Brand	5,117	85.00%	68.37%	-16.63%	\$416,082.71	\$877,250.66	(\$461,167.95) <
Specialty Accredo Generic	356	21.30%	20.83%	-0.47%	\$39,179,975.95	\$39,415,804.12	(\$235,828.17) <
TOTAL		- 21.72%	\$78,334,281.07	\$79,686,276.70		(\$1,649,502.85)	<

*Compound, Over the Counter, Retail Usual and Customary, Vaccines, Subscriber, and Coordination of Benefits claims were excluded from contract guarantees. PillarRx reviewed claims for reasonableness and found no outliers. The aggregate total for each standard is calculated separately (retail, mail, and specialty) and then combined to determine the total over or underperformance.

PillarRx found that ESI incorrectly excluded 21,756 vaccine and 9 specialty brand claims that should have been included in the guarantees. PillarRx also found that ESI incorrectly included 3



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claims in the mail guarantee where they should have been included in specialty instead. ESI has confirmed these errors and have agreed to re-reconcile at the conclusion of this audit.

In summary, when aggregating the pricing guarantee discounts with the dispensing fee outcome, ESI's self-reported a total underperformance of (\$1,456,379.24). However, PillarRx found an additional underperformance due to the client in the amount of \$405,789.61. See chart below for breakout.

	PillarRx Combined Discounts and Dispensing Fee Guarantees	ESI Combined Discounts and Dispensing Fee Guarantee Reconciliation
Discounts	(\$1,649,502.85)	(\$1,416,877.32)
Dispensing Fees	(\$213,072.91)	(\$39,501.92)
Price Assured Shared Savings	\$73,581.36	\$73,174.45
FY2023	(\$1,788,994.40)	(\$1,383,204.79)

ESI Response – Reconciliation of Pricing Guarantees:

ESI agrees vaccine and specialty claims were incorrectly excluded and has begun re-reconciling the guarantees to determine the financial impact

BENEFIT PAYMENT ACCURACY REVIEW

Benefit Payment Accuracy Review Objective

The objective of the Benefit Payment Accuracy Review was to verify correct adjudication of plan design provisions and quantify potential opportunities for recovery and/or cost savings.

Benefit Payment Accuracy Review Scope



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PillarRx created an exact model of the benefit plan parameters of PEBP's pharmacy plan in AccuCAST and systematically re-adjudicated 100% of paid prescription drug claim. Benefit plan parameters analyzed included, but were not limited to:

- Age and gender
- Copay/coinsurance
- Day supply maximums
- Excluded drugs
- Prior authorizations
- Quantity limits
- Refill limits
- Zero balance claims

Exceptions that were identified, but could not be explained by PillarRx's benefit analysts, were provided to ESI for explanation. When adequate documentation was provided to support exceptions were adjudicated correctly, AccuCAST was reset to represent the revised plan parameters and the claims were electronically re-adjudicated again to ensure consistency.

Benefit Payment Accuracy Review Methodology

After receiving the plan documentation from the PEBP and ESI including member cost share, accumulators, and coverage rules, and summary plan descriptions and/or plan documents, PillarRx programmed the PEBP's plan design in AccuCAST. Each claim was then readjudicated and exceptions were identified. The exceptions were aggregated by category and our benefit analysts reviewed each category. Exceptions that could not be explained were submitted to ESI for review.

Benefit Payment Accuracy Review Findings

Cost share indicates the dollar amount required to be paid by the member when a prescription drug is purchased. A PillarRx cost share audit compares the plan design received from ESI to the plan design received from PEBP. Benefit plan design rules are created to ensure members' claims have been properly adjudicated at the pharmacy.

Member Cost Share

Cost share (copay, deductible, or coinsurance) represented the dollar amount required to be paid by the member when a prescription drug was purchased. Our observations and conclusions relative to cost share application are shown in the following chart.



