

TEXAS HEALTH AND HUMAN SERVICES COMMISSION
INSPECTOR GENERAL

**AUDIT OF HOUSTON
MEDICINE CHEST, LLC**

A Texas Vendor Drug Program Provider



August 3, 2017
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HHSC IG

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WHY THE IG CONDUCTED THIS AUDIT

The Texas Vendor Drug Program (VDP) provides statewide access to covered outpatient drugs for individuals enrolled in Medicaid, the Children's Health Insurance Program, the Children with Special Health Care Needs Services program, the Healthy Texas Women program, and the Kidney Health Care program.

VDP requested that the IG Audit Division continually include VDP provider audits on its audit plan.

Houston Medicine Chest, LLC is a closed pharmacy (not open to the public) serving long-term care facilities only. At the time of the audit, the pharmacy served 74 long-term care facilities statewide and processed 93,633 Medicaid claims for prescriptions through VDP during fiscal years 2012, 2013, and 2014. These claims resulted in the pharmacy receiving reimbursements of \$6.8 million.

The objectives of the audit were to determine whether Houston Medicine Chest, LLC (a) properly billed Texas Medicaid VDP and (b) complied with contractual requirements and the Texas Administrative Code (TAC) rules.

WHAT THE IG RECOMMENDS

Houston Medicine Chest, LLC should (a) ensure all original prescriptions, refills, and authorized changes to prescriptions are adequately supported and documented and that processes for filling prescriptions and refills are followed and (b) implement measures to improve system security, including removing former employees' access, training employees about password management, and requiring passwords to be changed regularly.

For more information, contact:
IG.AuditDivision@hhsc.state.tx.us

WHAT THE IG FOUND

The IG Audit Division tested Houston Medicine Chest's compliance with TAC and with contract requirements in seven areas: claims validity, National Drug Code usage, quantity, refills, controlled substances, warehouse billing, and acquisition cost. This report details results, issues, and recommendations in those areas, when applicable, and details results, issues, and recommendations based on testing of selected information technology controls.

During the course of testing, the IG Audit Division became aware that for 181 of the 658 claims selected for testing, the pharmacy could not produce documentation requested within the timeframe specified by the audit team as required by contract. Given the volume of affected claims in the sample and the potentially affected claims in the untested portion of the population, the IG Audit Division referred the matter to the IG Chief Counsel Division for consideration of appropriate administrative enforcement measures.

Houston Medicine Chest, LLC did not comply with contractual obligations relating to records retention. It generally complied with other TAC and contract requirements, but auditors identified exceptions in which Houston Medicine Chest, LLC:

- Could not provide supporting documentation for claims billed to VDP.
- Dispensed medication without valid documentation, identification of the prescriber, or in strength or quantity other than requested by prescriber.
- Had inappropriate role-based access guides for its Framework Pharmacy System.
- Did not require unique passwords for handheld scanner users.
- Had active profiles for former employees in its Framework Pharmacy System. The profiles for former employees have since been inactivated.

Houston Medicine Chest, LLC, in its management response, acknowledged the IG Audit Division's recommendations and indicated it is addressing the findings. Houston Medicine Chest, LLC's detailed responses to each of the IG Audit Division's recommendations are included in the body of the report.

LESSONS LEARNED

VDP providers should establish record retention processes to ensure documents are maintained for a minimum of five years, as required in the contract with VDP. Employees' access to information systems containing private health information should be revoked upon termination of employment. Electronic records should contain the same information as required by the Board of Pharmacy on written prescriptions.

HHSC Inspector General

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INTRODUCTION

The Texas Health and Human Services Commission (HHSC) Inspector General (IG) Audit Division has completed an audit of Houston Medicine Chest, LLC, a Texas Vendor Drug Program (VDP) provider, vendor number 320249.

Objectives

The objectives of this audit were to determine whether Houston Medicine Chest, LLC (a) properly billed Texas Medicaid VDP and (b) complied with contractual and Texas Administrative (TAC) requirements during the audit period of September 1, 2011, through August 31, 2014.

Background

VDP provides statewide access to covered outpatient drugs for individuals enrolled in Medicaid, the Children's Health Insurance Program (CHIP), the Children with Special Health Care Needs Services program, the Healthy Texas Women program, and the Kidney Health Care program.

Houston Medicine Chest, LLC is a closed pharmacy (not open to the public) serving long-term care facilities only. At the time of the audit, the pharmacy served 74 long-term care facilities statewide. Houston Medicine Chest, LLC processed 93,633 Medicaid claims for prescriptions through VDP during the audit period, for which it received reimbursements of \$6.8 million.

The IG Audit Division conducted the audit in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States. Unless otherwise described, any year that is referenced is the state fiscal year, which covers the period from September 1 through August 31.

The IG Audit Division presented the audit results, issues, and recommendations to Houston Medicine Chest, LLC in a draft report dated May 30, 2017. Houston Medicine Chest, LLC's management responses are included in the report following each recommendation.

