

Beyond Fraud Detection: Transforming PBM Fraud, Waste, and Abuse Programs

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Key Takeaways

- Modern PBM Fraud, Waste, and Abuse (FWA) programs have evolved beyond compliance into strategic programs that improve clinical outcomes, reduce unnecessary spending, and enhance patient safety.
- Proactive monitoring and advanced analytics enable PBMs to detect potential cases of FWA early.
- Successful FWA programs can result in substantial savings and reductions in unnecessary and potentially harmful medical utilization.

Overview

Healthcare fraud in the United States is estimated to result in tens of billions of dollars lost each year. A conservative estimate is 3 percent of total U.S. healthcare expenditures, while some government agencies place the loss as high as 10 percent, or more than \$300 billion.¹

Prescription drug benefit fraud, waste, and abuse (FWA) is a significant contributor to these costs. FWA increases overall healthcare spending while simultaneously diverting dollars that should be used more appropriately for member care.

The Centers for Medicare & Medicaid Services (CMS) defines FWA as distinct but related activities that increase healthcare costs and undermine the integrity of healthcare programs.²

PBMs address fraud, waste, and abuse as part of their broader strategy to promote clinical quality and affordability.

Fraud is knowingly and intentionally deceiving a healthcare benefit program to obtain money, property, or other benefits through false or fraudulent means.³ In the pharmacy benefit, some examples of fraud include intentionally billing for medications not actually dispensed, prescription forgery, and intentionally falsifying information to meet prior authorization requirements for a medication.

Waste is the unnecessary use or misuse of healthcare services or resources that increases costs without improving patient care, typically without intentional wrongdoing.⁴ Examples of waste in the pharmacy benefit can include the prescribing of brand name medications when members have no need or preference for the brand over available generics or the prescribing of combination drugs when the same ingredients would cost far less if taken individually.

Abuse is the use of practices that do not follow accepted medical, business, or financial standards and result in unnecessary costs or improper payments, even without intentional wrongdoing.⁵ Unlike fraud, abuse often reflects poor prescribing or utilization practices rather than deliberate deception. In the pharmacy benefit, examples include inappropriate opioid prescribing, duplicate prescriptions obtained from multiple prescribers, and excessive medication utilization. These patterns not only contribute to higher healthcare spending but also expose members to potential safety risks, underscoring the need for proactive clinical oversight and early intervention.

This report examines how pharmacy benefit managers (PBMs) such as Elevance Health's CarelonRx PBM are employing programs to reduce the incidence of prescription drug-related FWA activities and mitigate their impact on clinical quality and affordability.

Key Elements of PBM FWA Programs

Historically, fraud, waste, and abuse programs focused primarily on financial recovery after improper claims had already been paid. Today, there is a much greater emphasis on proactive identification and prospective intervention of FWA.

These prospective safeguards often rely on data analytics to identify potential FWA, including fragmented prescribing, excessive utilization, duplicate therapy, and unusual dispensing patterns, which also surface opportunities to improve medication safety and quality of care. As a result, modern PBM FWA programs increasingly integrate clinical oversight with program integrity efforts, allowing organizations to simultaneously improve patient outcomes, prevent unnecessary spending, and strengthen regulatory compliance.

For PBMs, a comprehensive FWA strategy includes four complementary capabilities to prevent potentially improper payments:

- Clinical Oversight
- Waste Prevention
- Pharmacy Network Governance
- Advanced Analytics

Clinical Oversight

Through clinical quality programs, PBMs work with providers to improve care management, reduce unnecessary prescriptions, mitigate high-risk utilization, and address polypharmacy-related challenges.

CarelonRx uses claims analytics to detect when a member may be at high risk under their current medication regimen. This is used to notify the member's care providers of potential cases of high-risk medication combinations or therapeutic duplication (such as a "triple threat" combination of opioids, muscle relaxers, and benzodiazepines) as well as safety gaps (such as an indicated need for naloxone). A clinical pharmacist may also perform a medication data review to identify potential safety risks, drug-drug interactions, improper dosing, and discrepancies between treatments, and, if needed, follow up with prescribers regarding the member's medications and potential clinical interventions.⁶ Members may also receive educational outreach designed to reinforce safe use and reduce harm.

As another safety measure, the Pharmacy Home Program restricts members to one pharmacy for controlled substances when there is a safety risk due to utilization of multiple medications, prescribers, or pharmacies. This reduces potential overutilization of controlled substances and protects members from adverse events that could result from excessive controlled substance use. These efforts support earlier identification of unsafe patterns, reducing preventable adverse events, overdoses, and burdensome medication use.

