

**THIS DOCUMENT HAS BEEN AMENDED.
FOR DETAILS, SEE AREAS OF CHANGE BELOW IN BOLD RED (1-15-09)**

**EXHIBIT A
STATEMENT OF WORK**

I. Audit Objectives

The objectives of the audit are to:

A. Verify the accuracy of Caremark's administration of LACERA's retail and mail order pharmacy benefits program as compared to the Prescription Benefit Services Agreement (Agreement) that is in place between LACERA, Anthem and Caremark (to be made available to the selected Contractor), including liability insurance requirements.

B. Evaluate the accuracy and timeliness of Caremark's self-reported results under the existing performance guarantees included in the Agreement.

C. Evaluate the adequacy of internal procedures and controls in key areas of administration of interest to LACERA.

~~D. Verify the accuracy of financial records to ensure that claim costs charged to Anthem on LACERA's behalf are consistent with Caremark's disbursements to member pharmacies. (Deleted)~~

E. Provide LACERA with recommendations for future PBM audits including scope/statement of work recommendations, and recommendation on timing of future audits.

II. Audit Scope

The audit scope will include the following:

- A. An operational review of key areas of administration, including:
1. Training of claims and customer service personnel;
 2. Customer service administration, including the handling and resolution of complaints;
 3. Accuracy and legibility of imaged or microfilmed records;
 4. Accuracy and authenticity of data received from an external source;
 5. Accuracy and effectiveness of claim inventory controls, processing in order of date received and collated processing of multiple prescriptions for the same person, which are submitted together and/or received by Caremark on the same date;
 6. Accuracy and security controls for the posting of copayments received with mail order prescriptions;

7. Adequacy of system edits and claims processing procedures in place to monitor and discover fraud, erroneous payments, duplicated payments, etc., for individuals who file a large volume of claims which may total several thousand dollars while each individual claim may be relatively small and, therefore, may escape some review processes;

8. Audit and fraud controls, including:

a. Fraud prevention and detection measures;

b. Use of overrides and address changes; and

c. Adherence to internal procedures with respect to the identification of potential areas of claims abuse in the mail service pharmacy and that these procedures are adequate; e.g., fraudulent pharmacy claims and duplicate pharmacy claims.

B. Verification that an adequate system is used by Caremark to identify potential areas of claims abuse and that these procedures are adequate. This shall include verifying areas such as fraudulent claims, duplicate claims, overcharging by providers, unnecessary physician services, etc., in the retail pharmacy network.

C. Measure the accuracy of claims processing through an audit of a statistically valid sample of retail and mail order pharmacy claims processed during the most recent plan year, including:

1. Eligibility;

2. Application of other plan provisions, including drug utilization review, dispense as written, prior authorization, refill-too-soon, generic substitution, quantity limits, non-covered drugs, and specialty drug requirements;

3. Screening for duplicate claims;

4. Dispensing fees;

5. For mail order claims:

a. The appropriate copayment was applied;

b. The prescription was filled consistent with all directions received from Caremark's clinical staff; and,

c. The physician's prescribing orders were correctly translated into the system.

D. Evaluate the accuracy of Caremark's compliance with contract terms, including discounts, charge-backs and similar price concessions. This includes Caremark's pricing accuracy as a function of Caremark's use of the most current average wholesale price (AWP).

~~and CMS "MAC" pricing. (Deleted)~~

E. Evaluate the accuracy of Caremark's self-reported results under the existing performance guarantee agreement. This will include review of source documents used to compile performance guarantee results.

~~F. Verify that the total money Caremark pays to its pharmacies is identical to the monies Anthem pays to Caremark, and that Caremark seeks reimbursement from Anthem in the manner required by the Agreement. (Deleted)~~

III. Other Requirements

A. LACERA requires the Contractor to review mail order claims from the facility with the highest percentage of scripts for the plan year reviewed.

B. The audit will include a detailed written report of all findings, observations and recommendations, including:

1. Any Caremark claims processing problems or areas in need of further audit; and
2. Any other problem areas uncovered as a result of the audit, which may warrant further detailed review. This summary shall emphasize areas of claims administration that, if changed or corrected, could result in cost savings. Special emphasis shall be given to this section of the review and should be conducted by an individual or individuals experienced and competent in PBM claims administration.

C. The Contractor will be required to communicate extensively with LACERA Retiree Health Care and Internal Audit staff in Pasadena, CA. LACERA Internal Audit staff may accompany the Contractor during appropriate and previously agreed to portions of the audit.

1. LACERA Retiree Health Care and/or Internal Audit staff may review the Contractor's work and workpapers during and/or after completion of the Contractor's audit; this will include the Contractor's own timekeeping and expense records used in calculating fees and any expense reimbursements invoiced to LACERA.

D. Payment will be made when the Final Report is accepted by LACERA. LACERA will not accept proposals requiring partial payments in advance of the acceptance of the Final Report.

E. The Contractor shall perform any other duties mutually agreed to by LACERA and the Contractor in order to achieve the objectives of the audit.

F. The Contractor will adhere to the Agreement Audit Rights and Guidelines in Exhibit B – Prescription Benefit Services Agreement Audit Provisions.

IV. LACERA will provide the Contractor with the following:

- A. A copy of any related benefit documents for the respective plan year.
- B. A copy of the Agreement.
- C. Any other documents of information mutually agreed upon by LACERA and the Contractor.

V. Contractor will provide LACERA with the following:

A. Preliminary Report

A preliminary report of findings for discussion with representatives of Caremark and LACERA will be due on the date agreed to during the contract negotiation period. Caremark will be provided with the preliminary report per Audit Guidelines in Exhibit B. A summary of this review shall be included in the final report to explain Caremark's position on each item and any respective corrective action that has been taken.

B. Draft Report

A draft of the final report shall be reviewed and approved by LACERA staff prior to submission to Caremark to ensure compliance with the scope of the audit. Such draft report shall be presented for review not later than the date agreed to during the contract negotiation period.

C. Final Report

The final report will be delivered to LACERA staff by the date agreed to during the contract negotiation period.