



COMMONWEALTH of VIRGINIA

Department of Human Resource Management

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September 30, 2016

The Honorable J. Chris Jones, Chairman, House Appropriations Committee
The Honorable Thomas K. Norment, Jr., Co-Chairman, Senate Finance Committee
The Honorable Emmett W. Hanger, Jr., Co-Chairman, Senate Finance Committee

Subject: Analysis of Pharmacy Claims Data

The attached report is pursuant to Chapter 780, Item 85.H of the 2016 Virginia Acts of the General Assembly.

Please contact me if there are any questions.

Sincerely,

A handwritten signature in cursive script that reads "Gene Raney".

Gene Raney
Director, Office of Health Benefits

cc: The Honorable Nancy Rodrigues, Secretary of Administration
Sara R. Wilson, Director, Department of Human Resource Management

Analysis of Pharmacy Claims Data

September 30, 2016



Virginia Department of Human Resource Management

This report is in response to Chapter 780, Item 85.H of the 2016 Virginia Acts of the General Assembly, which states:

The Director of the Department of Human Resource Management shall analyze pharmacy claims data from the past biennium in order to assess the value of payments made to the state employee health program's contracted third party administrators, and the value of payments made by the contracted third party administrators to their contracted prescription benefit managers (PBMs). The Director shall identify and report any difference in value in payments made to the contracted PBMs and payments made to the state employee health program's contracted third party administrators and shall make recommendations to the Chairmen of the House Appropriations Committee and Senate Finance Committees by October 1, 2016.

Analysis

The Department of Human Resource Management (DHRM) has two third party administrators to administer the state health plans. DHRM has a contract with Anthem to administer the COVA Care and COVA HDHP plans, and Anthem subcontracts its PBM services to Express Scripts. DHRM has a contract with Aetna to administer the COVA HealthAware plan, and Aetna subcontracts its PBM services to CVS Caremark.

DHRM worked with Aon, the state program's health benefits consultant and actuary, to conduct a review of pharmacy claims. Aon evaluated a statistically valid, random sample of records provided by each third party administrator documenting their payments to the PBMs.

Findings

Aon's review indicated that there were no differences between the amounts that Anthem and Aetna were paid by DHRM and the amounts that Anthem and Aetna paid their subcontracted PBMs. Aon's review findings may be found in Exhibit A of this report.

Recommendations

In order to understand the payment stream from the state health benefits program to the pharmacies, **DHRM recommends that further analysis be conducted to identify any differences in the payments made to the PBMs by the third party administrators and the payments that the PBMs made to pharmacies under the state contract.**

Exhibit A



Prescription Drug (Rx) Review Findings

Commonwealth of Virginia
September 2016

Hitesh Patel
Vice President
Aon Consulting | Health & Benefits

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Executive Summary

Background and Scope

The Commonwealth of Virginia (COVA) retained Aon Hewitt, as part of compliance outlined in HB 30 requirements, to conduct a targeted review of its pharmacy benefit management (PBM) programs administered by two vendors, who both utilize a subcontractor for numerous PBM services, including retail network management and claim processing as follows:

- Aetna, who subcontracts for PBM services to CVS Caremark
- Anthem, who subcontracts for PBM services to Express Scripts

The review time period includes all claims paid from July 1, 2014 through June 30, 2016.

Review Objective

The objective of the report is to assess the value of payments made by COVA to their third party administrators (Aetna and Anthem) is identical to the amount paid to their respective pharmacy benefits managers (CVS Caremark and Express Scripts, respectively).

Review Process

Reviewers used the following techniques to test each vendor's performance:

- **Retail Transparency Review**—Amounts billed to member and COVA for a random sample of 125 claims were compared to records provided by each vendor documenting reimbursement to their PBM to validate COVA's Pass-Through Transparent Pricing arrangement for both Aetna and Anthem. Note that this report does not confirm that the PBM for Anthem or Aetna is passing through the amount paid to the pharmacy.