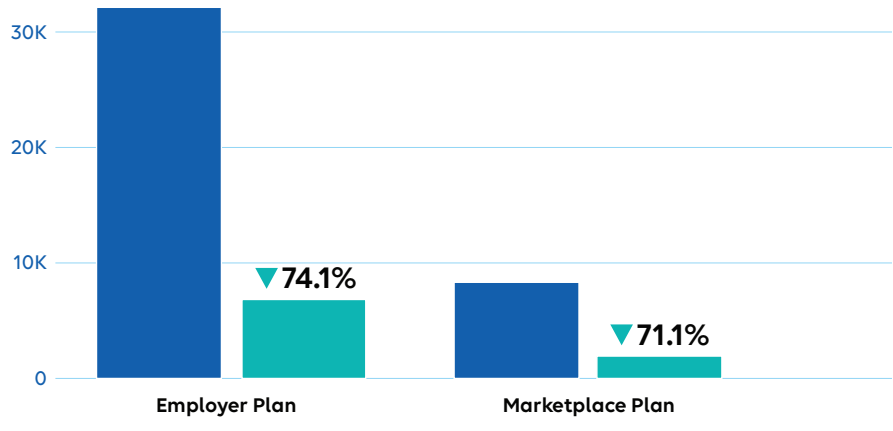
Example

Polypharmacy

In 2025, CarelonRx conducted outreach on behalf of commercial health plan members who were identified as being on 10 or more different medications in the last 90 days from 3 or more different prescribers. After outreach, over 70 percent of members no longer met the criteria for polypharmacy (Figure 1).

Figure 1
Members Meeting Polypharmacy
Criteria, Before and After Outreach

■ Before Outreach
■ After Outreach

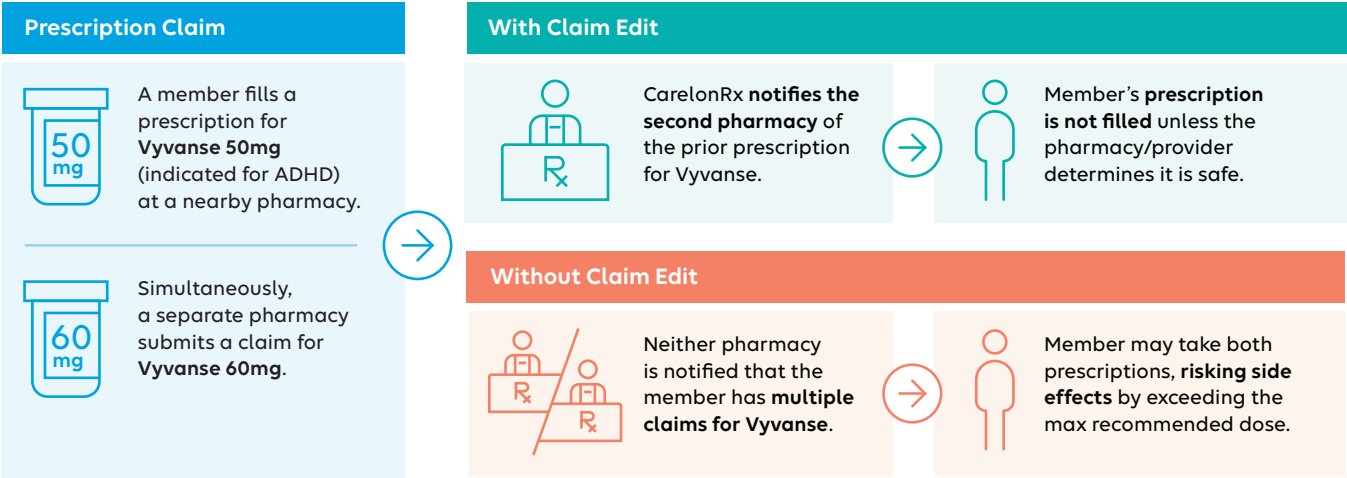


Waste Prevention

Controls to prevent medication and cost waste operate at the point-of-sale as well as retrospectively to reduce inappropriate billing and mitigate risk before payments are made. For example, under First Fill Limits, for high-cost medications with a high discontinuation rate early into treatment, members' first fill is restricted to no more than a 14- or 15-day supply or the smaller quantity tube (for topical medications). Additionally, the Cumulative Max Dose Edit alerts pharmacies when members have claims for multiple maintenance medications of the same active ingredient that, if taken together, exceed the recommended maximum daily dose (Figure 2). The Cost Exceeds Max edit catches claims submitted for a higher-than-average cost, which may have been keyed incorrectly at the pharmacy.

Together, these and other cost and clinical controls prevent waste of medication that is likely to be discontinued or expire before it can be used, reduce excessive costs, and identify potentially inappropriate prescribing.

