



**Pharmacy Benefit Management
Audit of CVS Health (CVS)
Calendar Year 2023**

FINAL SUMMARY REPORT

Prepared for
State Employee Health Plan (SEHP)
State of Kansas
February 24, 2025

Submitted by:

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I. EXECUTIVE SUMMARY

The State Employee Health Plan (SEHP), State of Kansas, engaged Sagebrush Analytic Solutions (Sagebrush) to conduct audits of the administration of the pharmacy benefits, by CaremarkPCS Health LLC (Caremark), to determine overall claims processing accuracy and efficiency, assess customer service, verify the accuracy of manufacturer rebates, and to identify opportunities for improved administration.

Sagebrush audited statistical samples *and* conducted focused electronic testing on 100% of the claims for the pharmacy claim populations. Sagebrush also conducted an audit of the pharmacy manufacturer rebates. This audit report contains the results of the audit of the pharmacy plan administration from January 1, 2023 through December 31, 2023.

SCOPE OF WORK

The scope of the audit included the validation and review of the follow components:

- **Statistical Sample** – review of a stratified random sample of 250 claims
- **Pricing Discount Accuracy Review** – validation and review of 100% of the pricing discounts, dispensing fees, and administrative fees associated with all claims processed during the study period.
- **Plan Design Accuracy Review** – determination of the accuracy of the application of benefit provisions and exclusions through statistical sampling and 100% electronic review of claims processed during the study period.
- **Rebate Audit** – evaluation of the accuracy of rebates received by Caremark, relative to manufacturer contracts, and the amounts credited to the SEHP account.
- **Drug Pricing Guarantee** – review and comparison the actual pricing discounts compared to reported pricing discounts and to pricing guarantees set forth in SEHP’s agreement with Caremark.
- **Eligibility Accuracy Review** – validation that Caremark uploaded eligibility files accurately and timely.
- **Review of Controls** – review of Caremark system and process controls to ensure accuracy, integrity, and privacy.

CONCLUSIONS

Based on Sagebrush’s review of the Caremark claims data, contracts, manufacturer rebates, and other documents and information provided by Caremark and SEHP, Caremark administered the pharmacy benefits within the scope of the contract with SEHP.

KEY FINDINGS

During the audit period, Sagebrush reviewed a random sample of 250 SEHP pharmacy claims totaling \$2,103,601.10 in paid dollars randomly selected and tested from the population of SEHP claims processed by Caremark during calendar year 2023. The total population of claims is 1,106,243 claims with a total paid amount of \$105,738,614.97. In addition to the random sample, Sagebrush electronic tested and reviewed 100% of the claims for focused tests, including pricing guarantees and benefits tests, and audited the rebates received from the pharmaceutical manufacturers.

The following key findings were identified during the audit:

TABLE 1A. SNAPSHOT OF STATISTICAL AUDIT RESULTS – FINANCIAL IMPACT ¹

	ERROR AMOUNT IN SAMPLE	ESTIMATED GROSS FINANCIAL IMPACT FOR POPULATION
Total Financial Impact	(\$10,770.89)	\$900,311.13
Total Claims in Error	12	

TABLE 1B. SNAPSHOT OF STATISTICAL AUDIT RESULTS – ACCURACY ¹

ACCURACY MEASUREMENT	MEASURED ACCURACY RATIO (with discount errors)	MEASURED ACCURACY RATIO (without discount errors)	GENERALLY ACCEPTED INDUSTRY BENCHMARKS	SEHP's PERFORMANCE GUARANTEE
<i>Random Sample</i>				
Financial (Dollar) Accuracy	99.15%	100.00%	99.00%	99.25%
Payment (Incidence) Accuracy	97.63%	100.00%	95.00% - 97.00%	98.00%
Processing Accuracy	100.00%	100.00%	95.00%	98.00%

¹Represents claims error statistics, weighted by stratum, identified through the audit of the statistical sample only. Other errors, identified through focused testing, with a financial impact are described below.

The audit results reported above in Table 1B are based on the AWP discount errors identified in the stratified random sample and extrapolated over the entire claims population for calendar year 2023. Sagebrush based the discounts on the information found in the BAFO Cost Proposal - (CVS

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Health 04-13-22) as related to the Retail pharmacies, section 2.05.1-3A and section 2.05.1-3B. Caremark does not include these in their calculations as Caremark’s reported guarantees are based on the quarterly aggregate percentage not on the individual claim.

TABLE 1C. KEY FINDINGS OF AUDIT PROGRAM¹

TYPE OF FINDING	FINDING	TOTAL MISPAID	RATING
Dispensing Fee Guarantees <ul style="list-style-type: none"> Testing shows an underperformance of the discount guarantee on the retail 30-day generic and retail brand and generic for the Kansas Network Caremark has reimbursed SEHP for the dispense fee guarantee shortfall Calculated based on the claims data during the audit period. Caremark issued Check # 804447, on 6/3/2024 in the amount of \$2,520,854.63, which includes this amount. 	Finding 1	\$27,347.90	●
Pricing Guarantees – <ul style="list-style-type: none"> Testing shows an underperformance of the discount guarantee on the specialty, retail 30-day brand drugs and mail generic. Caremark has reimbursed SEHP for the pricing guarantee shortfall. Calculated based on the claims data during the audit period. Caremark issued Check # 804447, on 6/3/2024 in the amount of \$2,520,854.63, which includes this amount. 	Finding 2	\$2,493,506.73	●
Duplicate Claim Payments <ul style="list-style-type: none"> Sagebrush did not identify any instances where a claim was paid more than once. 	Finding 3	\$0.00	●
Copays/Coinsurance <ul style="list-style-type: none"> PLAN A – 24 exceptions found PLAN C, J, & N – No exceptions found 	Findings 4-5	\$525.48	●
Non-Covered Drugs <ul style="list-style-type: none"> Non-covered injectables and Fertility Drugs 	Finding 6	\$0.00	●
Quantity Limits <ul style="list-style-type: none"> Exceeds Maximum Mail Oder Supply – No Exceptions Found Opioids and Lidocaine – No exceptions found 	Finding 7	\$0.00	●
Prior Authorization (PA) and Step Therapy <ul style="list-style-type: none"> 81 claims totaling \$7,114.07 paid for prescriptions without authorizations in the electronic record for drugs requiring pre-authorizations. The errors included prescriptions for Acyclovir, Fluoxetine, Oxycontin and Ventolin Compound Drugs with an ingredient cost > \$300 requires prior auth – No Exceptions Found 	Finding 8	\$7,114.07	●

