

Agenda Item 2

2021 Pharmacy Benefit Manager Audit

Ms. Julie Weismann
PillarRx Consulting, LLC

Description

PillarRx Consulting, LLC (PillarRx) conducted an audit of Prime Therapeutics' calendar year 2021 performance as the pharmacy benefit manager for the State and School Employees' Health insurance Plan (Plan). The review was conducted to determine whether the claims were adjudicated accurately and in accordance with the contractual performance standards, appropriate Plan benefits, and industry standards. The review included but was not limited to an electronic re-pricing of 100% of the prescription drug claims processed, a rebate validation and management review, a verification of discount and dispensing fee guarantees, and an operations review. Ms. Julie Weismann with PillarRx, will present the results of this review to the Board. A copy of PillarRx's report entitled, *Prescription Benefit Management Audit*, is included in this section.

Action Requested

None



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On behalf of Mississippi's State and School Employees' Health Insurance Plan (Plan), PillarRx Consulting, LLC (PillarRx) conducted an audit of the pharmacy benefit program administered by CVS Caremark for the audit period of January 1, 2021, through December 31, 2021. The audit utilized electronic re-processing of 100% of the Plan's prescription claims to verify CVS Caremark's performance. PillarRx conducted this audit to determine if prescription drug claims were processed according to the specifications of the contract between the Plan and CVS Caremark, plan provisions, as well as industry standards. Additionally, PillarRx sought to identify potential opportunities for recoveries or adjustments for lack of performance and future cost savings opportunities. The audit included review of the following items:

- Pricing Audit
- Plan Design Audit
- Rebate Review
- Network Pharmacy Contract Adherence
- Operational Procedures Review
- Fraud, Waste and Abuse (FWA) Audit

Pricing Audit

PillarRx analyzed the network discounts and dispensing fees achieved by CVS Caremark in each channel (retail and mail) as well as component (brand and generic). PillarRx also reviewed CVS Caremark's performance of the specialty program on a per claim basis as defined in the contract guarantee. PillarRx confirms that CVS Caremark adhered to the discount and dispensing fee guarantees outlined in the contract for retail, mail order, and specialty claims.

Plan Design Audit

The plan design audit assessed whether CVS Caremark processed claims in accordance with the benefit plan approved by the Board. PillarRx reviewed the following plan design components:

- Proper calculation and application of copayments and coinsurance by drug type
- Administration of:
 - Drug exclusions and prior authorizations
 - Quantity limits (QL) and Step Therapy
 - Refill limits
 - Dispense at Written (DAW) program

PillarRx confirms that CVS Caremark administered the benefit plan as outlined in the Plan document for retail, mail order, and specialty claims.

PillarRx concluded all claims adjudicated in accordance with the contract and approved plan documents relative to the administration of quantity level limits, step therapy, and refill limits.

Manufacturer Rebate Audit

PillarRx concluded CVS Caremark is adhering to all contract definitions and guarantees and that 100% of all rebates received and due to the Plan were passed along to the Plan.

**Pharmacy Network Audit**

PillarRx's analysis of retail network contracts determined discounts and dispensing fees were administered in accordance with CVS Caremark's contracts with the network pharmacies. CVS Caremark's payments to the network pharmacies matched exactly what was billed to the Plan in accordance with the Service Agreement.

Operational Review

PillarRx concluded that CVS Caremark's policies and procedures were consistent with industry standards and allowed CVS Caremark to meet contractual requirements and performance standards required by the Board.

Fraud, Waste, and Abuse Review

PillarRx's analysis did not identify any patients that required additional information or research from CVS Caremark. PillarRx concludes that CVS Caremark has conducted proper monitoring and case management for all participants under the Plan.