AUDIT RESULTS

VDP pharmacy providers must follow TAC and contract provisions when filling, dispensing, and billing for prescriptions. Texas State Board of Pharmacy (Pharmacy Board) and VDP rules require prescriptions to include specific elements to be valid. The IG Audit Division tested Houston Medicine Chest, LLC's compliance in seven areas: claims validity, National Drug Code (NDC) usage, quantity, refills, controlled substances, warehouse billing, and acquisition cost. This report details results, issues, and recommendations in those areas, when applicable, and the results of limited testing of information technology (IT) controls.

The testing resulted in no findings related to NDC usage, controlled substances, warehouse billing, and acquisition cost.

The IG Audit Division obtained claims data for testing from the Xerox Pharmacy Claims Data Warehouse using the Texas VDP PBM Universe table, which contains all pharmacy claims information. The data request was for fee-for-service (FFS) only paid claims for 2012, 2013, and 2014. Given the total number of claims submitted by Houston Medicine Chest, LLC, it was determined to be administratively infeasible to review every claim in the population. The IG Audit Division therefore selected a random sample of 658 claims to test. The IG Audit Division requested records for two-thirds of the sample from Houston Medicine Chest, LLC in an attachment to the engagement letter issued on October 21, 2016, and requested the remaining one-third of the sample when the audit team arrived on site.

The audit team arrived on site at the pharmacy on Monday, October 31, 2016, to begin interviews and testing of the sampled items. The team continued reviewing documentation through mid-December. During the course of testing, the IG Audit Division became aware that for 181 of the 658 claims selected for testing, the pharmacy could not produce documentation requested by the team within the timeframe specified by the team, as required by the contract.¹ The pharmacy notified the team that more time would be needed to collect additional documentation.

Given the volume of affected claims in the sample and the potentially affected claims in the untested portion of the population, the IG Audit Division referred the matter to the IG Chief Counsel Division for consideration of appropriate administrative enforcement measures. The IG Audit Division continued testing and the results are discussed in this report.

¹ Vendor Drug Program Pharmacy Provider Contract #529-07-0020-00127, Part 2 (H)(2)(a) (Feb. 23, 2007).

CLAIMS DOCUMENTATION

VDP participating pharmacies are contractually required to maintain documents to support Medicaid claims. Claims validity and quantity are determined by the claims documentation maintained by the pharmacy. If the pharmacy does not maintain or cannot produce the document supporting the dispensing of the medication, or if any of the required elements are not documented on the face of the prescription or physician order, the related claim is invalid and not eligible for reimbursement by VDP.

Finding 1: Supporting Documentation for Claims Submitted to VDP Was Missing

Houston Medicine Chest, LLC did not provide supporting documentation for 181 of the 658 (27.5 percent) sample claims billed to VDP and requested for audit. VDP was billed and paid \$96,766 for these claims. The VDP contract requires pharmacies to maintain adequate supporting documentation “for a minimum of five years from the Date of Service.”² Additionally, TAC requires that a signed prescription must be maintained in the dispenser’s file and available for audit at any reasonable time.³

Recommendation 1

Houston Medicine Chest, LLC should ensure that all claim records are (a) maintained for at least five years and (b) supplied to an authorized agent within 72 hours if requested, per its contractual agreement with VDP.

Management Response

Houston Medicine Chest, LLC (“Medicine Chest”) agrees that it was unable to produce certain documentation in a timely manner because of organizational issues in its prior manual filing systems. However, Medicine Chest notes it believes it would have been able to retrieve appropriate documentation with additional time to review paper records. Preceding and for the majority of the audit period, Medicine Chest maintained a paper-based record-keeping system which did not include any electronic document management capabilities. In 2013, Medicine Chest transitioned to a specialized long term care pharmacy system, FrameworkLTC, which included an electronic document management system to allow for better organization, easier access to documents, and a centralized storage location. Furthermore, following the OIG’s audit, Medicine Chest has implemented updated policies regarding recordkeeping and documentation

² Vendor Drug Program Pharmacy Provider Contract #529-07-0020-00127, Part 2(G)(2) (Feb. 23, 2007).

³ 1 Tex. Admin. Code § 354.1863(b) (Sept. 23, 2008).

procedures. Medicine Chest acknowledges the OIG's recommendation and has determined that the transition to the current pharmacy and document management system supports Medicine Chest's ability to maintain and access claim records, including prescription refill requests, in accordance with applicable law.

Finding 2: Valid Documentation Was Not Present When Medication Was Dispensed

Houston Medicine Chest, LLC dispensed and billed VDP for medication without valid authorization from the prescribing physician for 67 of the 658 claims in the sample. VDP was billed and paid \$42,705 for these claims. Houston Medicine Chest, LLC followed an internal policy to create a new prescription number starting with the sixth refill of a prescription. An original prescription is required by TAC as the supporting documentation for a prescription number. The practice of generating new prescription numbers for refills meant the refills did not have a corresponding original prescription and lacked appropriate supporting documentation. TAC states: "The pharmacist must ensure that the original prescription conforms to the Texas State Board of Pharmacy rules⁴ concerning the records to be maintained by a pharmacy. A signed prescription must be maintained in the dispenser's file and available for audit at any reasonable time."⁵

By not ensuring that all required documentation was present to support prescriptions being dispensed or refilled, Houston Medicine Chest, LLC increased the risk of a medication being dispensed inappropriately. This could adversely affect a patient's care and deprive the prescribing physician of knowledge of the medication being consumed because it is not recorded in the patient's medical record. Houston Medicine Chest, LLC management indicated to auditors during fieldwork that it had changed the policy subsequent to the audit period and no longer created new prescription numbers with the sixth refill.