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TYPE OF FINDING	FINDING	TOTAL MISPAID	RATING
Coordination of Benefits Opportunities	Finding 9	\$0.00	●
Tier 1 Strategy Drugs <ul style="list-style-type: none"> Sagebrush did not identify any instances where a Tier 1 Strategy drug applied more than the 20% coinsurance. 	Finding 10	\$0.00	●
Statistical Sample Claims The audit of the statistical sample of claims identified the following: <ul style="list-style-type: none"> Specialty claims – Sample #143, #179, #183, #189 & #243 did not apply the proper discount as shown on the specialty discount drug list resulting in a net Underpayment of \$10, 867.94. Provider contracts – 7 claims reviewed with the provider contract did not apply the contracted discount rate shown in the contract reviewed for the audit. Sample #18, #53, #57, #59, #71, #81 & #87, resulting in a net overpayment of \$97.05. 	Finding 11	(\$10,770.89)	●
Turnaround Time Caremark is meeting contractual guarantees.	Finding 12	\$0.00	●
Verification of Pharmacy Payments No exceptions were identified.	Findings 13 - 15	\$0.00	●
Manufacturer Rebate Review <ul style="list-style-type: none"> Outsourcing of Rebate Process Minimum rebate guarantees were met POS guarantee not met \$3,115,469.60 Variations in data provided audit and Settlement Effect of POS rebates on high-deductible participants Rebate invoice discrepancies (not supported or not invoiced) \$29,857.66 Caremark can confirm that SEHP was paid \$3,115,469.60 via check number 8053679 on July 1, 2024 	Finding 16 - 22	\$3,145,327.26	●
Eligibility Accuracy Review The audit revealed 374 participants that appear to have claims paid after the coverage termination date. <ul style="list-style-type: none"> 877 claims were paid after the participant’s termination date. These claims totaled \$116,402.49. Claims were paid correctly at the time of processing. Members were retroactively terminated. <p>These claims paid in error due to retroactivity represent less than 0.11% of total paid \$105,738,614.97, are within expected industry tolerances for retroactivity, and are not material.</p>	Finding 23	\$116,402.49	●
Total		\$5,779,453.04	
Total Reimbursed to SEHP		- \$5,636,324.23	
Total Net Due		\$143,128.81	

¹Material findings from the entire audit program, including statistical audit, electronic reviews, rebate audit, and other reviews.

- Audit Ratings:**
- No further action necessary
 - Satisfactory, but may need action
 - Less than satisfactory, needs immediate action

II. Audit Findings and Resolutions

Finding 1: Retail Dispensing Fees

Sagebrush electronically tested the claims population to determine if the proper dispensing fees were applied. This was done by dividing the total overall dispensing fee applied to the claims population by the number of claims that should have applied a dispensing fee, separated by rate type for retail, mail or specialty. A summary of Sagebrush’s average dispensing fee results by drug type and rate type are summarized in Table 2A. Table 2B is what Caremark reported.

Sagebrush’s findings are generally consistent with Caremark findings. Any inconsistencies likely result from excluding claims from the guarantee calculations based solely on the Caremark text description of excluded categories; no technical descriptions were provided.

TABLE 2A. 2023 MEASURED DISPENSING FEES

Guarantee	# of Claims	Actual Dispense Fee	Contracted Disp Fee	Achieved Rate	Guaranteed Rate	\$ Guarantee Overage/ Shortfall
<i>Fees Measured from Claims Data:</i>						
Brand	64,527	\$12,672.38	\$12,672.38	\$0.20	\$0.20	\$0.00
Brands - 90 Day	17,421	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Brands - Kansas network	20,442	\$11,169.87	\$7,154.70	\$0.55	\$0.35	(\$4,015.17)
Brands - Specialty	81	\$7.00	\$16.20	\$0.09	\$0.20	\$9.20
Generics	365,845	\$81,880.23	\$73,169.00	\$0.22	\$0.20	(\$8,711.23)
Generics - 90 Day	9,528	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Generics - Kansas network	134,258	\$75,576.15	\$53,703.20	\$0.56	\$0.40	(\$21,872.95)
Generics - Specialty	156	\$16.41	\$31.20	\$0.11	\$0.20	\$14.79
*TOTAL						(\$34,599.35)

*The total line includes only the shortfall amount. Overages are not included in amount owed.

TABLE 2B. 2023 CAREMARK REPORTED DISPENSING FEES

Guarantee	# of Claims	Actual Dispense Fee	Contracted Disp Fee	Achieved Rate	Guaranteed Rate	\$ Guarantee Overage/Shortfall
<i>Reported by CAREMARK:</i>						
Brand	68,114	\$12,941.66	\$13,622.80	\$0.19	\$0.20	\$681.14
Brands - 90 Day	17,188	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Brands - Kansas network	20,726	\$9,741.22	\$7,254.10	\$0.47	\$0.35	(\$2,487.12)
Brands - Specialty	79	\$6.32	\$15.80	\$0.08	\$0.20	\$9.48
Generics	402,113	\$84,443.73	\$80,422.60	\$0.21	\$0.20	(\$4,021.13)
Generics - 90 Day	177,908	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Generics - Kansas network	138,931	\$76,412.05	\$55,572.40	\$0.55	\$0.40	(\$20,839.65)
Generics - Specialty	158	\$15.80	\$31.60	\$0.10	\$0.20	\$15.80
*TOTAL						(\$27,347.90)

*The total line includes only the shortfall amount. Overages are not included in amount owed.

Recommendation 1: The total dispense fee applied to the retail brand and generic claims was in excess of the expected contracted rate.

Also, Caremark should provide a technical description, using data fields and specific values, of determining claims excluded from guarantee calculations. The technical description should be included in the documents provided for audit.

Sagebrush’s findings are generally consistent with Caremark findings. Any inconsistencies likely result from excluding claims from the guarantee calculations based solely on the Caremark text description of excluded categories; no technical descriptions were provided.

Action: Caremark issued Check # 804447, on 6/3/2024 in the amount of \$2,520,854.63. The \$27,347.90 for the missed dispensing fees is included in check #804447. No further action is required.

Caremark Response:

Caremark reviewed the pricing guarantee reconciliation and confirmed that SEHP was reimbursed for the self-reported Retail Pricing and Dispensing Fee guarantee shortfall of \$2,520,854.63 via check number 804447 on June 03, 2024 and \$27,347.90 for the dispensing fee underperformance.