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Member Cost Share (7/1/2022 – 6/30/2023)	
Total Claims	Cost Share Collected
463,240	\$17,240,707.38

PillarRx submitted 246 claims based on 8 different scenarios to ESI that represented potential exceptions to the member cost share requirements for FY2023. After review of the supporting documentation and explanations provided by ESI, PillarRx was able to confirm that claims were processing correctly. A description of each observation and responses can be found below.

Scenario 1- Glucose Monitors not applying \$0 Cost Share.

ESI Response- Per supporting documentation, CDHP PEBP Master Plan, members are only allowed one \$0 blood glucose monitor per plan year.

PillarRx agrees, nothing additional required.

ESI Response- Scenario 1

ESI acknowledges that Glucose Monitors adjudicated correctly.

Scenario 2- ACA medication applying cost share greater than \$0.

ESI Response-

Bowel Prep- ESI noted that per "Attachment F -BAC Addendums" and "Preventive Set up Form BAC Addendum" Bowel Prep products follow an age restriction of adults >49 and <76 years of age. The age requirement changes to 45 - 75 years of age on 1/1/2023.

ACA Contraceptives Statins- ESI noted that these drug were targeted by the RRA program, and the member had exceeded their retail refill allotment prior to the processing of this claim. The member was appropriately charged the RRA copay as RRA takes precedence over HCR copay waivers.

PillarRx agrees, nothing additional required.



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ESI Response- Scenario 2

ESI acknowledges that ACA medications adjudicated correctly.

Scenario 3 – \$20 copay not applying for Generic Mail Order claims.

ESI Response- ESI noted these were adjustment claims. State of Nevada executed a new contract with ESI effective 7/1/2022. This was a very unique Agreement with Mail Order and Accredo acquisition cost billing. ESI is to bill State of Nevada as close to ESI's acquisition costs as possible. Pricing was submitted to be full Pass-through at the Carrier Level. It was not detected until February, 2023 that some pricing for State of Nevada was at the Contract Id level. Therefore, Smart90 Pass-Through pricing and Mail Order/Accredo pricing was not using Carrier Level. The Pricing team has included a step in their process to review existing pricing to prevent any negative effects on new contractual pricing due to outdated pricing setups. The client was reimbursed on 7/26/2023. Please note impact related to this issue would have been discussed and shared with the client at the time the adjustment was completed.

PillarRx agrees but recommends confirmation from PEBP that they received the appropriate adjustment.

ESI Response- Scenario 3

ESI acknowledges PillarRx's observation and the Account Team is available to discuss should the client wish to do so.

Scenario 4- Mail Preferred Brand claims applying greater than \$80 copay at ESI Pharmacies.

ESI Response- ESI noted these claims were adjustment claims. State of Nevada executed a new contract with ESI effective 7/1/2022. This was a very unique Agreement with Mail Order and Accredo acquisition cost billing. ESI is to bill State of Nevada as close to ESI's acquisition costs as possible. Pricing was submitted to be full Pass-through at the Carrier Level. It was not detected until February, 2023 that some pricing for State of Nevada was at the Contract Id level. Therefore, Smart90 Pass-Through pricing and Mail Order/Accredo pricing was not using Carrier Level. The Pricing team has included a step in their process to review existing pricing to prevent any negative effects on new contractual pricing due to outdated pricing setups. The client was reimbursed on 7/26/2023. Please note impact related to this issue would have been discussed and shared with the client at the time the adjustment was completed.



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PillarRx agrees but recommends confirmation from PEBP that they received the appropriate adjustment.

ESI Response- Scenario 4

ESI acknowledges PillarRx's observation and the Account Team is available to discuss should the client wish to do so.

Scenario 5- Generic Meds applying a \$0 cost share at Mail Order.

