



THE BURCHFIELD GROUP

Our Expertise. Your Benefit.SM

Audit Rights in your PBM Contract

**PBM Contracting Best Practices:
Ensure Your Audit Language is
Well-Defined**

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About The Burchfield Group



Discussion Leaders



Brian Bullock, RPh, MBA
Founder and CEO
Brian is the founder and CEO of The Burchfield Group and bring over 30 years of pharmacy industry experience to Burchfield.



Steve Baumgardner
Practice Leader, Procurement
As a practice leader, Steve is responsible for the consulting operations team that is focused on RFP development, financial analysis, and contract negotiations. Steve has over 20 years of experience in the PBM and consulting space.

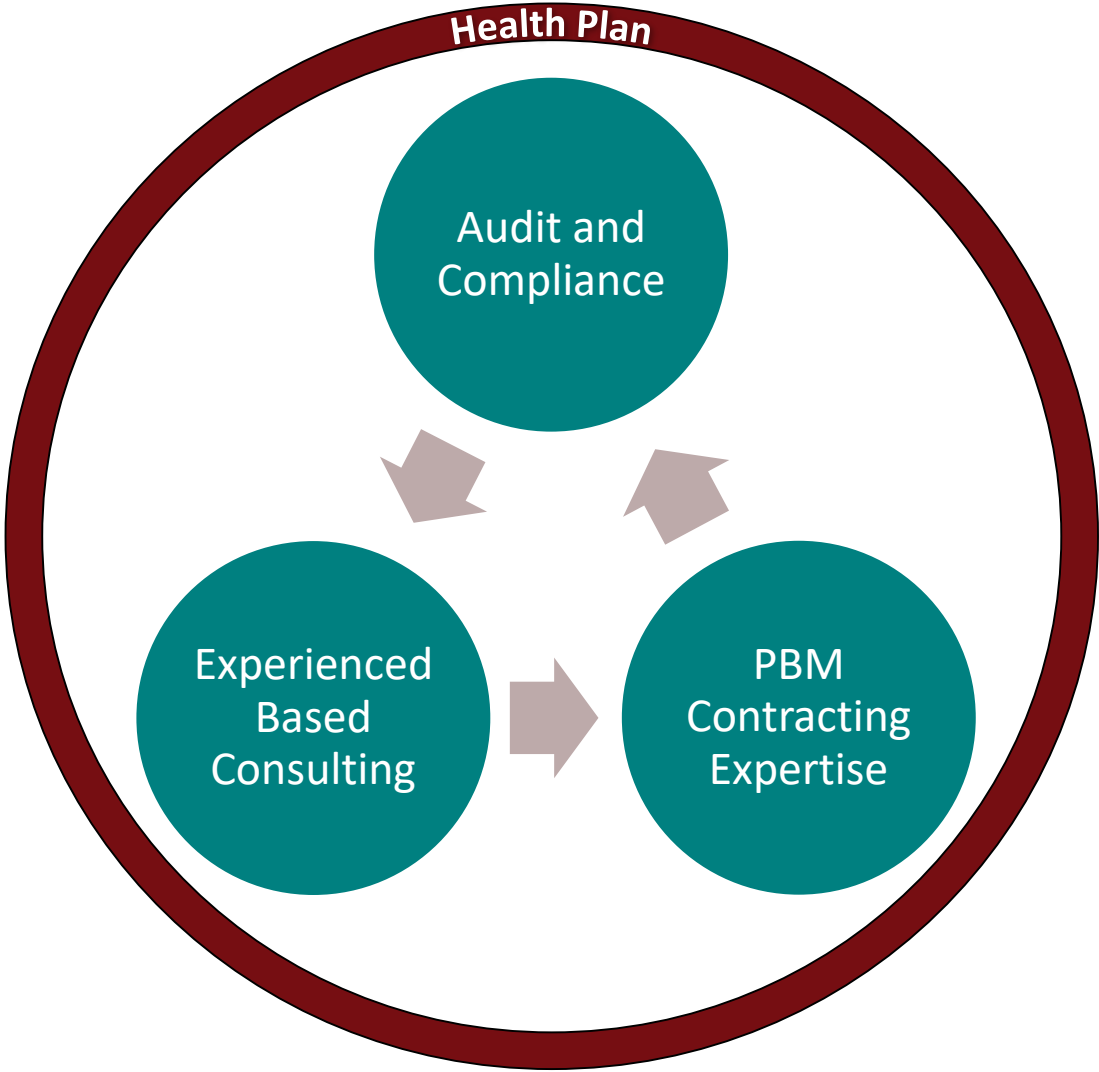


Derek Frye, CISA, MBA
Practice Leader, Audit & Compliance Services
Derek leads the Burchfield audit teams, conducting over 150 audits annually in service of Burchfield's clients. He brings eleven years of technical and auditing experience to Burchfield.



Yvonne Zachman Fiedler, CHC, MBA
Senior Consultant
As a senior consultant specialized in audit and compliance services, Ms. Zachman Fiedler leads CMS mock audits and IVA projects, and contributes to sales growth. She has 15 years of health care compliance and operational experience.

Burchfield PBM Management Strategy



Learning Objectives

- PBM audit rights overview
- Best practices for audit language in your contract by audit type
 - Rebate audits
 - Claims audits (pricing & benefits)
 - Regulated product audits (CMS program audits, state-based audits, etc.)
- Comprehensive audit strategy / timing



PBM Audit Rights Overview

- Audit rights aren't open to interpretation