Caremark maintains our position that the reconciliation reporting provided in support of the audit is complete and accurate.

It is our view that we are in compliance with the contract and there are no additional material financial discrepancies related to this finding.

Finding 2 Pricing Discounts

Sagebrush totaled the number of claims, AWP pricing, and actual pricing to determine whether the measured pricing discount is consistent with the rates reported by CVS and the guaranteed rates. The analysis was tabulated by rate type, excluding specific types of claims not included in the contractual guarantees.

The retail and mail order discount guarantees are shown in the table that follows. Table 2C shows the results, material issues, and the difference calculations of the aggregate discount for calendar year 2023, calculated by Sagebrush.

TABLE 2C. SAGEBRUSH 2023 PRICING DISCOUNT GUARANTEE CALCULATION

Rate Type Description	Claims	Ingredient Cost	Total AWP	Actual Discount Rate	Contracted Discount Rate	Variance/Performance	
SPECIALTY							
BER - Brand Effective Rate	11,178	\$90,428,106.49	\$110,861,683.30	18.43%	20.40%	(\$2,183,975.16)	<
GER - Generic Effective Rate	2,516	\$2,879,909.15	\$7,206,607.54	60.04%	63.50%	(\$249,348.62)	<
SPECIALTY TOTAL DUE						(\$2,433,323.78)	<
BRAND TOTAL							
Brands	68,114	\$43,915,264.47	\$54,930,072.35	20.05%	20.35%	(\$164,790.22)	<
Brands - 90 Day	17,421	\$15,343,028.08	\$20,218,129.19	24.11%	23.60%	\$103,112.46	>
Brands - Kansas network	20,471	\$13,729,409.96	\$16,763,399.92	18.10%	19.60%	(\$251,451.00)	<
Brands - Specialty	81	\$2,403,953.50	\$2,987,757.23	19.54%	18.50%	\$31,072.68	>
GENERIC TOTAL							
Generics - 30 Day	398,141	\$9,580,762.01	\$53,044,269.01	81.94%	86.25%	-\$2,286,207.99	<
Generics - 90 Day	178,362	\$5,264,043.01	\$57,440,319.86	90.84%	87.75%	\$1,774,905.88	>
Generics - Kansas network	135,924	\$2,284,120.58	\$19,253,505.86	88.14%	86.00%	\$412,025.03	>
Generics - Specialty	156	\$87,441.87	\$190,170.20	54.02%	30.00%	\$45,678.88	>
TOTAL RETAIL DUE						(\$515,518.30)	<
Mail Brands	1,912	\$1,429,496.51	\$1,899,662.89	24.75%	24.75%	\$0.00	-
Mail Generics	10,941	\$343,194.77	\$3,607,024.29	90.49%	89.00%	\$53,744.66	>
MAIL TOTAL						\$0.00	-
TOTAL MAIL DUE						\$0.00	
TOTAL AMOUNT DUE (as calculated by Sagebrush)¹						-\$2,948,842.08	

1. Caremark did not include the overage for retail Brand- 90 day, retail brand Specialty or retail generic Specialty in the net amount due. Therefore, Sagebrush also omitted these categories.

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Table 2B and 2C PERFORMANCE KEY	Over Performance >Greater Than Contracted Rates	Acceptable Performance --Same as Contracted Rates	Under Performance <Less Than Contracted Rates
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TABLE 2D. CAREMARK REPORTED 2023 PRICING DISCOUNT GUARANTEE CALCULATION

Rate Type Description	Claims	Ingredient Cost	Total AWP	Actual Discount Rate	Contracted Discount Rate	Variance/Performance	
SPECIALTY							
BER - Brand Effective Rate		\$71,906,470.88	\$88,155,654.62	18.43%	20.40%	(\$1,736,666.40)	<
GER - Generic Effective Rate		\$2,421,009.09	\$6,020,231.78	59.79%	63.50%	(\$223,350.60)	<
SPECIALTY TOTAL DUE						(\$1,960,017.00)	<
BRAND TOTAL							
Brands		\$44,770,177.57	\$55,999,492.27	20.05%	20.35%	(\$167,998.48)	<
Brands - 90 Day		\$14,869,135.69	\$19,592,225.39	24.11%	23.60%	\$99,920.35	>
Brands - Kansas network		\$13,913,607.07	\$16,988,235.84	18.10%	19.60%	(\$254,823.54)	<
Brands - Specialty		\$2,411,862.68	\$2,997,095.90	19.53%	18.50%	\$30,870.09	>
GENERIC TOTAL							
Generics - 30 Day		\$9,648,035.77	\$53,643,789.41	82.01%	86.25%	(\$2,274,496.67)	<
Generics - 90 Day		\$5,245,841.89	\$57,116,300.62	90.82%	87.75%	\$1,753,470.43	>
Generics - Kansas network		\$2,324,537.34	\$19,540,882.09	88.10%	86.00%	\$410,358.52	>
Generics - Specialty		\$264,400.45	\$457,291.12	42.18%	30.00%	\$55,698.06	>
TOTAL RETAIL DUE						(\$553,489.73)	<
Mail Brands		\$1,429,496.51	\$1,899,662.89	24.75%	24.75%	\$0.00	-
Mail Generics		\$343,194.77	\$3,607,024.29	90.49%	89.00%	\$53,744.66	>
MAIL TOTAL						\$0.00	-
TOTAL MAIL DUE						\$0.00	
TOTAL AMOUNT DUE (as calculated by Caremark)						(\$2,493,506.73)	

Table 2B and 2C PERFORMANCE KEY	Over Performance >Greater Than Contracted Rates	Acceptable Performance --Same as Contracted Rates	Under Performance <Less Than Contracted Rates
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Recommendation 2:

Caremark should provide a technical description, using data fields and specific values, of determining excluded claims. The technical description should be included in the documents provided for audit.

Sagebrush pricing guarantees will slightly differ from those reported by Caremark as we are trying to match the promises in the contract based on the text descriptions in the contract and the claims data provided for the audit. The data includes only the post POS Rebate ING COST, therefore, Sagebrush has to manually estimate the number of claims with a POS rebate in order to calculate the total ING COST for the pricing guarantee. Sagebrush's findings are generally consistent with Caremark findings. Any inconsistencies likely result from excluding claims from the guarantee calculations based solely on the Caremark text description of excluded categories. The file referenced in the CAREMARK response above was used as a guide for the testing.