ESI Response- ESI noted these claims were adjustment claims. State of Nevada executed a new contract with ESI effective 7/1/2022. This was a very unique Agreement with Mail Order and Accredo acquisition cost billing. ESI is to bill State of Nevada as close to ESI's acquisition costs as possible. Pricing was submitted to be full Pass-through at the Carrier Level. It was not detected until February, 2023 that some pricing for State of Nevada was at the Contract Id level. Therefore, Smart90 Pass-Through pricing and Mail Order/Accredo pricing was not using Carrier Level. The Pricing team has included a step in their process to review existing pricing to prevent any negative effects on new contractual pricing due to outdated pricing setups. The client was reimbursed on 7/26/2023. Please note impact related to this issue would have been discussed and shared with the client at the time the adjustment was completed.

PillarRx agrees but recommends confirmation from PEBP that they received the appropriate adjustment.

ESI Response- Scenario 5

ESI acknowledges PillarRx's observation and the Account Team is available to discuss should the client wish to do so.

Scenario 6- Mail Preferred Brand claims applying \$0 cost share at Mail Order.

ESI Response- ESI noted these claims were adjustment claims. State of Nevada executed a new contract with ESI effective 7/1/2022. This was a very unique Agreement with Mail Order and Accredo acquisition cost billing. ESI is to bill State of Nevada as close to ESI's acquisition costs as possible. Pricing was submitted to be full Pass-through at the Carrier Level. It was not detected until February, 2023 that some pricing for State of Nevada was at the Contract Id level. Therefore, Smart90 Pass-Through pricing and Mail Order/Accredo pricing was not using Carrier Level. The Pricing team has included a step in their process to review existing pricing to prevent any negative effects on new contractual pricing due to outdated pricing setups. The client was reimbursed on



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7/26/2023. Please note impact related to this issue would have been discussed and shared with the client at the time the adjustment was completed.

PillarRx agrees but recommends confirmation from PEBP that they received the appropriate adjustment.

ESI Response- Scenario 6

ESI acknowledges PillarRx's observation and the Account Team is available to discuss should the client wish to do so.

Exclusions

Exclusions specify the drugs and products that a plan would not cover unless there was a Prior Authorization (PA) on file. Based on documentation provided by ESI, PillarRx created excluded drug and PA drug listings and re-adjudicated the claims for these non-covered and prior authorized medications.

Scenario 7- Claims processing with no PA on file.

ESI Response- ESI notes that the pharmacy submitted this claim with an 'SCC_1' of '13'. This is an emergency override submission clarification code (SCC) which caused the claim to pay without a UM Review. Please see the 'SCC_1' field for support. Claims that process with an emergency override are excluded from clinical rules processing.

PillarRx Follow Up Response- Please provide supporting documentation showing that claims that are processed with an emergency override of 13 are excluded from clinical rule processing and that that is the standard practice and intent of the pharmacy benefit.

ESI Response 2- Please see the attached email titled “[EXTERNAL] RE: BDR 57-71”. The client was aware and acknowledged that “The Emergency Access to Benefits claims processing capability ensures access to pharmacy benefits for members during an emergency. It would not provide members any exception to the benefit design. For example, if a CDHP member needs an early fill of their maintenance medication during a declared natural disaster, this added benefit allows that individual the ability to obtain that medication. If that medication has an expired PA and a PA case is not yet completed, this emergency access benefit will bypass that so that the member



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can get their meds. If that CDHP individual has not satisfied their DED, they will still be subject to paying 100% in that DED phase of the benefit.”

PillarRx Response 2-

PillarRx agrees no issue - Per the [EXTERNAL] RE: BDR 57-71 email provided, claims that process with an emergency override are excluded from clinical rules processing.

ESI Response- Scenario 7

ESI acknowledges that the emergency access to benefits was applied as the client intended.

Administration of Age Rules

Age rules specify that a participant must be within a specific age group for a specific medication to be covered. Sample claims including review of age rules were included and reviewed in Scenario 2 for bowel prep medications.

PillarRx found no issues, nothing additional required.

ESI Response- Administration of Age Rules

ESI acknowledges that all clinical rules were applied as the client intended.