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Prescription Benefit Management Audit Specific Findings Report

**Mississippi's State and School Employees'
Health Insurance Plan**

Administered by: CVS Caremark

Audit Period:

January. 1, 2021- December. 31, 2021



CUSTOMIZED PHARMACY SOLUTIONS

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This document has been prepared in good faith on the basis of information provided to PillarRx Consulting, without any independent verification. If the data, information, and observations received are inaccurate or incomplete, our review, analysis, and conclusions may likewise be inaccurate or incomplete. Our conclusions and recommendations are developed after careful analysis and reflect our best professional judgment.

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PillarRx Consulting representatives may from time to time provide observations regarding certain tax and legal requirements including the requirements of federal and state health care reform legislation. These observations are based on our good-faith interpretation of laws and regulations currently in effect and are not intended to be a substitute for legal or tax advice. Please contact your legal counsel and tax accountant for advice regarding legal and tax requirements.

Executive Summary

On behalf of Mississippi's State and School Employees' Health Insurance Plan (Plan), PillarRx Consulting, LLC (PillarRx) conducted an audit of the pharmacy benefit program administered by CVS Caremark for the audit period of January 1, 2021, through December 31, 2021. The audit utilized electronic re-processing of 100% of the Plan's prescription claims to verify CVS Caremark's performance.

PillarRx conducted this audit to determine if prescription drug claims were processed according to the specifications of the contract between the Plan and CVS Caremark, plan provisions, as well as industry standards. Additionally, PillarRx sought to identify potential opportunities for recoveries or adjustments for lack of performance and future cost savings opportunities.

Basic claim statistics for the audit period are summarized below.

Audit Period	1/1/2021 through 12/31/2021
Client Name	Mississippi's State and School Employees' Health Insurance Plan
PBM Name	CVS Caremark
Claims Count – Total	2,429,606
Claims Paid – Total	\$349,465,246.25

Audit Scope

The audit included the following six components:

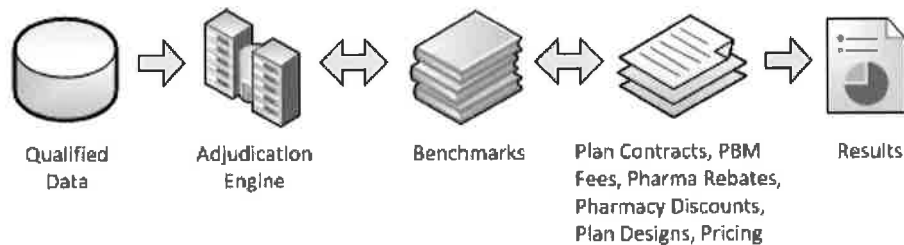
- Pricing Audit
- Plan Design Audit
- Rebate Review
- Network Pharmacy Contract Adherence
- Operational Procedures Review
- Fraud, Waste and Abuse (FWA) Audit

Audit Process Overview

A PillarRx audit re-processes 100% of all pharmacy claims data with the use of software that independently assesses CVS Caremark’s original claim processing. PillarRx’s audit for Mississippi’s State and School Employees Health Insurance Management Plan (Plan) had the following objectives:

- Verification that the Plan’s claims were processed in accordance with the pricing terms specified in the contract with CVS Caremark.
- Verification of the accuracy of claims processing with respect to the Plan’s commercial plan provisions.
- Confirmation of CVS Caremark’s monitoring and clinical oversight of potential Fraud Waste and Abuse.
- Verification of member eligibility for persons receiving benefits under the Plan.

An initial thorough verification of the claims and eligibility data submitted for the audit, referred to at PillarRx as the “data forensics” is performed to ensure an accurate validation of CVS Caremark’s performance. PillarRx uses independent data sources, to verify the correct data elements of every claim. The diagram below presents a high-level overview of our audit process. Our process is described more specifically in the following pages.



Claims Data Verification

Objective Setting and Timeline Review

PillarRx commences the audit project with a review of the mutually agreed upon audit parameters. CVS Caremark is notified of the audit and all legal documents are executed to ensure appropriate exchange of data and management of all applicable privacy and HIPAA laws.