Recommendation 2

Houston Medicine Chest, LLC should ensure that all claims are supported and fully documented by original prescriptions that comply with Pharmacy Board rules.

⁴ Texas State Board of Pharmacy rules are published in 22 Tex. Admin. Code, Part 15.

⁵ 1 Tex. Admin. Code § 354.1863(b) (Sept. 23, 2008).

Management Response

Preceding and for the majority of the audit period, Medicine Chest maintained a paper-based record-keeping system. In 2013, Medicine Chest transitioned to a specialized long term care pharmacy system, FrameworkLTC, which included an electronic document management system to allow for better organization, easier access to documents, and a centralized storage location. Furthermore, following the OIG's audit, Medicine Chest has implemented updated policies to address these issues. Medicine Chest acknowledges the OIG's recommendation and has determined that the transition to its current procedures supports Medicine Chest's ability to substantiate prescriptions with the appropriate documentation in accordance with the OIG's recommendation.

Finding 3: Medication Was Dispensed for Incomplete Prescriptions, Telephone Orders, and Refill Requests

Houston Medicine Chest, LLC dispensed and billed VDP for 28 incomplete original prescriptions, telephone orders, and refill requests. VDP was billed and paid \$9,062 for these claims. Internal controls over the entering of the dispensing information into the pharmacy's information systems did not detect the incomplete documentation or elements.

According to TAC,⁶ original prescriptions are to include the following elements:

- Name of the patient.
- Address of the patient.
- Name, address, and telephone number of the practitioner at the practitioner's usual place of business.⁷
- Name and strength of the drug prescribed.
- Quantity prescribed.
- Directions for use.
- Intended use for the drug unless the practitioner determines the furnishing of this information is not in the best interest of the patient.
- Date of issuance.

⁶ 22 Tex. Admin. Code § 291.34 (b)(6)(A) (July 11, 2011), (Nov. 24, 2011), and (Mar. 13, 2012) and 22 Tex. Admin. Code § 291.34 (b)(7)(A) (Sept. 8, 2013).

⁷ Beginning on September 8, 2013, the physician's address and telephone number were required on all prescriptions.

If a pharmacy maintains prescription records in a data processing system, a hard copy of the prescription must be retained on file unless the daily log includes all the information required.⁸

By not ensuring that all the required prescription elements are present and documented, Houston Medicine Chest, LLC increases the risk of medication being dispensed inappropriately.

Recommendation 3

Houston Medicine Chest, LLC should design internal controls to ensure all required data elements are actually on the prescription before it is originally filled and verified prior to refill. Further, claims should be adequately supported and fully documented per applicable TAC.

Management Response

Medicine Chest has been re-training all input technicians on documentation required to process new and refill prescription orders as well as the requirements for electronically filing all documentation for future access and review. Additionally, procedures have been implemented to independently review a sample of prescription files on a daily basis at the pharmacy to ensure these procedures are being consistently followed.

Preceding and for the majority of the audit period, Medicine Chest maintained a paper-based record-keeping system. In 2013, Medicine Chest transitioned to a specialized long term care pharmacy system, FrameworkLTC, which included an electronic document management system, to allow for better organization, easier access to documents, and a centralized storage location. Furthermore, following the OIG's audit, Medicine Chest has implemented updated policies, including documentation procedures, to address these issues. Medicine Chest acknowledges the OIG's recommendation and has determined that the transition to its current procedures supports Medicine Chest's ability to substantiate prescriptions with the appropriate documentation in accordance with the OIG's recommendation.

Finding 4: Medication Was Dispensed for a Refill Request That Did Not Identify the Physician

Houston Medicine Chest, LLC dispensed and billed VDP for one medication on a refill request that did not identify the prescribing physician. VDP was billed and paid \$274 for this claim. This occurred because Houston Medicine Chest, LLC did

⁸ 1 Tex. Admin. Code § 354.1863(b) (Sept. 23, 2008).

not follow its procedure to compare refill requests to original prescriptions. TAC states, “The following information shall be provided on each prescription: ... the name, address and telephone number of the physician.”⁹

By not ensuring the prescribing physician is identified, the patient’s care and medical condition could be adversely affected. In a closed pharmacy environment, including all elements on the refill request sheet is essential and required since the treating physician may not be the prescribing physician. The treating physician may need to consult with the prescribing physician to gain knowledge of the patient’s medical history, or should adverse side effects be experienced by the patient.

Recommendation 4

Houston Medicine Chest, LLC should ensure prescribing physician information is listed on the prescription prior to dispensing.