- Best practice: start your procurement / contract negotiation with an audit plan
 - Engage your compliance department
- Audit rights are usually a standalone exhibit, but.... “hidden” restrictions on audits can be spread throughout the agreement
- Audit rights can be renegotiated during renewals or even “off-cycle”



Best Practices for Audit Rights: Rebates

- Most important
 - Don't let your PBM limit a rebate audit to a "top 5 accounting firm"
- Best practices
 - Frequency: yearly, not limited to a calendar year, and not restricted by "black-outs"
 - Volume: at least 50% of manufacturers (usually top 5 manufacturers)
 - Look-back: at least one year, preferably two (in case of "significant" errors, like \$500k+)
- Hidden "gotchas"
 - Audit rights might not be just in the audit exhibit (example "[PBM] retains all right, title, and interest to any and all rebates received...")
 - Rebates received after contract termination
 - Rights to audit through to aggregators

Best Practices for Audit Rights: Claims (Pricing & Benefits)

- Most important
 - Be aware of the offsets you've negotiated related to discounts & dispensing fees (pricing)
 - Corrective action timelines – consider performance guarantees to enforce timely fixes
- Best practices
 - Frequency: yearly, and not restricted by “black-outs”
 - Volume: at least 200 discrepancies per line of business
 - Look-back: at least one year, preferably two (in case of “significant” errors, like any incorrect inclusion/exclusion categories)
- Hidden “gotchas”
 - Be aware of the time durations PBMs reserve for themselves: 90 days for kickoff, 30 days for data delivery, 60 days for discrepancy responses, 30 days for report review

