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Report Summary

Performance Audit

Efforts to Monitor Established Service Level Agreements for the Medicaid Pharmacy

Benefits Manager Contract

Michigan Department of Health and Human Services (MDHHS)

Report Number:
391-0117-25

Released:
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MDHHS's Pharmacy Management Division oversees the Medicaid pharmacy benefits manager (PBM) contract held by Prime Therapeutics State Government Solutions, LLC. The PBM contractor processes pharmacy claims for the Medicaid fee-for-service program, as well as all pharmaceuticals carved out of the managed care organization contracts, and administers the drug rebate program. MDHHS is responsible for monitoring service level agreements (SLAs) included in the PBM contract, which establish a framework for how the contractor's service is measured and financial credits for instances when the agreed upon service levels are not achieved. The total PBM contract value is approximately \$82 million for the roughly seven-and-a-half-year period ending September 30, 2026.

Audit Objective			Conclusion
Objective: To assess the sufficiency of MDHHS's efforts to monitor SLAs established in the Medicaid PBM contract.			Not sufficient
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
MDHHS's PBM contract monitoring plan lacked detail about its planned monitoring activities, did not include other types of monitoring activities outside of "desk review of work product," and had not been updated since the plan's creation in May 2019. Also, MDHHS had not established internal policies, procedures, or other instructions specifying how it carried out its monitoring of contract SLAs (Finding 1).	X		Disagrees
MDHHS relied on the contractor's self-asserted compliance with SLA requirements without independent verification of the information and did not always document other monitoring activities (Finding 2).	X		Disagrees

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