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Administration of Quantity Limits

Quantity limits are included in plans to ensure safety and appropriate utilization. PillarRx noted that based on the language in the drug coverage documents provided by ESI, claims were adjudicated within plan parameters.

Scenario 8- Claims exceeding the max quantities allowed per plan.

- Erectile dysfunction drugs exceeding max quantity of 8 in 30 days or 24 units in 90 days.
- Nizoral 2% shampoo to be dispensed at a max quantity of 120mL in 21 days or 360mL in 63 days.
-

ESI Response- ESI noted that the pharmacy submitted this claim with an 'SCC_1' of '13'. This is an emergency override submission clarification code (SCC) which caused the claim to pay without a UM Review. Please see the 'SCC_1' field for support. Claims that process with an emergency override are excluded from clinical rules processing.

PillarRx Response- Please provide supporting documentation showing that claims that are processed with an emergency override of 13 are excluded from clinical rule processing and that that is the standard practice and intent of the pharmacy benefit.

ESI Response 2- Please see the attached email titled "RE: BDR 57-71" and "[EXTERNAL] RE: BDR 57-71". Nevada PEBP has the following in place today for Emergency Access to Benefits: Option 1: allowing the benefit to automatically use this benefit without action from myself to activate it in time of a declared disaster. However, this option is limited to a set amount of fills per a period of time. They are set up to allow 1 additional fill every 365 days. This fill will bypass all edits: refill too soon, refills not allowed, PA required, step therapy requirements, dose edits (but does not apply to maximum daily dose high dose rejects).

PillarRx Response 2 - PillarRx agrees No issue. Per the [EXTERNAL] RE: BDR 57-71 email provided, claims that process with an emergency override are excluded from clinical rules processing.

ESI Response-Scenario 8

ESI acknowledges that the emergency access to benefits was applied as the client intended.



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PERFORMANCE GUARANTEE REVIEW

Performance Guarantee Assessment Objective

The objective of PillarRx's Performance Guarantee Assessment is to verify that Express Scripts (ESI's) internal quality control measures critical to minimizing financial loss, meet the States contractual requirements and are in full compliance with all applicable laws, regulations, and industry standards.

Performance Guarantee Assessment

PillarRx reviewed the annual performance guarantee documentation provided by ESI for reporting period, July 2022 through June 2023, and summarized the findings in the chart below. Overall, ESI met most of the expectations for the contracted standards.

Performance Guarantees FY 2023 (Missed Targets)		
Service Performance Standard	Penalty	Met/Not Met
Overall, Client Satisfaction with Service	\$300,000.00	Not Met
Dispensing Timeliness – 2 Business Days	2% Quarterly Administrative Fees	Not Met
Dispensing Timeliness – 4 Business Days	2% Quarterly Administrative Fees	Not Met
Mail Order Dispensing Accuracy	2% Quarterly Administrative Fees	Not Met
Speed of Answer- Member	2% Quarterly Administrative Fees	Not Met
Abandonment Rate (Member)	2% Quarterly Administrative Fees	Not Met
First Call Resolution	2% Quarterly Administrative Fees	Not Met



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Prior Approvals	2% Quarterly Administrative Fees	Not Met
ID Card Turnaround-Maintenance	2% Quarterly Administrative Fees	Not Met

Please see Exhibit 1. SoNV Performance Guarantees FY2023 Full Summary for a complete summary of the Performance Guarantees.

ESI has reviewed the initial summary and provided supporting statements for their acceptance of missing a guarantee or why the guarantee should be considered met or not applicable. Per the executed contract #25582, Attachment CC-Performance Guarantees, PillarRx concludes that ESI did not meet the contracted target for the following standards:

5 - Ongoing Service- Overall Client Satisfaction with Service: *Member Satisfaction (95% satisfaction) measured quarterly - 1Q (90%) and 2Q (89%) Not Met; not surveyed in 3Q or 4Q.* ESI confirmed there was a systematic issue with the member satisfaction, so members were not surveyed – and this guarantee is consider missed. **Penalty to be paid is \$300,000.**

ESI Response –

ESI agrees that the Member Satisfaction Survey metric was missed and a penalty is applicable. The State of Nevada Public Employee Benefit Program's (PEBP's) pharmacy plan will provide ESI with a payment request upon completion of the audit which has not yet been received. ESI notes the penalty is based on the admin fees for the year.

