

HEALTH WEALTH CAREER

# MERCER'S PHARMACY AUDIT GROUP

ENSURING  
ACCOUNTABILITY,  
CONTINUOUS  
IMPROVEMENT AND  
VALUE FOR CLIENTS

MAKE TOMORROW, TODAY



# WHEN DID YOU LAST AUDIT YOUR PHARMACY PROGRAM?

Today's business environment is filled with harsh economic realities as companies continue to recover from the financial crisis of the past few years and as new regulations emerge. Never has it been so imperative to keep a laser focus on cost and stay in line with industry best practices. As health care costs climb, it's crucial to identify inefficiencies and to maximize savings.

And it may be time to perform an audit of your pharmacy program, if any of the following applies to your organization:

- Have not audited recently.
- Experiencing increased customer service issues.
- Have a spike in unexplained costs.
- Have had changes in administration.
- Have fiduciary due-diligence responsibility.

A well-defined pharmacy program performance audit/evaluation strategy can:

- Increase accountability of health plan vendors and encourage vendors to continuously improve quality.
- Ensure that the plan sponsor receives the high-quality services for which it pays.
- Measure performance using best practice measures, and assess reliability of the vendor's self-reported performance results.
- Provide a basis for negotiating, evaluating or enhancing performance guarantees.
- Determine root causes of member dissatisfaction and identify opportunities for improvement.

- Satisfy plan fiduciary responsibilities to ensure that claims are processed in compliance with plan provisions and in a cost-effective and confidential manner.

In addition, performance evaluation results and validation of anecdotal information can be valuable during renewal negotiations. **Significant rate increases can often be mitigated in light of less-than-expected audit results.** Most important, an in-depth audit reveals your true return on investment (ROI) – not only may it help you recover current overpayments, it will also help you eliminate future inefficiencies.

To help you achieve maximum savings and efficiency, Mercer has unparalleled resources and services to meet your needs.

## WHY MERCER?

Our Performance Audit Group (PAG) has vast experience in evaluating claims administration operations. Our national team of more than 30 professionals, all of whom have extensive claims administration, management and auditing work experience, is one of the largest of its kind in the US. Our qualifications include the following:

- **Broad experience as a benefits consulting firm.** Mercer consultants can help you gain valuable insight into your pharmacy plan programs and show you how to use the audit results to increase the accountability of your pharmacy benefit manager (PBM) and improve program performance.
- **We act as your advocate!** Mercer audits claims from the client's perspective, taking into consideration all aspects of the processing of the claim, including the upstream processes that

support claims administration, such as system plan setup, system programming and provider network contract maintenance. We act as our client's advocate in surfacing issues that can affect plan costs and employee satisfaction.

- **Focus on cost management.** Our audits evaluate whether the PBM is a diligent steward of the client's benefits dollars by assessing the extent to which the PBM utilizes best-practice cost-management programs for the client's pharmacy plan.
- **Industry leader in conducting health plan claims administration audits.** Mercer is a leader in conducting health plan claim administration audits and in evaluating quality assurance, program payments, performance guarantees and system performance. We conduct 240 or more health care audits and implementation reviews annually and have conducted claim administration audits of more than 150 claims administrators in 20 years.
- **Accessibility to a fully specialized claims audit staff that has claims and auditing experience,** on behalf of both employers as well as inside PBM operations. Most of our auditors formerly worked for major administrators (both medical and PBM) and have extensive hands-on claims administration and auditing experience.
- **Established baseline standards for measuring claims processing performance** (quality and timeliness). We also have benchmark standards for evaluating the adequacy of administrative procedures and controls, and for comparing performance to acceptable and best practice industry standards.
- **Added-value report methodology and format.** Our report includes analyses of trends/patterns and cause/effect of errors to assess the impact of error conditions. This depth of analysis

## What our audits tell us

We have seen a decline in vendor performance during the past few years.

Contributing factors include:

- Heavy merger activity in the industry and consolidation of systems and operations.
- Increased reliance on system automation without necessary controls, and a lot of health plan dollars going out the door that should not.
- Administrators' self-reported performance not always being accurate – performance measures vary greatly and quality review programs are not fully reliable measures of quality and service problems.
- Shortcuts in administration and cost management programs that are resulting in lower levels of service and higher claim costs.

enables us to make specific and meaningful recommendations for improvements and provides sufficient detail to empower you to develop an effective action strategy for ongoing vendor performance monitoring and improvement.

## MERCER'S APPROACH

Mercer believes that pharmacy audits are part of an ongoing process to ensure accountability, continuous improvement and value for the fees clients pay. To that end, we provide:

- Customized approaches to meet the client's needs and budget.
- Collaboration with the client and PBM to achieve high levels of quality and service.
- Efficient and effective knowledge transfer to our clients.
- Objective, noncontingency-based evaluations.
- Value-added reporting of audit results, including:
  - Root cause analysis of errors.
  - Recommendations for quality and service improvements.
  - Performance guarantee revisions.

## TYPES OF AUDITS – AND THE MERCER ADVANTAGE

### PRESCRIPTION DRUG CLAIMS AUDIT

This is our most popular and comprehensive audit, as we have developed a structured, comprehensive approach to conducting **100% electronic claims audits** that enable us to complete this work in a

timely, cost-efficient manner. Mercer subscribes to both national pricing and drug identification compendia. This allows us to independently re-price every claim. Mercer's PAG team will determine a PBM's compliance with contractual terms, plan provisions and industry best practices. We also regularly conduct operational assessments, fraud and abuse assessments and mail-order dispensing accuracy audits.