Benefit Plan Detail

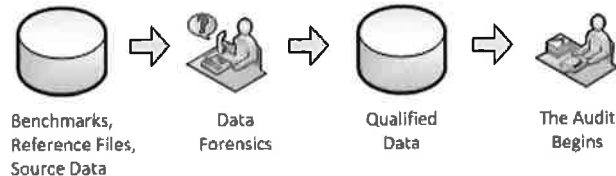
PillarRx receives the appropriate plan detail in effect for the audit period under review from the Plan and CVS Caremark. The information provided includes CVS Caremark's contract, plan design parameters from the Plan's Summary Plan Description (SPD), or equivalent, the drug list or formulary in effect, prior authorizations, and other coverage rules.

Claim Data Validation

PillarRx imported the Plan's claims and eligibility data which were then mapped to our audit system in the data forensics process. This process verifies the claim data by assessing appropriate patterns and relationships, and then compares the data to benchmarks related to prior authorizations, rejections, reversals, and National Provider Identifier (NPI) and National Drug Code (NDC). This detail ensures that the information we review is accurate and can serve as the data source for the audit. In addition to assessing the paid claims, PillarRx reviews "raw" claims in our analysis. Raw claims represent the successive pharmacy claim transactions which would include rejected, reversed, and paid claims. This raw data is critical to our understanding of CVS Caremark's claims processing accuracy and adjudication rules and helps us create a platform for accurate audit resolution.

The PillarRx data forensics is performed to:

- Validate that the pharmacy benefit claims data provided by CVS Caremark for this audit arrived intact and is accurate
- Verify that the claims were loaded and mapped correctly in the PillarRx system
- Validate claim counts and total paid claim amounts
- Compare data values from the above verification steps to benchmarks





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Pricing Audit

The pricing audit evaluated CVS Caremark's financial performance by validating the drug discount guarantees outlined in CVS Caremark's contract. These parameters included:

- Average Wholesale Price (AWP) discounts applied for all drugs against third-party pricing sources
- Network discount guarantee performance for brand and generic including retail and mail
- Administrative fees charged to the plan
- Generic pricing algorithms including Maximum Allowance Costs (MAC) drugs, single source generics (SSG) and overall generic discounts
- Specialty drug discount performance against guarantees
- Brand, generic and specialty drug dispensing fees

Discount Analysis

Drug discount rates are calculated based on the AWP and evaluated by brand and generic then applied to the delivery channels of mail, retail, and specialty pharmacy claims. The discount portion of the pricing audit compares the contractually agreed upon discount rates to the discount rates that were actually achieved.

Note: In this chart, a **negative** variance indicates additional liability or **under-performance**, and a **positive** variance indicates additional savings that were lower than contracted or **over-performance**.

Discount Rates (01/01/2021-12/31/2021)			
Component Description	Contracted Claims Ingredient Cost	Actual Claims Ingredient Cost	Component Variance
Retail Brands	\$140,294,963.00	\$139,982,720.00	\$312,243.00
Retail 90 Brands	\$36,863,026.00	\$36,548,056.00	\$314,970.00
Retail Generics	\$24,483,331.00	\$25,815,813.00	(\$1,332,482.00)
Retail 90 Generics	\$15,652,806.00	\$10,893,817.00	\$4,758,989.00
Mail Brands	\$4,421,333.48	\$4,421,333.48	\$0.00
Mail Generics	\$938,292.00	\$926,583.00	\$11,709.00
Specialty	\$115,232,798.04	\$120,123,701.00	(\$4,890,902.96)
PillarRx Pricing Audit Calculation (Total Underperformance)			(\$6,223,384.96)

Figure 1. Discount Rates *

Final Outcomes: Discounts

PillarRx found an overall underperformance or plan liability in the amount of (\$6,223,384.96). This total is less than CVS Caremark’s self-reported underperformance amount of (\$6,224,822.07) in discounts.

No further action is required.

Dispensing Fees

A dispensing fee is the charge for the professional services provided by the pharmacist when dispensing a prescription (including overhead expenses and profit). Dispensing fees are a defined amount per claim processed by CVS Caremark.