Review Findings

According to Aon Hewitt's analysis, both Aetna and Anthem demonstrated that they passed through the amount paid for prescription drugs from COVA to their respective PBMs, CVS Caremark and Express Scripts.

Additional detail is found beginning **on page 4** of this report under the 'Retail Transparency Review' section.

Retail Transparency Review

A. Key Steps/Methodology

The Retail Transparency review was conducted using a random sample technique, where reviewers retrieved a random sample of 5,000 retail claims from each vendor claim file. Using the sample of claims, a stratified random sample was then extracted to provide representation of the overall population using broad claim types based on informational fields available on each vendor data set.

For Anthem, the stratification resulted in 17 different claim categories based on the following variables:

- Price Type Attributes – Maximum Allowable Cost (MAC), Usual and Customary (U&C), Zero Balance Logic (ZBL)
- Drug Type Characteristics – Brand versus Generic, Specialty, Compound, Vaccine
- Claim Cost Brackets – where gross costs were taken into consideration in the stratification of the sample

The table below summarizes the final sample distribution included in the Retail Transparency review for Anthem.

Table 1: Anthem Distribution

| Claim Category | Total Number of Claims in Random Sample of 5000 | Percentage of 5000 Sample | Final Scope Sample Count * |
|------------------------|---|---------------------------|----------------------------|
| Brand <= \$50 | 58 | 1.16% | 1 |
| Brand <\$100 >\$50 | 78 | 1.56% | 2 |
| Brand <\$250 > \$100 | 268 | 5.36% | 7 |
| Brand <\$500 >\$250 | 207 | 4.14% | 5 |
| Brand <\$1000 >\$500 | 88 | 1.76% | 2 |
| Brand >\$1000 | 28 | 0.56% | 1 |
| Generic <= \$50 | 55 | 1.10% | 1 |
| Generic <\$100 >\$50 | 21 | 0.42% | 1 |
| Generic <\$250 > \$100 | 22 | 0.44% | 1 |
| Generic <\$500 >\$250 | 12 | 0.24% | 1 |
| Generic <\$1000 >\$500 | 1 | 0.02% | 1 |
| Compound | 6 | 0.12% | 1 |
| MAC | 1,285 | 25.70% | 32 |
| Specialty | 37 | 0.74% | 1 |
| U&C | 115 | 2.30% | 3 |
| Vaccine | 96 | 1.92% | 2 |
| ZBL | 2,623 | 52.46% | 63 |
| Grand Total | 5,000 | 100.00% | 125 |

* Minimum of 1 claim was selected per Claim Category

For Aetna, the stratification resulted in 13 different claim categories based on the following variables:

- Drug Type Characteristics – Multisource versus Single Source, and Brand versus Generic
- Price Type Attributes – Maximum Allowable Cost (MAC), Usual and Customary (U&C), Submitted, (SUB), Discounted Average Wholesale Price (AWP), Ingredient Cost Calculated (ING)

The table below summarizes the final sample distribution included in the Retail Transparency review for Aetna.

Table 2: Aetna Distribution

| Claim Category | Total Number of Claims in Random Sample of 5000 | Percentage of 5000 Sample | Final Scope Sample Count * |
|-----------------------------|---|---------------------------|----------------------------|
| Multisource Brand – AWP | 60 | 1.20% | 2 |
| Multisource Brand – MAC | 2 | 0.04% | 1 |
| Multisource Brand – SUB | 1 | 0.02% | 1 |
| Single Source Brand - AWP | 575 | 11.50% | 14 |
| Single Source Brand - ING | 7 | 0.14% | 1 |
| Single Source Brand - SUB | 4 | 0.08% | 1 |
| Multisource Generic - AWP | 493 | 9.86% | 12 |
| Single Source Generic - AWP | 2 | 0.04% | 1 |
| Multisource Generic - ING | 52 | 1.04% | 2 |
| Multisource Generic - MAC | 3791 | 75.82% | 87 |
| Multisource Generic - SUB | 6 | 0.12% | 1 |
| Multisource Generic - U&C | 1 | 0.02% | 1 |
| Non Drug AWP | 6 | 0.12% | 1 |
| Grand Total | 5000 | 100.00% | 125 |

* Minimum of 1 claim was selected per Claim Category

Claims within each stratum were assigned a sequence number that was subsequently used in combination with a random number generator to select the final claims for the review. A total of 125 samples were selected for the review from each PBM.