22 - Ongoing Service- Mail Order Turnaround Time for Prescription Drugs Requiring No Intervention: *Dispensing Timeliness (100% within 2 business days) measured quarterly - Not Met 1Q (94%), 2Q (94%), 3Q (90%), 4Q (91%), and Annual (92%).* ESI has reviewed and confirmed this guarantee has been missed for all four quarters. **Penalty to be paid is 2% of 1**



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Quarter Administrative Fees, 2 Quarter Administrative Fees, 3 Quarter Administrative Fees, and 4 Quarter Administrative Fees.

ESI Response –

ESI agrees that the Dispensing Timeliness metric was missed and a penalty is applicable. The State of Nevada Public Employee Benefit Program's (PEBP's) pharmacy plan will provide ESI with a payment request upon completion of the audit which has not yet been received. ESI notes the penalty is based on the admin fees for the year.

23 – Ongoing Service- Mail Order Turnaround Time for Prescription Drugs Requiring Administrative/Clinical Intervention: Dispensing Timeliness (*100% within 4 business days*) measured quarterly - Not Met 1Q (97%), 2Q (97%), 3Q (97%), 4Q (97%), and Annual (97%). ESI has reviewed and confirmed this guarantee has been missed for all four quarters. **Penalty to be paid is 2% of 1 Quarter Administrative Fees, 2 Quarter Administrative Fees, 3 Quarter Administrative Fees, and 4 Quarter Administrative Fees.**

ESI Response –

ESI agrees that the Dispensing Timeliness metric was missed and a penalty is applicable. The State of Nevada Public Employee Benefit Program's (PEBP's) pharmacy plan will provide ESI with a payment request upon completion of the audit which has not yet been received. ESI notes the penalty is based on the admin fees for the year.

25 - Ongoing Service- Phone Average Speed of Answer:

Speed of Answer- Member (*100% of calls answered by live voice within average of 25 seconds or less*) measured quarterly - Met Q1 (6.1 secs), Met Q2 (17.7 secs), Missed Q3 (107.8 seconds), Met Q4 (4.4 secs) and Annual (31.3 secs). ESI confirmed they did not meet the guarantee for 3Q. **Penalty to be paid is 2% of 3rd Quarter Administrative Fees.**

Speed of Answer- Member (*inbound call answered within average of 30 seconds or less*) measured quarterly - Met Q1 (6.1 secs), Met Q2 (17.7 secs), Missed Q3 (107.8 seconds), Met Q4 (4.4 secs) and Annual (31.3 secs). ESI confirmed they did not meet the guarantee for 3Q.

Penalty to be paid is 2% of 3rd Quarter Administrative Fees.



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ESI Response –

ESI agrees that both Speed of answer metrics were missed for Q3 and a penalty is applicable. The State of Nevada Public Employee Benefit Program's (PEBP's) pharmacy plan will provide ESI with a payment request upon completion of the audit which has not yet been received. ESI notes the penalty is based on the admin fees for the year.

26 – Ongoing Service- Phone Abandonment: Abandonment Rate (%) -Member (2% of *less calls will be abandoned*) measured quarterly- Met Q1 (0.3%), Met Q2 (0.7%), Missed Q3 (6.1%), Met Q4 (0.2%), Annual (1.7%). ESI has reviewed and has stated this target has been met. PillarRx disagrees as 3Q is over 2% at 6.1%. **Penalty to be paid is 2% of 3rd Quarter Administrative Fees.**

ESI Response –

ESI agrees that the Abandonment Rate metric was missed for Q3 and a penalty is applicable. The State of Nevada Public Employee Benefit Program's (PEBP's) pharmacy plan will provide ESI with a payment request upon completion of the audit which has not yet been received. ESI notes the penalty is based on the admin fees for the year.