Management Response

Preceding and for the majority of the audit period, Medicine Chest maintained a paper-based record-keeping system. In 2013, Medicine Chest transitioned to a specialized long term care pharmacy system, FrameworkLTC, which included an electronic record-keeping system, to allow for better organization, easier access to documents, and a centralized storage location. Furthermore, following the OIG’s audit, Medicine Chest has implemented updated policies, including documentation procedures, to address these issues. Medicine Chest acknowledges the OIG’s recommendation and has determined that the transition to its current procedures supports Medicine Chest’s ability to substantiate prescriptions with the appropriate documentation in accordance with the OIG’s recommendation.

Finding 5: Medication Was Dispensed in a Strength Other Than Prescribed

For four claims, Houston Medicine Chest, LLC dispensed and billed VDP for medication with a strength different than the prescribed strength, without documented authorization from the prescribing physician. VDP was billed and paid \$4,687 for these claims. This occurred because Houston Medicine Chest, LLC procedures, which require a pharmacist to ensure strength change authorizations are documented, were not consistently followed. The U.S. Drug Enforcement

⁹ 22 Tex. Admin. Code § 291.31(7) (Dec. 9, 2009) and 22 Tex. Admin. Code § 291.31 (Mar. 17, 2013).

Administration requires that all changes to a prescription be documented by the dispensing pharmacist.^{10, 11}

Recommendation 5

Houston Medicine Chest, LLC should ensure that all claims are adequately supported and fully documented, and that any changes in medication strength are properly obtained from the prescribing physician and adequately documented prior to dispensing.

Management Response

Medicine Chest has been re-training all input technicians on documentation required to process new and refill prescription orders as well as the requirements for electronically filing all documentation for future access and review. Additionally, procedures have been implemented to independently review a sample of prescription files on a daily basis at the pharmacy to ensure these procedures are being consistently followed.

Preceding and for the majority of the audit period, Medicine Chest maintained a paper-based record-keeping system. Medicine Chest has since transitioned to a specialized long term care pharmacy system, FrameworkLTC, which included an electronic record-keeping system, to allow for better organization, easier access to documents, and a centralized storage location. Furthermore, following the OIG's audit, Medicine Chest has implemented updated policies, including documentation procedures, to address these issues. Medicine Chest acknowledges the OIG's recommendation and has determined that the transition to its current procedures and record-keeping system supports Medicine Chest's ability to substantiate prescriptions with the appropriate documentation in accordance with the OIG's recommendation.

Finding 6: Medication Was Dispensed in Quantities Other Than Prescribed

Houston Medicine Chest, LLC dispensed a different quantity of medication than was ordered by the prescribing physician on 18 claims. VDP was billed and paid \$11,328 for these claims. This occurred because Houston Medicine Chest, LLC procedures, which require a pharmacist to ensure quantity change authorizations are documented, were not consistently followed. TAC establishes how changes in quantity of medication dispensed must be processed.¹²

¹⁰ 1 Tex. Admin. Code § 354.1863(b) (Sept. 23, 2008).

¹¹ 21 C.F.R. § 1311.200(f) (Apr. 1, 2010).

¹² 1 Tex. Admin. Code § 354.1901(b) (Jan. 14, 2013).

When a pharmacy changes the quantity of medication without authorization from the prescribing physician, the patient's care and medical condition could be adversely affected. This also deprives the prescribing physician of knowledge of the change and the opportunity to review and approve it.

Recommendation 6

Houston Medicine Chest, LLC should ensure that all claims are supported and fully documented, and that any changes in the quantity dispensed from the quantity prescribed are authorized from the prescribing physician and adequately documented prior to dispensing.

Management Response

Medicine Chest has been re-training all input technicians on documentation required to process new and refill prescription orders as well as the requirements for electronically filing all documentation for future access and review. Additionally, procedures have been implemented to independently review a sample of prescription files on a daily basis at the pharmacy to ensure these procedures are being consistently followed.

Preceding and for the majority of the audit period, Medicine Chest maintained a paper-based record-keeping system. In 2013, Medicine Chest transitioned to a specialized long term care pharmacy system, FrameworkLTC, which included a fully electronic record-keeping system, to allow for better organization, easier access to documents, and a centralized storage location. Furthermore, following the OIG's audit, Medicine Chest has implemented updated policies, including documentation procedures, to address these issues. Medicine Chest acknowledges the OIG's recommendation and has determined that the transition to its current procedures and record-keeping system supports Medicine Chest's ability to substantiate prescriptions with the appropriate documentation in accordance with the OIG's recommendation.

REFILLS

TAC requires explicit authorization from the prescribing physician for medication refills.¹³ Dispensing a refill without authorization or without maintaining documentation is a refill error and not eligible for reimbursement. Prescription refills must be properly authorized to prevent overmedication of patients and waste, fraud, or abuse.

¹³ 1 Tex. Admin. Code § 354.1867 (June 9, 2010).