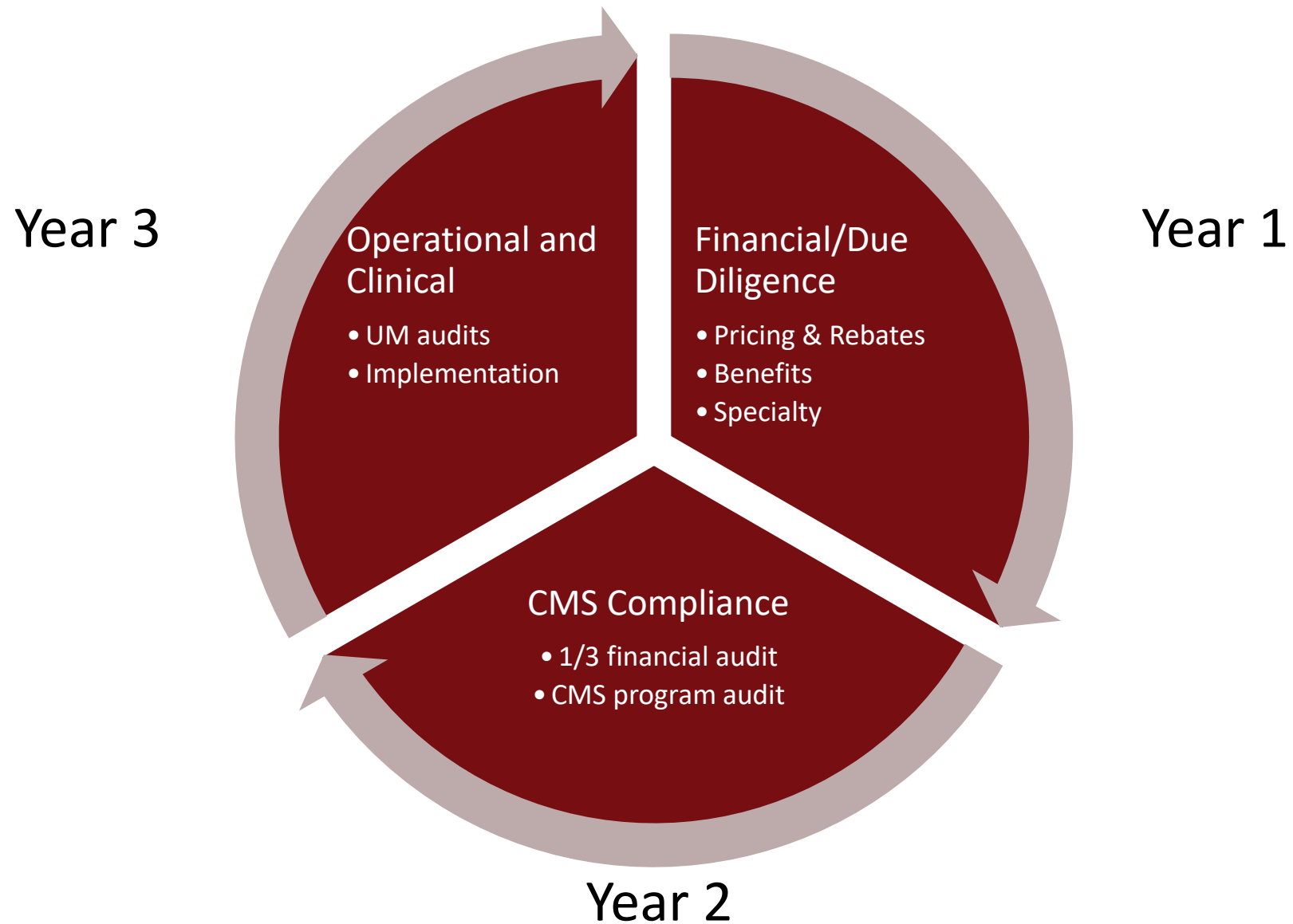
Best Practices for Audit Rights: Compliance (regulated products)

- Most important
 - Regulated product audits (e.g., CMS program audits, state-based audits, etc.) undergo significant changes year-over-year, so scope & audit timelines are unpredictable. Design audit rights that protect the time your plan needs to review the PBM's work.

- Best practices
 - Frequency: yearly audits, but don't forget about ongoing monitoring
 - Volume: design rights that let you mirror full audit protocols
 - Look-back: at least a year – but keep in mind that government inquiries may go back years

- Hidden “gotchas”
 - Design performance guarantees to require your PBM to disclose pending issues/inquiries – don't be stuck writing a check for an issue that was in dispute for years that you didn't know about!

Comprehensive Audit Strategy



Learning Objectives

- ✓ PBM audit rights overview
- ✓ Best practices for audit language in your contract by audit type
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 - Regulated product audits (CMS program audits, state-based audits, etc.)
- ✓ Comprehensive audit strategy / timing



Open Questions & Our Contacts

Survey: <http://bit.ly/AuditRightsWebinarApril2018>

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