27 - Ongoing Service – First Call Resolution: First Call Resolution Rate (*at least 98% of calls resolved at first point of contact*) measured quarterly - Not Met 1Q (97%), Not Met 2Q (97%), Not Met 3Q (97%), Not Met 4Q (96%), Annual (97%). ESI has reviewed and confirmed this guarantee has been missed for all four quarters. **Penalty to be paid is 2% of 1 Quarter Administrative Fees, 2 Quarter Administrative Fees, 3 Quarter Administrative Fees, and 4 Quarter Administrative Fees.**

ESI Response –

ESI agrees that the First Call Resolution Rate metric was missed and a penalty is applicable. The State of Nevada Public Employee Benefit Program's (PEBP's) pharmacy plan will provide ESI with a payment request upon completion of the audit which has not yet been received. ESI notes the penalty is based on the admin fees for the year.

28 - Ongoing Service- Prior Approvals: Prior Authorization Turnaround (Business) (*review and respond to requests no more than 2 business days once clinical is received*) measured quarterly - No % guarantee noted to assess if the guarantee was met or not. ESI has reviewed and



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confirmed the contract language does not include a percentage, so the assumption is 100%, therefore this guarantee has missed the target. **Penalty to be paid is 2% of 1 Quarter Administrative Fees, 2 Quarter Administrative Fees, 3 Quarter Administrative Fees, and 4 Quarter Administrative Fees.**

ESI Response –

ESI agrees that Prior Authorization Turnaround metric was missed and a penalty is applicable. The State of Nevada Public Employee Benefit Program's (PEBP's) pharmacy plan will provide ESI with a payment request upon completion of the audit which has not yet been received. ESI notes the penalty is based on the admin fees for the year.

31- Ongoing Service- ID Card Mailing: ID Card Turnaround- Maintenance (*issue 99% of all new member ID cards within 4 business days and 100% within 7 business days*) measured quarterly – There was no scoring provided. ESI responded there was no activity recorded, either the client provides their own or they were digital cards. PillarRx continues to call this performance guarantee out in error as ESI was not able to provide confirmation that all new member ID cards were issued within the agreed to timeframes. **Penalty to be paid is 2% of 1 Quarter Administrative Fees, 2 Quarter Administrative Fees, 3 Quarter Administrative Fees, and 4 Quarter Administrative Fees.**

ESI Response –

ESI disagrees and maintains responded there was no activity recorded, either the client provides their own or they were digital cards.

REBATE REVIEW

Rebate Audit Objective

The Rebate Review provides confirmation that ESI has reimbursed the PEBP the minimum amount per brand claim as outlined in the PBM contract.

Rebate Review Scope

PillarRx's Rebate Review assessed whether the minimum per claim rebates listed within the PEBP's contract with ESI were met. The review assessed whether there were any differences between



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the rebates contractually agreed upon between the PEBP and ESI and the rebate amounts that were actually paid to the PEBP.

Rebate Review Methodology

PillarRx identified each brand claim per distribution channel and calculated the minimum rebate amount owed to the PEBP based on its contract terms with ESI. These amounts were then reconciled against the rebate reports provided by ESI.

Rebate Review Findings

PillarRx has found that differences can occur in the rebate amounts billed to manufacturers by a PBM and the rebate amount calculated by PillarRx for an individual health plan. The primary reason for this difference lies in the common practice by PBMs of submitting rebate-eligible claims to a manufacturer for the PBM's book of business rather than for each plan sponsor individually.

This typically works to the advantage of the plans, as the amount of rebates paid by the manufacturer will be based on a larger pool of claims. The PBM then pays rebates to each plan sponsor separately based on the plan's claims.