The dispensing fee audit identifies any differences between the dispensing fees contractually agreed on between the Plan and CVS Caremark, and the dispensing fees that were actually charged in the processing of the Plan's claims. A **positive** variance indicates a plan savings (dispensing fee was undercharged). A **negative** variance indicates a plan liability (dispensing fee was overcharged).

Dispensing Fees (01/01/2021-12/31/2021)			
Component Description	Contracted Dispensing Fee \$	Actual Dispensing Fee \$	Dispensing Fee Variance \$
Retail Brands	\$61,066.50	\$65,924.00	(\$4,857.71)
Retail 90 Brands	\$0.00	\$2.00	(\$2.00)
Retail Generics	\$395,317.75	\$422,695.00	(\$27,377.25)
Retail 90 Generics	\$0.00	\$34.00	(\$34.00)
Mail Brands	\$0.00	\$5.00	(\$5.00)
Mail Generics	\$0.00	\$8.00	(\$8.00)
Specialty	\$0.00	\$0.00	\$0.00
PillarRx Dispensing Fee Calculation (Guarantee Component Under Performance Total)			(\$32,283.96)

Figure 2. Dispensing Fees

Final Outcomes: Dispensing Fees

PillarRx found an overall underperformance or plan liability in the amount of (\$32,283.96). This total is less than CVS Caremark's self-reported underperformance amount of (\$33,404.80) in dispensing fees.

No further action is required.

The State of Mississippi requires that CaremarkPCS Health LLC (CVS Caremark) read, review, and sign the Financial Pricing Attestation Letter found at the end of this report.

Benefit Plan Design Adherence

Several criteria make up a benefit plan design including member and plan financial obligations and drug coverage rules along with other guidelines. PillarRx verifies all plan design components.

Benefit Plan Design Audit Components

- Completion of a full benefit plan review
- Assessment of 100% of claims
- Proper application of copayments and coinsurance by drug type
- Proper calculation of copayment based on drug type or benefit accumulator
- Administration of:
 - Drug exclusions and prior authorizations
 - Quantity limits
 - Age rules

After receiving the current plan design detail, inclusive of copayment, coverage rules and SPD, PillarRx built an independent plan design in PillarRx's proprietary software system and then re-processed each claim utilizing those rules to identify any discrepancies. These discrepancies were then aggregated by category and a claim level analysis was conducted for further review.

A sampling of 289 total claims was provided to CVS Caremark for their review and response. CVS Caremark's responses are included in the details of this report and PillarRx's audit results are based upon those responses.

Copayment Adjudication Review

Copayments indicate the dollar amount required to be paid by the member when a prescription drug is purchased. A PillarRx copayment audit compares the plan design received from CVS Caremark to the plan design received from the Plan. Benefit plan design rules are created to ensure members' claims have been properly adjudicated at the pharmacy.

PillarRx re-adjudicated each claim to identify any discrepancies and a claim level analysis was conducted. PillarRx worked with CVS Caremark to resolve any issues. A **negative** variance indicates an overpayment of the copay by the member and a lower plan paid by the Plan. A **positive** variance indicates an underpayment of the copay by the member and a higher plan paid by the Plan.

Copay Findings

PillarRx found several claims that were applying the incorrect cost share. Samples for these claims were sent to CVS Caremark for review. CVS Caremark was successfully able to



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provide reasonable responses to each sample claim. 130 of those claims were members in their deductible phase, 17 of those claims were a part of the Tier 1 Strategy. Per CVS, the Tier 1 strategy allows a Brand medication to process at the copay of a Tier 1 medication. This is a component of the Standard Control Formulary elected by the State for 2021. The remaining 28 claims applied a \$12 Insulin Needles/Syringes copay correctly based on the Plan Document.

Final Outcomes

The responses provided by CVS Caremark allowed PillarRx to conclude all copayments were applied correctly.

No further action required.