Sagebrush identified claims in the data for the Specialty BER and GER categories that were not on the inclusion/exclusion list for the pricing guarantees. These claims were sent to Caremark for review. Caremark states that at the time the pricing guarantee report was generated, these claims were either rejected or reversed.

Sagebrush calculated the missed guarantee amount due to SEHP as \$2,948,842.08 when calculated the same way Caremark calculated the reported guarantees.

Based on the charts above, Caremark did not meet contractual performance guarantees for the exclusive specialty, 30-day retail brand or generic and, retail brand for the Kansas network. Caremark reported a missed guarantee total of \$2,493,506.73. This total is the net value that includes the missed guarantees for 30-day retail brand, 30-day retail generic, Brand – Kansas network, Specialty BER & GER in addition to the surplus amount for Generic 90-day and Generic – Kansas network. ***The BAFO Cost Proposal - (CVS Health 04-13-22) section 2.01.18 states, retail 30 generic and retail 90 generic claims are considered a single component (in other words, will be reconciled together.)***

Action: Caremark issued Check # 804447, on 6/3/2024 in the amount of \$2,520,854.63. Which includes the missed dispensing fee and pricing guarantees as reported by Caremark. No further action is required.

Caremark Response: *Caremark reviewed the pricing guarantee reconciliation and confirmed that SEHP was reimbursed for the self-reported Retail Pricing and Dispensing Fee guarantee shortfall of \$2,520,854.63 via check number 804447 on June 03, 2024. Caremark maintains our position that the reconciliation reporting provided in support of the audit is complete and accurate. It is our view that we are in compliance with the contract and there are no additional material financial discrepancies related to this finding."*

Duplicate Payments

Sagebrush reviewed each claim electronically to test for the proper application of plan benefits and to ensure that each claim was processed and paid only once.

Finding 3: Duplicate Payments

Sagebrush tested the paid claims population for potential duplicate payments. There were six (6) claims identified with potential duplicate payments totaling \$1,213.88.

- CVS reviewed these potential exceptions and found that three (3) had a proper PA override applied for an early vacation refill and the remaining three (3) were corrections made due to a Service Warranty issue.

Recommendation 3: No recommendations necessary.

Finding 4: Financial and Privacy Controls

Based on Sagebrush’s review of the Administrative Questionnaire response, testing, and controls in place for the confidential exchange of information between CVS and Sagebrush, Sagebrush concludes CVS has adequate controls in place for integrity, accuracy, and privacy.

Resolution 4: No further action is necessary.

Finding 5: Copays and Coinsurance

Based on the CVS Health review of the sample of potential exceptions, CVS Health appears to have programmed its systems to correctly apply coinsurance to Plan A Tier 1 claims.

Resolution 5: No further action is necessary.

Finding 6: Non-Covered Drugs

Sagebrush did not identify any instances where a plan payment was issued for non-covered drugs, including Fertility drugs.

Resolution 6: No further action is necessary.

Finding 7: Quantity Limits

- Mail order Supply – There were no claims identified with a greater than 90-day supply.

- Opioid Limitations – Sagebrush did not identify any instances where an opioid exceeded the limitations based on how the claim was filled. Meaning, if the claim was a one-month supply, the quantity filled was within the quantity limit set by the plan for a one-month supply.

Resolution 7: No further action is necessary.

Finding 8: Prior Authorizations/Step Therapies

Sagebrush tested 100% of the claim population for calendar year 2023 to identify claims for medications that are listed on the Formulary Exclusions Requiring Prior Authorization drug list by drug name. The test excluded claims for participants that did not have Fill Number 0, or the initial fill for the prescription, in the claims data. The test identified 81 claim lines where the PA Number was blank. These 81 claims were for 50 unique participants with 64 unique prescriptions and 4 unique drug names totaling \$7,114.07 in paid dollars.

The test identified claims for Acyclovir, Fluoxetine, Oxycontin and Ventolin.

Caremark reviewed claims for each drug name and dosage submitted and stated the following:

- Acyclovir - Acyclovir is a preferred product and does not require a prior authorization.
- Fluoxetine - The prior authorization requirement does not apply to this NDC number.
- Oxycontin - The medication is part of the client's custom Formulary Exception list.
- Ventolin - The medication is part of the plans custom Chronic Care List.

Based on additional review, these claims were all processed accurately without authorization.

TABLE 2G. PRIOR AUTHORIZATION EXCEPTIONS

PLAN	TOTAL CLAIMS	FINANCIAL IMPACT
PLAN A	46	\$4,815.87
PLAN C	32	\$2,112.54
PLAN J	3	\$185.66
TOTAL	81	\$7,114.07

Recommendation 8: Sagebrush provided Caremark with sixteen (16) claims from the 4 identified drugs that require a prior authorization for review. Caremark reviewed the sixteen (16) drug name

exceptions provided and determined that none of the included drugs required a prior authorization for the date of service in question.

For the claims where Caremark states that the NDC does not require prior authorization, Sagebrush cannot determine from the Formulary Exclusions Requiring Prior Authorization list that is provided for the audit, what NDC's are included or excluded, as the list is by drug name only.

Caremark should provide a more detailed Formulary Exclusions Requiring Prior Authorization List that includes the NDC numbers that actually require the prior authorization.

In addition, while Sagebrush asked for Plan specific documents prior to the start of the audit, such as the CPM (Clinical Plan Management) and CRD (Client Requirements Document), these were not provided. Sagebrush did not have access to the Plan specific Formulary Exception List or the Chronic Care list.

Action: No further action is required. However, for future audits, plan specific information is necessary in order to properly conduct the audit.

Caremark Response:

Caremark reviewed the sixteen (16) sample claims provided by Sagebrush and confirmed these claims processed correctly. SEHP did not elect to implement a Prior Authorization (PA) requirement for these products. Caremark recommends that in the future, Sagebrush request documentation at the onset of the audit for utilization management in order to determine which clinical programs were in place during the audit period.

It is our view that we are in compliance with the plan design, and there are no material financial discrepancies related to this finding.

Sagebrush Response: Sagebrush requests the utilization management CRD's (Client Requirement Document) and the CPM's (Clinical Plan Management Document) at the onset of every audit. They were not received for this audit, even with a follow up request. Caremark has provided these documents in previous audit years. Based on the information received in previous years, the CRD's and CPM's, while providing Client specific information, do not provide specific NDC drug information to determine the drugs to which prior authorization apply.

Finding 9: Coordination of Benefits

Sagebrush did not identify any instances for missed coordination of benefits.

Resolution 9: No further action is necessary.

