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UFCW Unions & Participating Employers Health and Welfare Fund

Current Audit Results

June 14, 2021

Overview

- UFCW Unions & Participating Employers Health and Welfare Fund (the Fund) engaged Confidio to assist in the audit of OptumRx with respect to:
  - Plan Design Audit: CY 2016 and CY 2017
    - Plan Design Verification
    - Clinical Program Validation
  - Pricing Audit: May 1, 2015 – April 30, 2016 & May 1, 2016 – April 30, 2017
  - Rebate Audit: CY 2016 and CY 2017
- Confidio has completed the audit for both rebates and contract terms; Optum is investigating one last issue before their portion is closed out.
- Audit findings are summarized on the following pages.

Focus of Audit

Plans & Programs

- Correct member cost share:
  - Drug Type
  - Distribution channel
- Mandatory generics (DAW 1 & 2)
- Accurate out of pocket maximums
- $0 copay drug lists for vaccines and oral contraceptives followed
- Compound claims managed correctly
- Prior authorizations followed
- Accurate quantity limits
- Step therapy programs administered

Check Pricing Accuracy

- Correct discounts applied (adjudication)
- Lesser of logic
- Usual & customary (U&C) pricing
- Maximum allowable cost (MAC) pricing
- Duplicate claims payment
- Dispense as written (DAW) 5/9 claims (brand drugs dispensed as generics)
- Brand, generic, specialty, non-specialty definitions & adjudication
- Guarantee inclusion/exclusion criteria

Validate Guarantees

- Pricing guarantees
  - Discounts & dispensing fees
  - Drug type (brand vs. generic)
  - Specialty vs. non-specialty
  - Channel (retail, mail, specialty)
  - Aggregated results
- Rebate minimum guarantees
  - Traditional
  - Specialty
- Retail vs mail maintenance drug cost

Audit Results

Item Audited	Audit Pass / Fail	Results
Plan Design		• Minor copay variance discrepancies initially identified for 3 of 5 plans; resolved upon further research by Optum

UM/Clinical Programs		• Errors found in the administration of mandatory generic policies and compounds
		  • **Mandatory generics**: 73 claims where generic drug was available but not dispensed, causing overpayment by the Fund of $10,948
		  • 20 claims for **compound drugs** with gross cost > $200 did not have a prior authorization code. Optum analysis expected by end of July; Confidio will follow-up with Optum and the Fund on results

Pharmacy Claim Pricing		• OptumRx exceeded pricing guarantees for both periods
Rebates		• Variance of $77,860 found with 100% rebate pass-through for 2017 – Optum unable to provide documentation from then-current rebate aggregator

Plan Design Detail

- After Confidio and OptumRx review, minor copay variance discrepancies for 3 of 5 plans

Plan	Copay Application Accuracy Percentage			Rating	
	2016	2017	Generally Accepted Industry Benchmark		
JS	100.0%	100.0%	99.5%-100.0%	●	Satisfactory
JSS2	87.9%	99.5%	99.5%-100.0%	●	Satisfactory
T	100.0%	100.0%	99.5%-100.0%	●	Satisfactory
Y	99.8%	99.8%	99.5%-100.0%	●	Satisfactory
Y2/Y30	99.7%	98.7%	99.5%-100.0%	●	Satisfactory, Fund may choose to further examine

Clinical Program Detail

Item Audited	Audit Pass / Fail	Result
Compound Claim Management Validation		• OptumRx running compound claim impact analysis by end of July; 20 of the compound claims had a gross cost > $200 and did not have a prior authorization code • Confidio to follow-up with Fund on result
Prior Authorization Validation		• No audit findings
Quantity Limit Administration		• One claim **($5.86)** exceeded the maximum quantity allowed
Step Therapy Administration		• No audit findings
Mandatory Generic Administration		• Fund paid **$10,948** for 73 claims that should have been dispensed with a generic drug

Pricing Detail

Item Audited	Audit Pass / Fail	Result
Verification of AWP Prices with Medi-Span		• No audit findings
MAC Pricing		• No audit findings
Usual & Customary Pricing		• Confidio found 122 claims where the Fund did not receive the lower U&C price • OptumRx noted these are Medicaid subrogation batch claims • Cost difference is **$1,055**
Guaranteed AWP Discounts and Dispensing Fees for Brand, Generic, and Specialty Drugs		• OptumRx exceeded pricing guarantees for both periods

Rebate Detail

Item Audited	Audit Pass / Fail	Result
Confirmation that allocation to the Fund is complete and in compliance with contract terms		• OptumRx exceeded minimum guarantees both periods • OptumRx was unable/unwilling to provide the information to validate 100% pass through
Accuracy of invoicing to manufacturers		• OptumRx was unable/unwilling to provide the information to validate
Verification that PBM collected total amount due from manufacturer		• OptumRx was unable/unwilling to provide the information to validate

Summary and Next Steps

The table below summarizes the **maximum potential compensation** that may be due to the Fund, if recovery is pursued.

Audit Deficits Found	Variance	
Mandatory Generic		$10,948
U&C Pricing		$1,055
Rebates		$77,860
Total	**$**	**89,863**
Compounds - Max Potential		*$8,619*
Total	***$***	***98,482***

Next Steps

1. Incorporate results of Optum's compound drug claims analysis into the Final Audit Report
2. Submit to the Board of Trustees for review and confirmation of final actions required to close out the audit.