Figure 2
Cumulative Max Dose Edit Process



Example

Refill Too Soon

A member has been using a mail order pharmacy to fill their maintenance medication. They later switch to a local retail pharmacy, which obtains a new prescription from their provider. A few days after the retail pharmacy dispenses the medication to the member, the mail order pharmacy, which still has the old prescription, also prepares to automatically refill and ship the medication. As soon as the mail order pharmacy submits their claim, CarelonRx rejects it, noting that it is too soon to refill the medication, preventing the member from accidentally receiving, and having to pay for, double the quantity of their medication needed.

Pharmacy Network Integrity

PBMs ensure that pharmacies meet basic quality standards and conduct oversight of potentially inappropriate dispensing practices to reduce the risk of FWA. For example, the Pharmacy/Drug Lockout program primarily targets pharmacies that appear to be telemarketing, upselling, and wastefully dispensing. These patterns almost always are focused around high-cost, low-value drugs where the patient has no history of a preferred drug.

When these risks are identified, claims will be rejected at the point-of-sale for one year for the identified member and medication by pharmacies whose dispensing patterns may not be in the best interest of the member. To avoid unnecessary administrative burden, these exclusions are reviewed on a case-by-case basis that is specific to the member, the medication, and the pharmacy.

Since launch of the program in 2023, 28 pharmacies have been included in the lockout program, indicating that the intervention is making a meaningful impact on identifying illegitimate claims while not restricting access to needed medications for members.

Advanced Analytics

CarelonRx uses ongoing analytics, investigations, and audits to identify and address cases of fraud, waste, and abuse. Using advanced data analytics, the Daily Claims Review program surveils all claims at the time of pharmacy adjudication, prior to payment. The program flags claims that need review and possible re-processing to correct data entry, excessive quantity, and billing errors. This prospective clinical and data-driven identification enables near real-time detection to prevent potentially improper payments at the point-of-sale.

Retrospective claims analysis is used to identify other outliers by looking for trends that may suggest FWA activity. For example, reviewing paid claims for non-formulary drugs from a specific drug class may help identify outliers that suggest a pharmacy or prescriber with FWA activity. This data analysis is always conducted as a post-payment activity in contrast to the pre-payment Daily Claims Review interventions.

Audits and investigations occur both routinely and in response to suspected cases of FWA detected via data analytics and other means (Figure 3). These efforts follow a structured workflow to assess allegations, validate findings, coordinate cross-functional review, and determine appropriate corrective or enforcement action. Depending on the case, corrective action may include provider education, payment suspension or recovery, removal from networks, or referrals to law enforcement in accordance with FWA laws.

Figure 3
Sources of Investigation and Audits



Analytics
of pharmacy claims to identify trends and outliers that may indicate FWA



Tips
from plan sponsors, anonymous sources, internal experts, and government agencies



Reports
from members or providers that a billed product or service was not provided



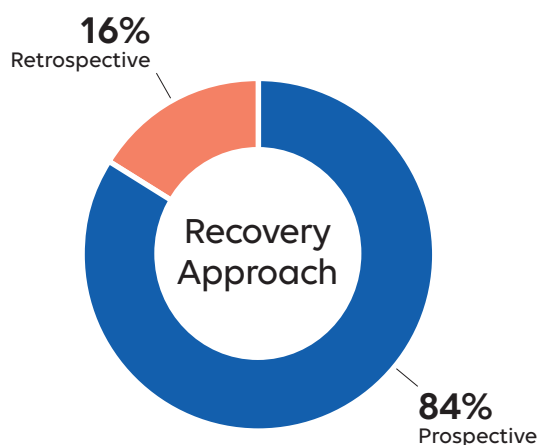
Re-Audits
of pharmacies previously suspected or verified to have committed FWA

Among these approaches, data analytics was the sole source of 47.4 percent and a contributing source of 67.4 percent of all investigative audits in 2025, highlighting the importance of proactive monitoring and advanced analytics to ensure early detection of potential cases of FWA.

Between 2023 and 2025, CarelonRx increased compliance oversight, targeting, and vendor governance, emphasizing the role of preventive efforts. As a result, while retrospective recoveries remained steady, prospective savings increased by 89 percent during this period and comprise the majority of FWA savings realized (Figure 4).

Figure 4

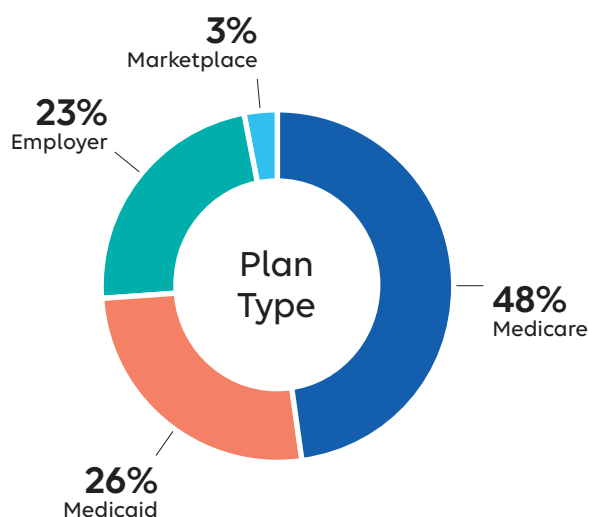
**CarelonRx FWA Savings
by Recovery Approach, 2025**



Savings were realized across all plan types, whether prescription drugs were offered as an integrated benefit or via standalone plans. The largest impact was for Medicare and Medicaid (Figure 5).