Finding 7: Medication Was Refilled Without Proper Authorization

Houston Medicine Chest, LLC refilled prescriptions without having proper authorization for 50 claims. VDP was billed and paid \$24,850 for these claims. This occurred because Houston Medicine Chest, LLC procedures, which require a pharmacist to ensure refills are authorized and fully documented, were not consistently followed. TAC states, “The pharmacist must ensure that the original prescription conforms to the Texas State Board of Pharmacy rules concerning the records to be maintained by a pharmacy.”¹⁴

By not ensuring that the required authorization to support a prescription being dispensed or refilled is documented, Houston Medicine Chest, LLC increases the risk of a medication being dispensed inappropriately. This could adversely impact the patient’s care by depriving the prescribing or treating physician of knowledge of the medication being consumed because it is not reflected in the patient’s medical records.

Recommendation 7

Houston Medicine Chest, LLC should ensure that all claims are adequately supported, fully documented, and properly authorized per the contractual agreement with VDP and in compliance with Pharmacy Board rules.

Management Response

Preceding and for the majority of the audit period, Medicine Chest maintained a paper-based record-keeping system. In 2013, Medicine Chest transitioned to a specialized long term care pharmacy system, FrameworkLTC, which included a fully electronic record-keeping system, to allow for better organization, easier access to documents, and a centralized storage location. Furthermore, following the OIG’s audit, Medicine Chest has implemented updated policies, including documentation procedures, to address these issues. Medicine Chest acknowledges the OIG’s recommendation and has determined that the transition to its current procedures and record-keeping system supports Medicine Chest’s ability to substantiate prescriptions with the appropriate documentation in accordance with the OIG’s recommendation.

¹⁴ 1 Tex. Admin. Code § 354.1863(b) (Sept. 23, 2008).

INFORMATION TECHNOLOGY

Inadequate IT general controls¹⁵ can result in inappropriate system access by current and former employees. In addition, insufficient IT general controls may allow fraud and errors in medications dispensed.

Finding 8: Framework Pharmacy System User Profile Management Needs Improvement

Houston Medicine Chest, LLC user roles for the Framework Pharmacy System were not based on the company-defined role based access guides. Testing results indicated that 11 active employees with defined user roles other than “Pharmacist in Charge” (PIC) had read and write access to inventory within the Framework Pharmacy System. Other roles with privileges included “Registered Pharmacist other than PIC,” “Technician,” and “Technician in Training.” Noncompliance with company segregation of duties and user access policies perpetuates a weak control environment, creating opportunities for unauthorized access and potential fraud.

Houston Medicine Chest, LLC management indicated it was aware that the user profile management within the Framework Pharmacy System was ineffective, and that it was undergoing a system review to resolve these and similar issues with an active directory security concern.

Recommendation 8

Houston Medicine Chest, LLC should report the results of its system review to VDP when completed.

Management Response

Medicine Chest completed a system review and policy update to resolve issues relating to role-based user access within its Framework Pharmacy System, including further defining every user role and associated system access. Every employee’s user role and security access has been evaluated and updated to reflect the minimum access and functionality necessary for the user to perform his or her job duties, in order to strengthen controls on access and minimize risks inherent in a pharmacy setting.

Pursuant to Texas Board of Pharmacy regulations, a pharmacist-in-charge may delegate the performance of the inventory to another person. Therefore, only authorized users who are delegated inventory responsibilities by the pharmacist-in-

¹⁵ “IT general controls” are controls that relate to the environment within which computer-based application systems are developed, maintained, and operated, and that are therefore applicable to all applications.

charge have read and write access to inventory within the Framework Pharmacy System. In its Framework Pharmacy System, Medicine Chest maintains a perpetual inventory of all drugs on hand. Daily orders and receiving are processed by designated technicians within each pharmacy along with cycle counting of inventory on hand. Any adjustments to inventory are reviewed by the pharmacist-in-charge on a daily basis.

Medicine Chest acknowledges the OIG's recommendation and shall continue to implement internal controls and review for its assignment of user roles and access to promote a controlled and secure environment.

Finding 9: Handheld Scanner Passwords Were Not Unique

Passwords for the Framework Pharmacy System handheld scanners that verify drug inventory information were not unique. The National Institute of Standards and Technology (NIST) publishes the prevailing IT control guidelines for information systems housing government data. NIST standards and criteria for controls implementation are mandated by the Federal Information Systems Management Act of 2002. NIST lists practices employed in an effective computer security program, including passwords used for authentication. If passwords are used for authentication, employees should not (a) use easy to guess passwords, (b) divulge their passwords, or (c) store passwords where others can find them.¹⁶ Mitigating controls exist to prevent unauthorized use of handheld scanners by former employees, such as network authentication to gain access to the Framework Pharmacy System. However, the risk of unauthorized handheld scanner use remains since current employees may access the system through shared passwords which mask the identity of specific users.

Recommendation 9

Houston Medicine Chest, LLC management should provide training to employees regarding password changes and require passwords to be changed periodically.