Finding 10: Tier 1 Strategy

The electronic testing of 100% of the claim's population did not identify any exceptions in the Tier 1 Strategy category.

CVS Health appears to have programmed its systems to correctly apply coinsurance to Tier 1 claims. No further recommendation is necessary.

Resolution: No further action is necessary.

Finding 11: Statistical Claim Sample

Sagebrush assessed an error to twelve (12) claims in the statistical sample.

- **Pharmacy Contracts** - Seven (7) claims – sample #18, #53, #57, #59, #71, #81 & #87 priced with an incorrect provider discount rate. Per the Pharmacy contract provided for the audit, the Pharmacy discount shown in the contract did not match the discount applied to the claim when processed. The result for these seven (7) claims was a net overpayment of \$97.05.
- **Specialty claims** - There were five (5) claimS where the discount shown on the Specialty Claim Discount Drug List did not match the discount applied to the claim when processed. These were sample #143, #179, #183, #189 & #243. The incorrect discounts applied to the claims resulted in a net underpayment of \$10,867.94.

Caremark states that this client has pass through pricing. Therefore, the discounts applied at the time the claim is processed do not matter as long as the annual aggregate discount meets the contractual obligation.

Sagebrush selected the seven (7) claims as part of the review of the actual Pharmacy contract in place between Caremark and the Pharmacy. The contract audit was to determine if the claim was processed according to the Pharmacy's contracted discount with Caremark. The claims were overpaid \$97.05 per the review of the Pharmacies contracts.

Caremark's statement that the client has pass through pricing, is not appropriate in this case as there are contracts in place with the Pharmacies and Caremark is contractually obligated to price the claims submitted by these Pharmacies per the Pharmacy's contract, regardless of the Client. Caremark stated that State of Kansas is transparent, so rates will vary by pharmacy, any reimbursement would have been included in the Retail Brand \$167,998.48 shortfall.

Caremark reviewed the five (5) Specialty claims and states that the claims in question are included in the Specialty OED. Any reimbursement would have been included in the \$1,736,666.40 shortfall.

TABLE 3A. SAMPLE EXCEPTIONS BY TYPE OF EXCEPTION

TYPE OF EXCEPTION	TOTAL # EXCEPTIONS	FINANCIAL IMPACT
Incorrect Provider Contracted Discount	7	\$97.05
Incorrect Specialty Drug Discount	5	(\$10,867.94)
TOTAL	12	(\$10,770.89)

Recommendation 11: No recommendation is necessary as the financial impact from these discount errors was included in the payment to SEHP on Check # 804447, on 6/3/2024 in the amount of \$2,520,854.63 for the pricing guarantee reconciliation.

Caremark Response:

Caremark reviewed the twelve (12) sample claims provided by Sagebrush.

- *Pharmacy Contracts.* Caremark has reviewed the seven (7) sample claims in question and maintains our position that the claims processed correctly. The Network Enrollment Forms provided were in effect for the applicable time period and contain effective rate guarantees. Effective rate guarantees are contracted rates that guarantee that the pharmacy will not receive reimbursement in the aggregate that is less than the effective rate guarantee. Effective rate guarantees are guarantees to the pharmacy across all lines of business in all states. It is therefore not required that the pharmacy is paid, for each and every claim, a rate that matches the contracted effective rate.

- *Specialty Claims.* Caremark has reviewed the five (5) sample claims in question and maintains our position that the claims processed correctly. Per the contract document titled, “Section I, Tab 12 – Exclusive Specialty Fee Schedule NDC-Level.xlsx” the claims paid with the correct contracted discount rate.

It is our view that we are in compliance with the contract, and there are no material financial discrepancies related to this finding

Audit Results Statistical Sample

These results are based on the random sample claims being processed with the Pass Through pricing discounts at the time the claim was adjudicated by Caremark, with the understanding that the discount guarantee will be aggregated with the year-end reconciliation.

Sagebrush assessed twelve (12) errors in the 250 claim Random Sample. Seven (7) claims were priced with a pass-through discount that did not match the discount shown in the Pharmacy’s contract with Caremark. Caremark and Sagebrush disagreed on the disposition of this claim. Caremark states the

financial impact from these discount errors would have been included in the payment to SEHP on Check # 804447, on 6/3/2024 in the amount of \$2,520,854.63 for the pricing guarantee reconciliation

Financial Accuracy: The tested financial accuracy rate of the sample is 99.15%. This accuracy falls below the generally observed industry standard of 99.99% and the financial performance guarantee between Caremark and SEHP of 99.25%.

The stratified random sampling method permits projection of the audited financial accuracy rate to the entire population. The auditor's ability to statistically project the audit findings in this manner depends on the sampling technique used.

The tested gross financial error in the pharmacy claims sample is \$10,964.99. Based on the amount of the payment errors and the distribution among the claim strata, the best estimate of the absolute (gross) financial error is \$900,311.13 in the total paid claim population of \$105,738,614.97, shown in Table 3B below. The resulting projected gross financial (dollar) accuracy within the claim population is 99.15%. The standard commonly observed in the industry is 99.00%.

TABLE 3B: CALCULATION OF GROSS FINANCIAL IMPACT FOR THE POPULATION

			A	B	C	D	E
Strata by Claim Paid Amount			Gross Sample Error	Sample Size	Average Error per Sampled Claim	Total # of Claims in Population	Projected Gross Error
					A/B		C x D
\$0.00	-	\$284.99	\$18.42	50	\$0.37	1,057,531	\$389,594.42
\$285.00	-	\$1,969.99	\$78.63	50	\$1.57	39,689	\$62,414.92
\$1,970.00	-	\$6,124.99	\$221.66	50	\$4.43	6,204	\$27,503.57
\$6,125.00	-	\$16,599.99	\$10,011.54	50	\$200.23	2,053	\$411,074.00
\$16,600.00	+		\$634.74	50	\$12.69	766	\$9,724.22
TOTAL			\$10,964.99	250	\$219.30	1,106,243	\$900,311.13

Payment Accuracy: The payment accuracy rate for the audit sample is 97.63%. This accuracy is within the generally observed industry standard of 95.00 to 97.00 percent. The performance guarantee between Caremark and SEHP for payment accuracy is 98.00%.

TABLE 3C: CAREMARK’S REPORTED PAYMENT RATES BY QUARTER

Quarter Reported	CAREMARK’s Payment Rate Reported
Quarter 1	99.90%
Quarter 2	99.80%
Quarter 3	100.00%
Quarter 4	100.00%

Procedural Accuracy: The procedural accuracy rate for the audit sample is 100.00%. This accuracy rate exceeds the generally observed industry standard of 95.00% and the Caremark performance guarantee for processing accuracy of 98.00%.