Drug Exclusions and Prior Authorizations

Exclusion criteria describe the medications a plan does not cover. PillarRx created an exclusion drug list and re-adjudicated the claims for non-covered medications. This was done to ensure plan design adherence.

Final Outcomes

PillarRx confirms that drug exclusions and prior authorizations were administered correctly.

No further action required.

Administration of Step Therapy

PillarRx reviewed and validated that a lower-cost drug is utilized prior to filling a higher-cost alternative drug. This review compared the step therapy program to the claims data to identify any discrepancies.

Final Outcomes

PillarRx reviewed all claims subject to a step therapy edit and found that claims are processing correctly as the edit is designed and approved.

No further action required.

Administration of Quantity Limits

To ensure safety and appropriate utilization, quantity limits were established in the pharmacy benefit plan.

Final Outcomes

Based on the language in the drug coverage documents provided by CVS Caremark, claims are adjudicating within the parameters.



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No further action required.

Administration of Age Rules

Age rules specify that a member may be within a specific age group for a specific medication to be covered. These drugs are defined in CVS Caremark's formulary.

Final Outcomes

PillarRx reviewed all claims subject to age rules and found that claims are adjudicating within the parameters.

No further action is required.



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Fraud, Waste and Abuse (FWA) Audit

The PillarRx FWA report automatically identified patients who should be considered for review if they met three or more of six investigatory criteria as established by PillarRx.

Criterion	Description	What Does It Do?
1	Controlled Substances: Usage of 10 prescriptions in any 10-week period. [Narcotic Usage]	Helps identify potential abuse situations by providing high utilization criteria with potential "doctor shopping."
2	Controlled Substances: Prescribed by 3 or more physicians. [Narcotic Activity]	
3	High-Cost Prescriptions: Greater than \$2,500. [Excessive Cost]	Helps identify excess cost.
4	Early Refill of Prescriptions: Criteria for retail claims is less than 75% being used and mail order is less than 65% being used when a subsequent prescription is dispensed. [Refill Too Soon]	Help identify areas that provide oversight of the processing criteria delegated to the contracted CVS Caremark vendor.
5	DUR Therapeutic Overlaps: Utilizes the same criteria as identified for early refill but applied to prescriptions at different pharmacy providers, essentially exact duplication. [DUR]	
6	Dose/Refill Noncompliance: Reporting that compares the dosage on the prescription to the manufacturer-identified benchmark dosage for the age demographic as reported in Medi-Span. It also identifies gaps in therapy when compared to manufacturer-identified benchmarks. The criteria used in this instance was to identify patients exceeding the manufacturer's recommended dose by greater than 100% or double the benchmark and had a gap in therapy of greater than 50%. An occurrence such as this would indicate potential copayment avoidance. [Dose Non-Compliance]	

PillarRx's pharmacist reviewed claims to assess any potential waste or abuse when evaluated from a member, pharmacy, and medical provider perspective. Analysis based on utilization trends were examined to understand if any utilization anomalies exist.



Fraud Waste And Abuse

Claims FILLED Between 01/01/2021 and 12/31/2021 With 3 or More Occurrences.

Filled Or Paid: FILLED

DataStore: ADS_SoMS_CY2021_PBM

Account(s): All Accounts

Group(s): All Groups

PlanCode(s): All PlanCodes

Occurrences: 10

Weeks: 10

No of Physicians: 4

Ingredient Cost Threshold: 2500

Retail Refill Days: 30

Retail Pct Used: 50

Mail Refill Days: 60

Mail Pct Used: 50

Days Supply: 30

Daily Dose Over Pct: 100

Non-Compliance Pct: 50

No of Report Violation: 3

Patient No	Patient Name	Narcotic Usage	Narcotic Activity	Excessive Cost	Refill Too Soon	Drug Utilization Review	Dose Compliance	Occurrences
Patient 1		X	X	X				3
Patient 2		X	X	X				3
Patient 3		X	X	X				3
Total Patients		3						

Final Outcomes

PillarRx's analysis identified one patient (Patient 3) that may benefit from better medical management and case management, but found no indication of fraud, waste, or abuse. PillarRx concludes that CVS Caremark has conducted proper monitoring and case management for all participants under the Plan.