### THE MERCER ADVANTAGE:

*Our audit results identify opportunities to improve the claim-adjudication process to maximize cost savings, including 100% recovery of overpayments on agreed to errors – both during and outside the audit period. And our strong relationships with senior executives at all of the major vendors mean that we can escalate issues, as necessary, to ensure that they receive proper attention.*

### REBATE AUDITS

We perform full, comprehensive manufacturer contract rebate audits to determine whether the PBM is complying with the contractual terms and to ensure that the client has received 100% of the guaranteed rate amounts, whether they are a portion of the manufacturer reimbursement to the PBM or a minimum claim guarantee. Mercer will also confirm that the rebates were reimbursed in a timely manner pursuant to the contract and consistent with invoices and reimbursements made to the client.

### THE MERCER ADVANTAGE:

*We have been approved by all major PBMs to conduct these audits. The results of these audits provide our clients with confidence that the PBM is reimbursing them appropriately and that transparency in this highly confidential arena is achieved.*

## RETIREE DRUG SUBSIDY (RDS) AND EMPLOYER GROUP WAIVER PLAN (EGWP) AUDITS

The PAG team will assess the process and procedures in place with the PBM to verify the accuracy of RDS cost and eligibility data submitted to the Centers for Medicare & Medicaid Services (CMS). As part of this assessment, we will evaluate whether the PBM has adequate controls – including verification of drug coverage, CMS eligibility and rebate data – in place for reconciliation and reporting of costs and rebates to the CMS. Furthermore, we have a subcontractor relationship with Sagebrush Solutions and David- James LLC, providing expertise in Medicare Part B and D plans as well as EGWPs. This team has audited approximately 150 Part D plans in the past three years.

### **THE MERCER ADVANTAGE:**

*We believe that Mercer and Sagebrush Solutions have conducted more of these types of audits than any other firm. Our electronic audit tools comply with CMS RDS costreporting regulations. And Mercer's PAG and pharmacists developed a proprietary listing of Medicare Part D RDS covered drugs.*

## Scope of Mercer's pharmacy plan audits

### Audit Components

- 100% electronic claims audit (over 65 edits apply on each claim).
- Independent repricing of claims.
- Rebate reconciliations.
- Operational reviews.
- Customer service evaluation/call monitoring.
- Appeals review.
- Implementation reviews (new vendor or new plan).
- Eligibility verification.

### Cutting-Edge Components

- End-to-end approach.
- Ongoing oversight of vendor quality improvement efforts.

### Clinical Components


- Inclusion of Mercer pharmacist in audits.
- Review of clinical determinations.

### What Our Process Delivers

- Actual results (error trends, overpayments and underpayments).
- Comparisons to industry standards and best practice (claim accuracy measures and operational standards/practices).
- Practical and achievable recommendations.
- 100% recovery on agreed to errors – both during and outside the audit period.



	CASE STUDY 1	CASE STUDY 2	CASE STUDY 3
Situation	The client's internal protocols require that health plan audits be conducted on a regular basis. Due to the number of vendors, the client staggers audits and conducts a pharmacy audit every other year.	A state university wanted to conduct a due diligence audit of its pharmacy program.	A pharmaceutical company wanted to ensure that the PBM was processing its pharmacy claims and its own drug claims accurately.
Challenge	The client has approximately 50 benefit plans and options. The vendor had moved the client to a new processing platform prior to the audit.	There were multiple changes in the PBM account team over the past few years, which made obtaining documentation a challenge.	Due to the nature of this industry, the plan design was more complex than typical.
Action	<p>Mercer conducted baseline pharmacy performance audits:</p> <ul style="list-style-type: none"> <li>• 100% financial and benefits</li> <li>• Mail-order sample</li> <li>• Operational assessment and performance guarantee validation</li> <li>• Customer service call monitoring</li> <li>• Customer service call monitoring</li> <li>• Appeals process and accuracy</li> </ul>	Mercer conducted an electronic audit using a compilation of client and PBM plan and contract documentation.	Mercer conducted an electronic audit using a compilation of client and PBM plan and contract documentation.
Results	Mercer's audit uncovered issues with system integration. Confirmed overpayments totaled \$1.5 million in year one, and a follow-up audit identified an additional \$2.1 million in year two. The vendor agreed to implement recommended improvements and enhanced performance guarantees.	Mercer identified that the contractual discount and dispensing fee pricing terms were not implemented when agreed upon. This resulted in overpayments totaling \$650,000.	Mercer determined that the specialty drug discounts had not been implemented accurately. This error resulted in overpayments totaling more than \$1 million.



### About Mercer


Mercer is a global leader in human resource consulting, outsourcing and investment services, with more than 25,000 clients worldwide. Mercer consultants help clients design and manage health, retirement and other benefits and optimize human capital. The firm also provides customized administration, technology and total benefit outsourcing solutions. Mercer's investment services include global leadership in investment consulting and multimanager investment management.

Mercer's global network of more than 20,000 employees, based in over 40 countries, helps ensure integrated, worldwide solutions. Our consultants work with clients to develop solutions that address global and country-specific challenges and opportunities. Mercer is experienced in assisting both major and growing, midsize companies.

The company is a wholly owned subsidiary of Marsh & McLennan Companies, which lists its stock (ticker symbol: MMC) on the New York and Chicago stock exchanges.

### More Information

To learn more about Mercer's Pharmacy Audit services, please contact Lisa Oswald at +1 804 344 2619 or [lisa.oswald@mercer.com](mailto:lisa.oswald@mercer.com).



For further information, please contact your local  
Mercer office or visit our website at:  
[www.mercer.com](http://www.mercer.com)

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