TABLE 3D: SUMMARY OF ACCURACY RATES

Measure	Measured Accuracy	CAREMARK Performance Guarantees	Common Industry Standards
Financial Accuracy	99.15%	99.25%	99.00%
Payment Accuracy	97.63%	98.00%	95.00% - 97.00%
Procedural Accuracy	100.00%	98.00%	95.00%

Finding 13: Payment Verification

The review confirmed that Caremark accurately reported the actual amounts paid to the pharmacies.

Finding 14: Contractual Payment Terms

Of the 15 samples reviewed, Sagebrush identified that the contract discount terms for seven (7) sample claims, (sample #18, #53, #57, #59, #71, #81, & #87) were not followed on the individual sample claim. The discount amount for this sample did not match Caremark’s supporting documentation either (see the Random Sample Observations and Recommendation section of this report). Specifically, the drug price was actually discounted more than the contractual discount; the pharmacy was overpaid on the sample.

Recommendation 14: The discrepancy on the sampled claims were submitted to Caremark for review and comment. It is Caremark’s position that contractual discounts may not be followed on individual

pharmacy transactions, however Caremark states it is still within the scope of its agreement with SEHP if overall guarantees for pricing discounts are satisfied.

While the sample review identified the overpayment to the pharmacy on these seven (7) claims, in aggregate Caremark overpaid (did not meet the discount guarantee) for the specialty, 30-day brand retail, retail brand Kansas network or 30-day retail generic claims. (see Finding and Recommendation 2), resulting in payments to pharmacies that were less in aggregate than promised.

Verification of Pharmacy Payments with Pharmacies

For the 15 pharmacy contracts reviewed, Sagebrush contacted the pharmacies to verify Caremark payment records match to the pharmacy receipts. Sagebrush did not identify any samples where the Explanation of Benefits (EOB) provided by the pharmacy did not match the fields in the electronic claims data provided to Sagebrush by Caremark.

Finding 15: Verification of Payments

The verification process confirmed that Caremark accurately reported the actual amounts paid to the pharmacies.

III. MANUFACTURER REBATE REVIEW

The tables below show the data as used to select the top manufacturers for audit. The manufacturers selected for audit for the 2023 plan year include Abbvie, Amgen, Astra Zeneca, Boehringer Ingelheim, Bristol-Meyers Squibb, Eli Lilly, GlaxoSmithKline, Johnson & Johnson, Merck, Novartis, Novo Nordisk, and Pfizer.

TABLE 4A. INVOICED REBATES FOR SELECTED MANUFACTURERS VS TOTAL REBATES

	2023 TOTAL INVOICED REBATES
Total Top 12 Manufacturers	\$53,974,452.04
Total During Audit Period	\$62,694,771.39
% Audited	86.0%

Finding 16: Invoiced Rebates

The total invoiced rebates, compared to total unrebated plan expense are shown in the table below. The rebates as a percentage of total paid pharmacy claims during the study period are 30.19%.

TABLE 4B. INVOICED REBATES VS TOTAL UNREBATED EXPENSE

		2023 Plan Year
A	Invoiced Rebates	\$62,694,771.39
B	Total Pharmacy Paid by Plan	\$144,996,099.69
C	Total Plan Paid + Rebates (A + B)	\$207,690,871.08
D	Rebates as a % of Total Unrebated Expense (A/C)	30.19%

Resolution 16: Observational only. No recommendation necessary.

Finding 17: Outsourcing of Rebate Process

On March 18, 2020, CVS launched a group purchasing organization (GPO) called Zinc Health Ventures, LLC (Zinc). Zinc is a Delaware limited liability company and subsidiary of CVS Health Corporation.

In the CVS Health Corporation Form 10-K for the fiscal year ended December 31, 2021, CVS states the purpose of the GPO as follows:

“The Company operates a group purchasing organization that negotiates pricing for the purchase of pharmaceuticals and rebates with pharmaceutical manufacturers on behalf of its participants. The Company also provides various administrative, management and reporting services to pharmaceutical manufacturers.”

This is the same language as found in the Form 10-K filed by CVS Health Corporation for the fiscal year ended December 31, 2020.

CVS made the Zinc-manufacturer contracts available for Sagebrush review. During the study period, the terms of the Zinc rebates were similar to the terms under the CVS-manufacturer contracts in prior year audit.

Also, in the 2020 Form 10-K, under the section entitled “Risks From Changes in Public Policy and Other Regulatory Risks” on pages 44 – 45, CVS cites *“potential changes in public policy, laws and regulations... which can adversely affect our business.”* The listed risks include:

“...in November 2020, the HHS released the Rebate Rule, which eliminates the regulatory safe harbor from prosecution under the AKS for rebates from pharmaceutical companies to PBMs in Medicare Part D and in Medicaid MCOs,

replacing it with two far narrower safe harbors designed to directly benefit patients with high out-of-pocket costs and to change the way PBMs are compensated. The new safe harbors are (i) for rebates which are passed on to the patient at the point of sale and (ii) for flat service fee payments made to PBMs which cannot be tied to the list prices of drugs.”

The other potential benefit of Zinc to CVS beyond potentially enhanced GPO purchasing power includes CVS continuing to collect administrative fees on rebates under the GPO contract. GPO contracts may avoid legislative proposals to prohibit manufacturers from paying PBMs administrative service fees directly that are based on a percentage of sales or drug list prices¹.

Finding 18: Rebate Discrepancies

Based on the manufacturers reviewed, the total net mispayments identified in the invoices for the plan for the study period is a net underpayment of rebates of \$71,953.79. Caremark corrected \$42,096.13 of the mispaid amount on subsequent invoices after the study period but before this report. After corrections, for the manufacturers reviewed, SEHP was underpaid rebates of \$29,857.66, or 0.06% of the total rebates for the selected manufacturers.

The table below presents all discrepancies identified and not resolved with Caremark. The findings represent the results of the review of the manufacturer contracts for accurate rebate calculations.