Management Response

The handheld scanners were and continue to be kept in a secure portion of the pharmacy wherein only technicians and other authorized personnel have physical access to them. These handheld devices, through the FrameworkFlow application installed on these devices, do not provide a user with direct access to the Framework pharmacy system. Instead, these devices only provide a user with a tool to scan a prescription and medication label to verify and ensure accuracy of

¹⁶ NIST Special Publication 800-14, "Generally Accepted Principles and Practices for Securing Information Technology Systems," 3.11.3: Passwords (Sept. 1996).

the medication being packed; the scanner does not allow the user any additional access to the system or the ability to edit prescription or patient information. These scanners require a unique user name and a password to operate, accessible only to technicians and other authorized personnel given network access. The passwords for these devices are independent of personnel's passwords to log on to the company's windows network in order to provide the required user authentication to access the Framework Pharmacy System. There are numerous restrictions imposed by Medicine Chest's IT Department on the network to enhance the system's security, such as how often such passwords need to be changed and their uniqueness and length.

Following the OIG's audit, Medicine Chest has implemented stricter password requirements for handheld scanners used in the pharmacy and has implemented policies to ensure unique login credentials for each handheld device. Medicine Chest acknowledges the OIG's recommendation and continues to evaluate and implement policies and internal controls to limit access to patient and drug inventory information to authorized users. Furthermore, all Medicine Chest employees receive security and privacy training at hire and thereafter on a regular basis.

Finding 10: Former Employees Had Active Profiles and Privileges in the Framework Pharmacy System

Of the 47 former employees of Houston Medicine Chest, LLC, 8 (17 percent) still had active Framework Pharmacy System user accounts with read and write access. Houston Medicine Chest, LLC management stated that, as a part of access to the Framework Pharmacy System, users are validated through the Windows logon credentials, and felt this was a sufficient access control to mitigate risks associated with access by former employees. Consequently, Houston Medicine Chest, LLC did not prioritize the removal of the user accounts in the Framework Pharmacy System. NIST states, "The organization manages information system accounts, including: ... Deactivating: (i) temporary accounts that are no longer required; and (ii) accounts of terminated or transferred users."¹⁷ Active user accounts of terminated employees increases the risk of, and creates an opportunity for, unauthorized activity within the Framework Pharmacy System.

When notified of this issue, Houston Medicine Chest management directed its IT staff to deactivate Framework Pharmacy System user accounts for the eight terminated employees.

¹⁷ NIST Special Publication 800-53 (Rev. 3) "Information Security," Appendix F: Security Control Catalog, AC-2: Account Management (Aug. 2009).

Recommendation 10

Houston Medicine Chest, LLC should periodically review and update the Framework Pharmacy system access as appropriate.

Management Response

Following the OIG's audit, Medicine Chest has implemented additional security policies and procedures to ensure the timely removal of employee credentials from the windows network which immediately interrupts the employee's ability to access the Framework Pharmacy System. Further, Medicine Chest has defined user groups in the windows network based on the role of each employee. Since the Framework Pharmacy System requires a windows authentication for an employee to access the system, the assigned user group on the network defines and limits the access of the user in the Framework Pharmacy System. Specific management approval is required to add employees to a network user group. Medicine Chest shall continue to review and update user access to limit patient and drug inventory information to authorized users, in accordance with the OIG's recommendation.

CONCLUSION

The IG Audit Division completed an audit of Houston Medicine Chest, LLC. The audit evaluated Houston Medicine Chest, LLC to determine whether it properly billed VDP and complied with contractual and TAC requirements, and evaluated IT general controls to determine whether data used for audit testing was reliable. The IG Audit Division conducted site visits in October, November, and December 2016.

Houston Medicine Chest, LLC generally billed VDP properly and complied with other contractual and TAC requirements. Based on the results of the IT general controls testing, the data was sufficiently reliable for the purposes of the audit.

There were exceptions in which Houston Medicine Chest, LLC:

- Did not comply with records retention requirements.
- Could not provide supporting documentation for claims billed to VDP.
- Dispensed medication:
 - Without valid documentation
 - For incomplete prescriptions, telephone orders, and refill requests
 - For a refill request that did not identify the physician
 - In a strength other than that requested by the prescribing physician
 - In a quantity other than that requested by the prescribing physician
- Refilled prescriptions that were not properly authorized.
- Did not comply with its role-based profile policies for the Framework Pharmacy System.
- Had inappropriate controls over handheld scanner logon IDs and passwords.
- Had active profiles with read and write privileges for former employees in the Framework Pharmacy System.

The IG Audit Division offered recommendations to Houston Medicine Chest, LLC, which, if implemented, will:

- Correct deficiencies in compliance with contractual obligations.
- Correct internal control deficiencies.
- Strengthen information systems access controls and other IT general controls.

The IG Audit Division thanks management and staff at Houston Medicine Chest, LLC, including its corporate management team, for their cooperation and assistance during this audit.

Appendix A: Objective, Scope, and Methodology

Objective

The objectives of this audit were to determine whether Houston Medicine Chest, LLC (a) properly billed the Texas Medicaid VDP and (b) complied with contractual and TAC requirements.