Figure 5

**CarelonRx FWA Savings
by Plan Type, 2025**



Note. Savings include realized recoveries and prospective cost avoidance combined by plan type.

Case Study

How CarelonRx uses data-driven investigations and audits to uncover improper payments

Claims analytics detected irregularities in claims for ondansetron (Zofran) from a doctor's office with dispensing privileges. The quantity being billed was disproportionate, particularly for a medication indicated for as-needed treatment of nausea and vomiting. The prices were also far higher than typical cash prices.

Further investigation revealed:

- **Discrepancies in the quantity of drugs**, as the amount billed to insurance exceeded the amount ordered from the wholesaler
- **Missing documentation** of medication deliveries, such as signature logs, or proof of copayment collection
- **Failure to meet contractual requirements** to submit accurate "usual and customary" pricing
- **Members were "not given an option to select a pharmacy"** and were instead "handed the medications during their visits"

These efforts identified \$2.3 million in improper payments for drugs that were not legitimately dispensed or billed properly under contractual requirements, demonstrating the power of clinical and data-driven identification to enable meaningful financial protection.

Discussion

As prescription drug spending continues to grow and policymakers increase scrutiny of healthcare affordability, program integrity, and PBM accountability, effective FWA programs represent an important value lever for both health plans and pharmacy benefit managers.

Federal healthcare programs already require robust compliance programs designed to identify, prevent, and correct fraud, waste, and abuse. At the same time, policymakers are expanding expectations around transparency, appropriate utilization management, and oversight of pharmacy benefit operations. In this environment, the success of FWA programs should be measured by their ability to prevent unnecessary spending while supporting clinically appropriate care.

For payers, integrated FWA programs create value by protecting employer and taxpayer healthcare dollars by preventing improper payments, improving medication safety, and strengthening compliance with federal and state program integrity requirements.

For PBMs, these capabilities represent a strategic differentiator. Organizations that integrate predictive analytics, pharmacist-led clinical review and oversight, point-of-sale controls, pharmacy network governance, and investigative expertise are better positioned to deliver measurable improvements in affordability, quality, and member safety than organizations relying primarily on retrospective audits. These prospective interventions can also reduce provider abrasion by addressing potential issues earlier in the dispensing process and allowing room for clinically appropriate exceptions.

Conclusion

An increased emphasis on prevention and integration of clinical quality controls has strengthened the value of PBM FWA programs.

Prescription drug FWA is a significant contributor to rising healthcare costs while potentially exposing members to preventable clinical risks.

The evidence presented in this paper demonstrates the evolution of pharmacy-related FWA programs from reactive compliance functions to integrated clinical and financial management strategies. By combining clinical oversight, waste prevention controls, pharmacy network oversight, and advanced analytics, PBMs can not only reduce improper payments but also improve medication safety, reduce unnecessary utilization, and help prevent downstream medical complications associated with inappropriate medication use.

These strategies further demonstrate that prospective interventions produce substantially greater value than retrospective recovery efforts alone. Retrospective data analytics, claims review, and other audit tools remain an important part of a PBM's FWA program, allowing PBMs to identify outlier trends and other patterns that suggest FWA. By combining these controls with preventive measures, organizations can achieve financial savings by reducing administrative burden and ensuring that retrospective audits, appeals, and payment recovery activities are targeted towards the cases where they are most needed.

Looking ahead, continued advances in data analytics and point-of-sale controls will further strengthen the ability of PBMs to identify emerging patterns of FWA before inappropriate claims are paid. As payers, policymakers, and other stakeholders focus on healthcare affordability and accountability, integrated FWA programs should increasingly be recognized not only as responsive to compliance requirements, but as foundational investments that support patient safety, improve healthcare quality, and promote sustainable management of pharmacy benefit spending.

Endnotes

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- ³ 42 CFR § 433.304.
- ⁴ Centers for Medicare & Medicaid Services. (2013). Medicare Prescription Drug Benefit Manual. Retrieved August 10, 2026, from <https://www.cms.gov/Medicare/Prescription-Drug-Coverage/PrescriptionDrugCovContra/Downloads/Chapter9.pdf>.
- ⁵ Ibid.
- ⁶ Carelon Research. (2026, April). Actionable Insights. Retrieved August 14, 2026, from <https://lp.carelonresearch.com/Polypharmacy.html>.

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