¹ <https://www.drugchannels.net/2020/01/express-scripts-prime-therapeutics-our.html>

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TABLE 4C. REBATE DISCREPANCIES

ISSUE #	DESCRIPTION	ESTIMATED IMPACT (\$) (UNDERPAY)/ OVERPAY	AMOUNT CORRECTED ON INVOICES AFTER STUDY PERIOD	ESTIMATED IMPACT (\$) BALANCE
1	THYROID MEDICINE: Should have applied contract revision 1009 for Manufacturer 1 for Non-Preferred Option 1, effective 1/1/2003. Caremark: Rebated correctly per revision 1006, non-preferred. Appears CAREMARK did not apply the latest contract revision.	(\$97.92)		(\$97.92)
2	IBS TREATMENT: The invoice provided to Sagebrush for study period shows a lower base rate and rebate applied than shown in the contract for Manufacturer 1. Caremark: These claims states were rebilled under Invoice Report 131353 for the correct base rate.	(\$6,335.90)	\$6,335.90	\$0.00
3	MIGRAINE TREATMENT The invoice provided to Sagebrush for study period shows a lower base rate and rebate applied than shown in the contract for Manufacturer 1. Caremark: These claims states were rebilled under Invoice Report 131731 for the correct base rate	(\$14,859.09)	\$14,859.09	\$0.00
4	TYPE 2 DIABETES MEDICINE 1: The invoice provided to Sagebrush for study period shows a lower base rate and rebate applied than shown in the contract for Manufacturer 2. Caremark: These claims states were rebilled under Invoice Report 134889 for the correct base rate	(\$158.25)	\$158.25	\$0.00
5	TYPE 2 DIABETES MEDICINE 2: The invoice provided to Sagebrush for study period shows a lower base rate and rebate applied than shown in the contract for Manufacturer 2. Caremark: These claims states were rebilled under Invoice Report 134760 for the correct base rate	(\$9,879.30)	\$9,879.30	\$0.00
6	TYPE 3 DIABETES MEDICINE 3: The invoice provided to Sagebrush for study period shows a lower base rate and rebate applied than shown in the contract for Manufacturer 2. Caremark: These claims states were rebilled under Invoice Report 134784 for the correct base rate	(\$825.45)	\$825.45	\$0.00
7	TYPE 3 DIABETES MEDICINE 4: The invoice provided to Sagebrush for study period shows a lower base rate and rebate applied than shown in the contract for Manufacturer 2. Caremark: These claims states were rebilled under Invoice Report 134898 for the correct base rate	(\$17.87)	\$17.87	\$0.00
8	ULCERATIVE COLITIS MEDICINE: The invoice provided to Sagebrush for study period shows a lower base rate and rebate applied than shown in the contract for Manufacturer 3. Caremark: These claims states were rebilled under Invoice Reports 123540 and 123574 for the correct base rate	(\$1,284.96)	\$1,284.96	\$0.00

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ISSUE #	DESCRIPTION	ESTIMATED IMPACT (\$) (UNDERPAY)/ OVERPAY	AMOUNT CORRECTED ON INVOICES AFTER STUDY PERIOD	ESTIMATED IMPACT (\$) BALANCE
9	MIGRAINE TREATMENT The invoice provided to Sagebrush for study period shows a lower base rate and rebate applied than shown in the contract for Manufacturer 4. Caremark: These claims states were rebilled under Invoice Report 115960 for the correct base rate	(\$11,081.58)	\$11,081.58	\$0.00
10	TYPE 2 DIABETES/WEIGHTLOSS TREATMENT: Caremark Manufacturer 4 drug is eligible for Preferred Brand Tier rebates from 06/15/2023 through 08/31/2023	(\$20,256.13)		(\$20,256.13)
11	BLOOD THINNER: The invoice provided to Sagebrush for study period shows a lower base rate and rebate applied than shown in the contract for Manufacturer 5. Caremark: These claims states were rebilled under Invoice Report 110773 for the correct base rate	(\$2,097.50)	\$2,097.50	\$0.00
12	DRY EYE DISEASE TREATMENT: Caremark: Base Rates for drug for Manufacturer 6 increased 7/1/23.	(\$3,491.28)		(\$3,491.28)
13	INSULIN: The invoice provided to Sagebrush for study period shows a lower base rate and rebate applied than shown in the contract for Manufacturer 7. Caremark: These claims states were rebilled under Invoice Report 133857 for the correct base rate	(\$6,012.33)		(\$6,012.33)
14	GROWTH HORMONE: The invoice provided to Sagebrush for study period shows a higher base rate and rebate applied than shown in the contract for Manufacturer 8. Caremark: These claims states were rebilled under Invoice Report 130755 for the correct base rate.	\$4,452.59	(\$4,452.59)	\$0.00
15	ANEMIA TREATMENT: The invoice provided to Sagebrush for study period shows a lower base rate and rebate applied than shown in the contract for Manufacturer 8. Caremark: These claims states were rebilled under Invoice Report 127526 for the correct base rate.	(\$8.82)	\$8.82	\$0.00
Total Due to SEHP				\$29,857.66

Recommendation: The uncorrected mispayments represent approximately 0.06% of the total rebates for the selected manufacturers; the error level is not material. No recommendation is necessary.

Finding 19: Minimum Rebate Guarantees

Sagebrush applied the claim volumes to the per rebate guarantee amounts in Caremark -SOK contract and compared to actual rebates and the reported point-of-sale rebates. The results of the comparison are shown in the table below.

TABLE 4D. ACTUAL REBATES COMPARED TO REBATE GUARANTEES

Category	# of Claims from Interim Settlement Report	Per Claim Rebate Guarantee*	Total Minimum Rebate Guarantee	Invoiced Rebates and Admin Fees**	POS Rebates per Settlement Report	% POS to Invoiced
Retail Brand 30-Day	98,719	\$293.70	\$28,993,770.30			
Retail Brand 90-Day	12,391	\$520.88	\$6,454,224.08			
Mail Brand	2,168	\$680.27	\$1,474,825.36			
Specialty Retail	9,363	\$2,586.00	\$24,212,718.00			
TOTAL	96,308		\$61,135,537.74	\$68,455,520.46	\$62,074,863.98	90.68%
Per Interim Settlement Report				\$68,621,403.77	\$62,074,863.98	90.46%

*Contract

**Rebate Report 1/31/24 vs. Interim Settlement Report

Caremark met the minimum rebate guarantees. However, Caremark did not satisfy the contractual requirement that at least 95% of the actual rebates were rebates at the point-of-sale.

Recommendation: Per the Settlement Report, Caremark owes SEHP the difference between the Minimum POS Guarantee of 95% of the Invoiced Rebates and the actual POS Rebates, or \$3,115,469.60. Caremark will need to provide the check number used to reimburse SEHP this amount.