Rebate Calculations FY2023		
Component Description	Number of Claims	Total Minimum Contract Rebate
Brand 1-83 DS	18,071	\$4,698,460.00
Brand 84-90 DS	5,752	\$4,486,560.00
Specialty Accredo	4,731	\$10,458,220.00
Specialty	645	\$331,188.00
Mail Brand	8,784	\$6,851,520.00
TOTAL	37,988	\$26,835,138.00

ESI Rebate Payments FY 2023		
Allocation Period	Payment Date	Total Amount
FY23 Q1: 7/1/22-9/30/22	11/28/2022	\$6,071,449.81
FY23 Q2: 10/1/22-12/31/22	2/27/2023	\$6,284,649.96
FY23 Q3: 1/1/23-3/31/23	5/26/2023	\$5,819,454.30
FY23 Q4: 4/1/23-6/30/23	8/30/2023	\$7,487,665.34
	TOTAL	\$21,680,375.02



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ESI's rebate amount is less than PillarRx's calculated rebate amount. PillarRx's Rebate Review shows, based on the minimum rebates stipulated within the contract between PEBP and ESI, that ESI did not meet the minimum rebates owed. PillarRx found a variance of (\$4,490,938.93) which is owed to PEBP. Please see below for a summary of the differences.

PillarRx found a discrepancy of 21,879 claims.

- 20,346 claims had a lower rebate amount than expected.

ESI Response –

ESI maintains the client's Specialty Retail and Specialty ESI Mail per rx rates are based on a 30 day average supply, the Non-Specialty Retail Low day supply is based on a 83 day average supply, and Non-Specialty high day supply per rx rates are based on a 90 day average supply. All of these average day supplies for these categories are supported by the client's agreement. The actual per rx rate for claims that are eligible for these categories are pro-rated if their actual days' supply is lower than the stated average day supply for the category.

- 6 claims were expected to be included with the ESI specialty but have been included in the general retail/mail categories.

ESI Response –

ESI maintains the products in question were not considered specialty on the claims date of service and were therefore appropriately included in the non-specialty guarantees. Please refer to the specialty list provided at the start of the audit for support.

- 2 claims expected to be included within the mail specialty bucket, not retail.

ESI Response –



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ESI maintains the products in question were not considered specialty on the claims date of service and were therefore appropriately included in the non-specialty guarantees. Please refer to the specialty list provided at the start of the audit for support.

- 69 claims expected to be included in rebates but were not found on the rebate reconciliation provided by ESI.

ESI Response –

ESI maintains the Rebate guarantee is reconciled based on how the claim is billed to the client. When a MSB drug is dispensed with a DAW of 0 (no selection made), 3 (pharmacist notes dispense as written), 4 (generic not in stock), DAW of 5 (house generic), DAW of 6 (override), or DAW of 9 (Other) the member is charged the generic copay and the client receives the lower of logic pricing, which includes the MAC (generic) price. Additionally, when a MSB is dispensed with a DAW code of 1 or 2, the brand was requested by the prescriber or patient respectively. In these situations the member is responsible for the difference in cost between the brand and generic and the client is charged only for the MAC (generic) price. As these claims were billed to the client as a generic drug, they were appropriately not included in the rebate guarantee.

1,456 claims are non-preferred brand claims that were included in rebates.

ESI Response –

ESI maintains the Rebate guarantee in Exhibit A-3 spells out two requirements for claims to be eligible – first, the claims must adhere to the ESI National Preferred Formulary (this is the reference in the “Formulary” tab of the table), and the claims must also be for Brand Drugs. The NPF exclusion targets products that were excluded from the National Preferred Formulary. Non formulary products would still be included in the rebate guarantee, however, products that are specifically excluded from the National Preferred Formulary are not eligible for inclusion in the rebate guarantee as they do not adhere to the guidelines of the Formulary drug condition.

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



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