No further action is required.



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Onsite Rebate

PillarRx conducted an extensive onsite review of the agreements and amendments between CVS Caremark and the top 10 pharmaceutical manufacturers by rebates paid specifically to the Plan arrangement for the first quarter of contract year 2021. In addition, PillarRx reviewed Client's rebate payment reports and invoices.

Key components were considered for validation based on the contractual agreement:

- Rebates billed by CVS Caremark to the pharmaceutical manufacturers.
- Rebates paid by the pharmaceutical manufacturers to CVS Caremark.
- Rebates paid to the Plan by CVS Caremark based on the contract.

PillarRx's rebate assessment for the Plan included:

- Validating rebate calculations.
- Providing feedback regarding whether the rebates met expectations; and
- Verifying compliance with contractual percent of rebate collection passed through to Plan.

Rebate Analysis

PillarRx utilized its proprietary application, PharmaCAST, to analyze CVS Caremark's administration of rebates for the Plan. Utilizing PharmaCAST, the data from the pharmaceutical contracts were run against the rebate invoices and the Plan's claims data for Q1 2021.



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Rebate Analysis Findings

PillarRx's analysis of rebates paid by CVS Caremark to the Plan resulted in the following:

All rebates were paid accurately in accordance with the contracts.

Final Outcomes

PillarRx concludes that overall CVS Caremark is processing and paying rebates for the Plan in compliance with the contracts with the manufacturers.

CVS/Caremark Responses to Rebate Analysis Findings-

CVS Caremark agrees with PillarRx that rebates have been properly processed and applied.

Pharmacy Network Audit

The Pharmacy Network Audit's objective was to verify discounts and dispensing fees matched the executed network participation agreements in effect during the review period. The contracts selected represented the most utilized pharmacies based on claim volume.

Pharmacy Network Findings

To satisfy the Pharmacy Network Audit requirements, PillarRx selected the top five independent pharmacies and top five chain pharmacies. PillarRx produced a detailed brand and generic discount report for each of the pharmacies chosen and compared them to the pharmacy contracts provided by CVS Caremark.

PillarRx's analysis of the specific retail network contracts determined discounts and dispensing fees were administered in accordance with CVS Caremark's contracts that were reviewed.

No further action is required.



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Operational Review

Operational Review Objective

The objective of PillarRx's Operational Review is to verify that CVS Caremark's day-to-day administrative policies, procedures, and internal quality control measures critical to minimizing financial loss, meet the State's contractual requirements and are in compliance with all applicable laws, regulations, and industry standards.

Operational Review Scope

Operational areas and processes reviewed by PillarRx included:

- Pharmacy audits;
- Paper claim processing and management;
- Fraud, waste, and abuse;
- System security and backup measures;
- HIPAA compliance; and
- Operational assessment.

Operational Review Methodology

An Operational Review Questionnaire, as well as document request for applicable policies and procedures, was sent to CVS Caremark to respond to. PillarRx reviewed CVS Caremark's responses to validate operational processes and procedures. Minimal supporting documentation was provided, and additional questions were shared with CVS Caremark to respond to which have been received and reviewed.

Operational Review Findings

Pharmacy Audits

PillarRx reviewed CVS Caremark's pharmacy audit sample selection methodology, ongoing performance monitoring, audit recovery practice, and payment processes, policies, and workflows.