Caremark Response:

Caremark can confirm that SEHP was paid \$3,115,469.60 via check number 8053679 on July 1, 2024.

It is our view that we are in compliance with the contract and plan design, and there are no material financial discrepancies related to this finding.

Finding 20: POS Rebate Guarantee

While onsite, Caremark provided Sagebrush auditors with a database of POS rebates by claim. The table below is a comparison of the Caremark -reported POS Guarantee calculation from the Settlement Report to the POS rebate data provided to Sagebrush auditors during the week of June 3, 2024.

Based on the data provided, it appears that the database of POS rebates by claim ties is 3% less than the Settlement Report totals.

TABLE 4E. POS REBATES DATA COMPARED TO POS REBATE GUARANTEE

Category	From POS Report: Total POS Rebate	From Interim Settlement: POS Rebate Total	Difference
Retail Brand	\$37,692,423.25		
Retail Generic 30-Day	\$0.00		
Retail Generic 90-Day	\$0.00		
Mail Brand	\$822,945.75		
Mail Generic	\$0.00		
Specialty	\$0.00		
TOTAL	\$38,515,369.00		
Exclusions	\$21,750,349.39		
GRAND TOTAL	\$60,265,718.39	\$62,074,863.98	-3.00%

Recommendation: Caremark should provide accurate data for audit to support the Interim Settlement calculations.

Caremark Response: Caremark reviewed the analysis provided by Sagebrush and confirmed the difference noted between the Interim Settlement Report and POS Rebate data was due primarily to discrepancies with claim sequence numbers. Please note, this is to be expected as a result of timing between when each report is generated. The POS Rebate data provided during the onsite review was generated using the client’s pricing guarantee report with POS rebate values added to each claim. However, this report only includes one sequence number per claim. If a claim is later reversed and reprocessed, the sequence number listed on the report may show as reversed and incur a \$0 POS Rebate value when the report is generated, even if the claim was later reprocessed.

It is our view that we are in compliance with the contract and plan design, and there are no material financial discrepancies related to this finding.

Finding 21: Claims Eligible for Rebates Included in Invoices

Sagebrush electronically compared the claims data to the claims included on the invoices to the manufacturer. The purpose of the comparison is to ensure that all drugs that are eligible for rebates were included in the invoices.

Sagebrush provided CVS with a list of claims that appeared to be rebate-eligible but not invoiced. CVS provided documentation showing the reason why each claim was not submitted on an invoice to the

respective manufacturer. The table below groups the discrepancies by reason, either invoiced but not included in audit data or not invoiced.

TABLE 4F. INVOICE DISCREPANCIES

ISSUE #	DESCRIPTION	NUMBER OF CLAIMS	ESTIMATED IMPACT (\$)
1	CLAIMS WITH ZERO COB NOT INVOICED: Sagebrush identified one rebate-eligible claim for which CVS states this claim was not rebate-eligible because there was an indicator for other insurance coverage. However, no other insurance paid any amount toward this claim. Estimated amount shown is Ingredient Cost x 50%.	1	\$646.24
2	STEP THERAPY: Sagebrush identified three rebate-eligible claims for which CVS states are not eligible because the drug requires a step therapy. However, the drug is not listed as a drug requiring a preauthorization on any of the preauthorization lists provided for audit. Also, the additional data provided for these four claims does not show an indicator in the step therapy field. Estimated amount shown is Ingredient Cost x 50%.	3	\$2,167.50
3	INVOICED BUT NOT ON REDACTED INVOICE PROVIDED FOR AUDIT; Sagebrush identified 225 rebate-eligible claims that do not appear on the invoice provided to Sagebrush for audit. The 225 are 0.2% of the total invoiced claims. CVS subsequently provided information showing that the claims were invoiced. The claims may have been invoiced outside of the 2023 study period or simply not included in the information provided to Sagebrush for audit.	225	\$66,765.85
4	“NEW” INVOICED BUT NOT ON REDACTED INVOICE PROVIDED FOR AUDIT; Sagebrush identified 361 rebate-eligible claims that do not appear on the invoice provided to Sagebrush for audit. The 361 are 0.3% of the total invoiced claims. CVS subsequently provided information showing that the claims were “new” invoiced, presumably invoiced recently (in 2024) and not subject to audit against manufacturer contracts.	361	\$83,902.84
Total Impact			\$153,482.43

Only the #1 Step Therapy and #2 COB issues (total impact \$2,813.74) are potentially missed rebate revenue for the State health plans if the individual rebates exceed the minimum rebate guarantee. The discrepant claims, #3 and #4, appear to have been invoiced and have/will be paid to the SEHP; however, these 586 claims were not included in the information supplied for audit.

Recommendation 21: CVS should determine why the 586 claims were not included in the March 14, 2024 invoice data supplied for audit and improve processes ensure the information provided is as complete as possible. Sagebrush notes that the 586 claims represent approximately 0.5% of the 2023 invoiced claims.

III. ELIGIBILITY ACCURACY REVIEW

Sagebrush requested electronic eligibility information from SEHP and electronically compared the eligibility records to the claims records. The written report quantifies the value of claims paid for ineligible participants for the study period. Examining prescriptions paid for ineligible participants is useful for determining the root cause and improving processes that would reduce such payments in the future.

Finding 23: Eligibility Accuracy Review

Sagebrush electronically compared the eligibility files to the entire universe of dates of services for claim payments in the CVS claims payment file, January 1, 2023 through December 31, 2023. We then compared the electronic findings against the eligibility file manually due to discrepancies in the way the eligibility file is loaded into the Sagebrush database.

Sagebrush identified 340 unique member ID's, with 374 individual participants that had 877 claims that appear to be paid after the coverage termination date. These 877 claims had a total paid amount of \$116,402.49. Based on review, the 877 claims were paid after the participant's termination date, but prior to CVS receiving notification that the member had terminated coverage.

These claims paid in error due to retroactivity represent less than 0.11% of the total paid in the claim population, are within expected industry tolerances for retroactivity, and are not material.

Caremark Response:

Caremark reviewed the samples provided by Sagebrush and confirmed that the participants were active at the time of adjudication. The eligibility dates for each participant were derived from the electronic files Caremark received from SEHP's eligibility vendor. Caremark is not responsible for paying claims due to the retroactive disenrollment of members until Caremark receives an eligibility file reflecting that the member has terminated.

It is our view that we are in compliance with the contract and plan design, and there are no material financial discrepancies related to this finding, as all claims were processed with the eligibility information on file at the time the claim was adjudicated.