The following table summarizes the final sample used in the Retail Transparency review.

Table 3: Retail Transparency Samples

| Vendor | Claim Type | Final Scope Sample Gross Costs | Final Scope Sample Claim Count |
|---------------------|------------|--------------------------------|--------------------------------|
| Anthem | Brand | \$8,255.62 | 19 |
| Anthem | Generic | \$4,170.33 | 103 |
| Anthem | Compound | \$207.66 | 1 |
| Anthem | Vaccine | \$243.69 | 2 |
| Anthem Total | | \$12,877.30 | 125 |

| Vendor | Claim Type | Final Scope Sample Gross Costs | Final Scope Sample Claim Count |
|--------------------|------------|--------------------------------|--------------------------------|
| Aetna | Brand | \$7,714.22 | 20 |
| Aetna | Generic | \$2,683.44 | 104 |
| Aetna | Non Drug | \$1,221.17 | 1 |
| Aetna Total | | \$11,618.83 | 125 |

Claim samples were forwarded to client review representatives at each of the respective vendors, who were asked to prepare copies of appropriate documentation for PBM reimbursement.

Documentation was provided by Anthem to reviewers electronically through secure file transfer. For each claim, Anthem provided adjudication screen shots from Express Scripts claim processing system that allowed reviewers to review the following:

- Claim Transaction Identifier Number
- Claim Date of Service
- Drug Product Identifier (National Drug Code "NDC")
- Total Approved Claim Amount
- Patient Paid Amount
- Pharmacy Name
- Pharmacy Reimbursement Amount
- Pharmacy Check Number

Documentation was provided by Aetna to reviewers electronically through secure file transfer. For each claim, Aetna provided adjudication screen shots from the CVS Caremark's claim processing system that allowed reviewers to review the following:

- Client Group
- Claim Transaction Identifier Number
- Claim Date of Service
- Drug Product Identifier (National Drug Code "NDC")
- Total Approved Claim Amount
- Patient Paid Amount
- Pharmacy Name
- Pharmacy Reimbursement Amount
- Pharmacy Check Number

B. Retail Transparency Results

Reviewers compared screen shots provided by both vendors to claims data fields that documented what COVA was billed with the following results:

Table 4 - Retail Transparency Results

| Vendor - Claim Type | Claim Costs Billed to COVA Via Claims Data | Pharmacy Reimbursement Via Screen Shots |
|---------------------|--|---|
| Aetna | \$11,618.83 | \$11,618.83 |
| Brand | \$7,714.22 | \$7,714.22 |
| Generic | \$2,683.44 | \$2,683.44 |
| Non Drug | \$1,221.17 | \$1,221.17 |
| Anthem | \$12,877.30 | \$12,877.30 |
| Brand | \$8,255.62 | \$8,255.62 |
| Generic | \$4,170.33 | \$4,170.33 |
| Compound | \$207.66 | \$207.66 |
| Vaccines | \$243.69 | \$243.69 |
| Grand Total | \$24,496.13 | \$24,496.13 |

Observations

According to Aon Hewitt's analysis, both Aetna and Anthem demonstrated that they passed through the amount paid for prescription drugs from COVA to their respective PBMs, CVS Caremark and Express Scripts. As outlined above, documentation reviewed to support actual PBM reimbursement tied out to claim costs for all samples reviewed with no variances noted.

Contact Information

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