Scope

The audit scope included the period from September 1, 2011, through August 31, 2014, and a review of relevant activities, internal controls, and IT general controls through the end of fieldwork in February 2017.

Methodology

To accomplish its audit objectives, the IG Audit Division collected information through discussions and interviews with Houston Medicine Chest, LLC management and staff, and by reviewing:

- Supporting documentation for a sample of all claims billed to VDP during the audit scope.
- Policies and procedures of Houston Medicine Chest, LLC.
- IT general controls for the Framework Pharmacy System.

The IG Audit Division issued an engagement letter on October 21, 2016, to Houston Medicine Chest, LLC providing information about the upcoming audit, and conducted fieldwork at the Houston, Texas, facility from October 31, 2016, through January 31, 2017. While on site, the IG Audit Division interviewed responsible personnel, evaluated internal controls and the facility, and reviewed relevant documents related to sampled claims billed to VDP.

The IG Audit Division analyzed information and documentation it collected to determine whether Houston Medicine Chest, LLC (a) properly billed VDP and (b) complied with contractual requirements and TAC rules.

Auditors did not remove original records from the Houston Medicine Chest, LLC premises. During fieldwork, auditors requested additional documents, which Houston Medicine Chest, LLC provided.

Criteria

The IG Audit Division used the following criteria to evaluate the information provided:

- Vendor Drug Program Pharmacy Provider Contract #529-07-0020-00127 (Feb. 23, 2007)
- 1 Tex. Admin. Code § 354.1863(b) (Sept. 23, 2008)
- 1 Tex. Admin. Code § 354.1867 (June 9, 2010)
- 1 Tex. Admin. Code § 354.1901(b) (Jan. 14, 2013)
- 22 Tex. Admin. Code § 291.31(7) (Dec. 9, 2009) and 22 Tex. Admin. Code § 291.31 (Mar. 17, 2013)
- 22 Tex. Admin. Code § 291.34 (b)(6)(A) (July 11, 2011), (Nov. 24, 2011), and (Mar. 13, 2012) and 22 Tex. Admin. Code § 291.34 (b)(7)(A) (Sept. 8, 2013)
- 21 C.F.R. § 1311.200(f) (Apr. 1, 2010)
- NIST Special Publication 800-14, “Generally Accepted Principles and Practices for Securing Information Technology Systems,” 3.1.1.3: Passwords (Sept. 1996)
- NIST Special Publication 800-53 (Rev. 3), “Information Security,” Appendix F: Security Control Catalog, AC-2: Account Management (Aug. 2009)

Auditing Standards

The IG Audit Division conducted this audit in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the issues and conclusions based on our audit objectives. The IG Audit Division believes the evidence obtained provides a reasonable basis for our issues and conclusions based on our audit objectives.

Appendix B: Sampling Methodology

The IG Fraud Detection and Investigative Strategy Division provided data for testing. It was administratively infeasible to review every claim in the population; therefore, the IG Audit Division selected a random sample of 658 claims to test. The following query parameters are provided for replication purposes.

A line item detailed query was run in the Xerox Pharmacy Claims Data Warehouse using the Texas VDP PBM Universe table. The data pull was for fee-for-service only paid claims for 2012, 2013, and 2014.

Query Result Objects field names included:

Prescription Number	Last Name (client)
First Name (client)	Participant ID
Drug Name	Drug Strength
Quantity	Days Supply
Nbr of Refils Authorized	Refill Number
Date of Service	Date Prescribed
Date Paid	Total Reimbursed Amount
DAW Code	NDC
Drug Class Code	Client Mailing Address Line 1
Birth Date (client)	Compound Code
DEA Code	Basis of Cost Determination
Basis of Reimbursement	Basis of Reimbursement Descr.
Prescriber ID	NPI (prescriber)
Prescriber Name	Batch Doc. Type Code
Group ID (client)	Tx Status Code

Query Filters Included:

- Date of Service (between 09/01/2011 and 08/31/2014)
- TX Status Code (equal to PD)
- Batch Doc. Type Code (equal to C)
- Group ID (equal to V)
- Pharmacy ID (equal to 1972617967)

Appendix C: Prescriptions Paid in Error

The table below provides details about the claims filed and paid in error for the following findings discussed in the report.¹⁸

- Finding 2. Valid documentation was not present when the medication was dispensed.
- Finding 3. Medication was dispensed on incomplete prescriptions, telephone orders, or refill requests.
- Finding 4. Medication was dispensed on a refill request that did not identify the physician.
- Finding 5. Medication was dispensed in a strength other than prescribed.
- Finding 6. Medication was dispensed in quantities other than prescribed.
- Finding 7. Prescriptions were refilled without proper authorization.