PillarRx requested and received written responses to the questionnaire from CVS Caremark focusing on:

- Pharmacy audit Overview which included:
 - Methodology for selection of pharmacies for desk and onsite audits
 - Frequency of audits
 - Audit type descriptions and processes
 - Ongoing monitoring of pharmacies



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- Audit recovery process
- Reporting and communications of audit results
- Follow-Up education and escalations for non-compliant providers
- Quality Control Processes
 - Plan design testing workflow
 - Benefit validation claim summary
 - Quality control processes and methods for accurate setup of benefit design
 - Claims adjudication process
- Clinical Prior Authorization Process

CVS Caremark responses were reviewed, and additional questions were shared with CVS for response which have been received. PillarRx observed that CVS Caremark meets expectations and industry standards. PillarRx would expect CVS Caremark to share their policy and procedures relative to the pharmacy audit processes with the State. CVS Caremark shared that they conduct audits on 100% of their pharmacies and clients can request an “Audit Activity Report” annually. PillarRx recommends that CVS Caremark provide the “Audit Activity Report” to their clients on a quarterly basis to support the State’s oversight and monitoring responsibilities.

Paper Claim Processing and Management

PillarRx reviewed CVS Caremark’s responses to the questions noted in the Operational Questionnaire for handling paper claims to verify CVS Caremark’s processes and to validate accurate and timely processing. Based on these responses, PillarRx finds that CVS Caremark meets expectations and industry standards. CVS Caremark was able to describe their paper claims processes, how they meet required/expected turnaround times, and the auditing of samples that occurs to validate accuracy. Additional questions were sent to CVS Caremark to respond to which have been received. CVS Caremark shared that random sample audits are conducted, and results are shared internally with the Operations team. PillarRx recommends that these results be shared with the State on a quarterly basis to support the State’s oversight and monitoring responsibilities.

System Security and Backup

PillarRx reviewed CVS Caremark's responses to the questions noted in the Operational Questionnaire.

PillarRx received written responses from CVS Caremark focusing on:

- Enterprise Information Security (EIS) and Cisco Firesight Network, noting formal documented security policies and procedures are maintained for:
 - Network perimeter security controls
 - Business continuity plan
 - System back-up and archiving procedures
 - Outsource services; and
 - Contingency plans

The responses provided were comprehensive and provided a clear understanding of the processes practiced and in place. PillarRx confirmed that CVS Caremark's data security and maintenance procedures comply with industry best practices to safeguard data and CVS Caremark is compliant and meets expectations with the control procedures in place for data storage and data retention. In addition, their system infrastructure, multi-location capability, and backup protocols reflect best practices for disaster recovery.

HIPAA Compliance

PillarRx reviewed CVS Caremark's responses to the questions noted in the Operational Questionnaire that supports CVS Caremark's compliance efforts, training, and verified the integrity of the processes in place.

PillarRx received responses from CVS Caremark focusing on:

- HIPAA Privacy and Security Training
- Security Breaches
- Incident reporting
- Safeguarding facility and equipment
- Enforcement Standards
- HIPAA Security Standards
- Annual Code of Ethics and HIPAA Privacy Training Course Outline which describes the following:
 - Course materials and changes
 - Annual Statement Attestation requirements
- Disclosure Reporting Policy
 - Incident reporting
 - Documentation and maintenance of incidents



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PillarRx reviewed CVS Caremark's responses to the questions noted in the Operational Questionnaire and found they demonstrated comprehensive control procedures, employee awareness and education, and business protocols to maintain and safeguard PHI in compliance with HIPAA standards and expectations. Documentation was found to be accurate and representative of the process that occurs as described. Additional questions were sent to CVS Caremark to respond to which have been received along with their "General HIPAA Privacy Policy". CVS Caremark confirmed that all colleagues and contractors of CVS Caremark and the Plan of Directors are required to complete the annual compliance training by a specified date. PillarRx would expect CVS Caremark to share their policy and procedures with the State if requested.

Operational Assessment

PillarRx questioned CVS Caremark regarding how the assigned operational team meets the Client's requirements for delegated administrative services and if CVS Caremark has outsourced any of the services. The response provided by CVS Caremark confirmed that they are responsible for the administrative services contracted under the PBM agreement. CVS Caremark was able to confirm that no administrative functions have been outsourced. PillarRx would recommend that CVS Caremark be transparent with their clients when/if delegated services are outsourced and provide additional oversight confirmation on a quarterly basis as the Client is ultimately responsible and accountable for any services or responsibilities that are delegated to other entities.



