

Seeking independent oversight on prescription drug benefit administration and costs, a large East Coast county public employee health plan performed audits of its pharmacy benefit manager (PBM) — recovering \$5.4 million.

The challenge

A government entity responsible for a large and costly employee health plan covering 45,000 employees and their dependents — a plan with an average annual spend north of \$550 million, a major portion of which was prescription benefit costs — was looking to identify opportunities to manage costs.

The main objective of those cost-saving efforts was to ensure that the county's vendors, including its pharmacy benefit manager (PBM), were fulfilling their contractual obligations and adhering to industry best practices — while at the same time identifying any fraud, waste or fiscal mismanagement.

Our solution

With a proven track record of conducting a wide range of audits and operational reviews — and more than 25 years' experience auditing pharmacy claims — Segal was uniquely qualified to evaluate the county's PBM to confirm it was delivering on agreed-upon service and pricing guarantees.

Our approach was to conduct a financial claims audit and a benefit plan design review.

In the financial claims audit, we looked at pricing terms such as Average Wholesale Price discounts, dispensing fee, rebates, generic dispensing rate and adjusted financial savings guarantees laid out in the contract. Provisions related to dispensing channels, drug types, drug class exclusions, along with other additional provisions were reviewed. Our team then calculated the vendor's actual performance versus its contractual promises.

The results

As a plan sponsor, there is a fiduciary responsibility to ensure the efficient and economical delivery of health and welfare benefits to participants — and to maintain proper oversight of vendors.

Foremost in that duty is to conduct regular claims audits and operational reviews to measure performance and identify any mismanagement.

The audits BAS performed for this client revealed that the PBM failed to meet certain pricing guarantees as defined in its agreements. Substantial shortfalls in rebates, discounts and fees were found — monies that were due back to the county.

The PBM settlements covering the client's contract periods from May 2014 through December 2016 netted this large public employee health plan a significant \$2.6 million. Moreover, the most recent audits performed covering the client's contract periods from January 2017 through December 2021 netted a additional \$2.8 million settlement.

In all, the client recovered \$5.4 million as a result of the benefit audits.

Contact



Ernest Chan
Senior Consultant, Audits
echan@segalco.com
646.599.0035

Segal is a leading global employee benefits and HR consulting firm delivering trusted advice that improves lives.

Segal, one of the largest independent benefits and HR consulting firms in North America, provides the full complement of consulting services, including:

Retirement Consulting

Health Benefits Consulting

Benefits Administration Consulting

[Benefit Audits](#)

HR & Benefits Communications

Compensation & Career Strategies

Compliance Consulting

HR & Benefits Technology

Commercial Insurance Brokerage Services

Investment Solutions

Mergers & Acquisitions

Organizational Effectiveness

Financial Well-Being

Property & Casualty Insurance

Learn more at segalco.com

This client success story is for informational purposes only and does not constitute legal, tax or investment advice. You are encouraged to discuss the issues raised here with your legal, tax and other advisors before determining how the issues apply to your specific situation(s).