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CVS Caremark's Response to Report

INTRODUCTION

PillarRx performed an audit on behalf of State of Mississippi, a client of CVS Caremark®. PillarRx was retained to determine the financial accuracy of claims paid during the period of January 1, 2021, through December 31, 2021. CVS Caremark has reviewed and researched the findings reported by PillarRx to determine whether, in our view, there are outstanding financial liabilities owed to our client and/or opportunities for process improvement. Below is our response to the findings reported by PillarRx.

FINDINGS

There was (1) general finding within the PillarRx report.

PillarRx Finding 1: Dispensing Fees

PillarRx found an overall underperformance in the amount of \$(32,283.96), a difference of \$(1,120.84) from CVS Caremark's self-reported underperformance amount of \$(33,404.80).

CVS Caremark Response:

CVS Caremark reviewed the Dispensing Fee Variances provided by PillarRx and calculated an overall underperformance of \$32,283.96. As indicated, CVS Caremark's self-reported underperformance amount for dispensing fee totaled \$33,404.80. As CVS Caremark's self-reported shortfall is greater than the combined dispensing fee variances provided by PillarRx, no additional amount owed.

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

Audit Conclusion

PillarRx has concluded that CVS Caremark is compliant and performing in accordance with the terms specified in the Plan's contract with CVS Caremark as well as the defined and approved Plan Document in the following areas:

- Pricing (except for the small subset of specialty claims)
- Rebate Review
- Network Pharmacy Contract Adherence
- Operational Procedures Review
- Fraud, Waste and Abuse (FWA) Audit



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Financial Pricing Attestation

The Pharmacy Benefit Manager Services Contract (Contract) made by and between the State of Mississippi State and School Employees Health Insurance Management Plan (Plan), acting administratively through the Department of Finance and Administration (DFA), and CaremarkPCS Health, L.L.C (“CVS Caremark”), (PBM) effective January 1, 2021, requires the following:

- The Plan must have a transparent financial pricing arrangement from the PBM. “Transparency” refers to financial arrangements which represent a direct and complete pass-through of all elements of negotiated provider pricing (e.g., discounts and dispensing fees, etc.) and manufacturer rebates and funds. The Plan must receive the full and complete amount of any discounts received by the PBM from any and all retail pharmacies. The PBM will not retain a differential (i.e., spread) between the amount reimbursed to the PBM by the Plan for each transaction and the payments made to the pharmacies by the PBM.
- The Plan will not apply the above standard to mail order or specialty pharmaceutical transactions when owned by the PBM. For these mail order or specialty pharmaceuticals, the Plan will accept the best possible discount arrangements from the PBM as it relates to discounts from AWP. Rebates generated through mail order and/or specialty pharmaceuticals will be subject to the transparency requirement described below.
- The only compensation the PBM will receive, attributable to the Plan’s utilization shall be from or on behalf of the Plan, for the services described in this proposal or any subsequent contract, shall be the PBM’s quoted administrative fees listed in the PBM’s proposal or agreed upon in writing through subsequent discussion with the Plan.
- The PBM agrees to disclose details of all programs and services generating financial remuneration from outside entities.
- The PBM’s performance with regard to the discounts, dispensing fees, rebates, and any guaranteed savings provided herein will be reported quarterly by the PBM and measured annually by the Plan’s third-party auditor.

The undersigned CVS Caremark representative attests to the adherence of the aforementioned contractual requirements, confirms that CVS Caremark is passing along all savings and financial benefit from Mississippi’s State and School Employees’ Health Insurance Plan, and further confirms that the administrative service fees paid to CVS Caremark by the Plan are the sole source of revenue for the services provided under this contract.



PillarRx
C o n s u l t i n g

CUSTOMIZED PHARMACY SOLUTIONS

Diane Galo

Vice President, Employer Sales
CaremarkPCS Health, L.L.C

June 28, 2022

Date