Prescription Number	Fill Date	Finding Number	Claim Amount
	11/14/2011	2	\$ 11.81
	12/19/2011	2	11.81
	1/16/2012	2	11.81
	2/20/2012	2	11.39
	9/19/2011	2	1,118.77
	10/17/2011	2	1,118.77
	11/18/2011	2	1,118.77
	12/11/2011	2	1,118.77
	1/3/2012	2	1,118.77
	1/26/2012	2	1,118.77
	10/10/2011	2	1,666.28
	11/12/2011	2	1,666.28
	12/16/2011	2	1,666.28
	1/10/2012	2	1,666.28
	2/21/2012	2	1,775.42
	3/21/2012	2	1,775.42
	10/12/2011	2	124.39
	10/20/2011	2	124.39
	11/1/2011	2	124.39
	11/8/2011	2	124.39
	12/19/2011	2	124.39
	2/13/2012	2	129.61
	3/20/2012	2	615.25
	12/23/2011	6	1,144.50
	1/28/2012	6	1,240.82

¹⁸ Audit testing was performed on the 477 claims for which Houston Medicine Chest, LLC provided documentation.

Prescription Number	Fill Date	Finding Number	Claim Amount
	2/21/2012	6	1,240.82
	3/29/2012	6	1,240.82
	1/7/2012	2	125.38
	2/5/2012	2	125.38
	4/11/2012	2	125.38
	12/1/2011	3, 7	109.98
	1/11/2012	2	218.41
	2/13/2012	2	222.04
	3/12/2012	2	222.04
	4/16/2012	2	235.36
	5/14/2012	2	235.36
	6/11/2012	2	235.36
	4/30/2012	2	843.12
	3/5/2012	3, 7	843.12
	8/1/2012	2	52.48
	4/5/2012	2	58.75
	4/6/2012	2	112.07
	4/30/2012	2	2,318.22
	8/1/2012	2	2,421.61
	10/25/2012	2	2,421.61
	3/7/2013	2	2,724.62
	7/13/2012	5, 6	320.58
	8/13/2012	5, 6	320.58
	7/31/2012	6	1,018.78
	8/19/2012	4	273.79
	10/1/2012	3	273.79
	11/5/2012	3	273.79
	2/20/2013	3	314.92
	4/1/2013	3	314.65
	3/27/2013	2	1,000.38
	4/8/2013	7	280.85
	5/3/2013	7	280.85
	4/24/2013	2	261.15
	12/11/2012	3	172.18
	2/3/2013	7	172.18
	3/4/2013	7	172.18
	4/1/2013	7	188.57
	5/13/2013	3	1,850.32
	6/11/2013	7	1,850.32
	7/8/2013	7	1,850.32
	8/12/2013	7	1,975.79
	9/13/2013	7	1,975.79
	10/21/2013	7	1,975.79
	10/30/2013	6	25.93
	5/16/2013	2	143.73

Prescription Number	Fill Date	Finding Number	Claim Amount
	6/6/2013	2	153.68
	6/27/2013	3, 7	153.68
	8/19/2013	3, 7	153.68
	5/22/2013	3	146.49
	7/12/2013	3, 7	146.49
	8/2/2013	3, 7	146.49
	8/23/2013	3, 7	160.62
	10/21/2013	3, 7	160.62
	12/17/2013	3, 7	160.62
	11/18/2013	6	331.53
	6/25/2013	2	661.92
	7/26/2013	2	661.92
	8/26/2013	2	702.87
	9/26/2013	2	702.87
	8/27/2013	3	276.60
	9/25/2013	3, 7	276.60
	10/22/2013	3, 7	276.60
	11/21/2013	6	132.61
	12/6/2013	3, 7	276.60
	1/5/2014	3, 7	276.60
	9/7/2013	3, 7	228.72
	10/1/2013	6	110.27
	10/11/2013	3, 7	228.72
	11/12/2013	3, 7	228.72
	12/13/2013	3, 7	238.96
	1/21/2014	3, 7	238.96
	2/6/2014	6	527.97
	11/27/2013	2	9.05
	12/25/2013	2	8.83
	2/7/2014	2	8.83
	3/10/2014	7	2,635.15
	4/8/2014	7	2,635.15
	11/12/2013	2	314.65
	12/19/2013	6, 7	150.37
	1/5/2014	7	314.65
	1/29/2014	7	314.65
	3/4/2014	7	314.65
	4/14/2014	7	351.39
	12/4/2013	2	292.56
	12/8/2013	2	136.26
	1/17/2014	7	136.26
	2/16/2014	7	136.26
	12/20/2013	2	702.87
	1/7/2014	2	11.65
	1/30/2014	7	261.44

Prescription Number	Fill Date	Finding Number	Claim Amount
	2/11/2014	7	261.44
	3/4/2014	7	261.44
	2/1/2014	2	18.4
	2/23/2014	2	18.4
	4/2/2014	6	12.11
	2/7/2014	5	2,023.04
	3/4/2014	5	2,023.04
	3/1/2014	2	252.89
	8/4/2014	2	252.89
	4/1/2014	7	252.89
	5/1/2014	7	252.89
	6/2/2014	7	252.89
	7/4/2014	7	252.89
	3/9/2014	2	252.89
	4/1/2014	2	10.36
	4/23/2014	7	10.36
	5/15/2014	7	10.36
	5/14/2014	2	1,903.32
	6/6/2014	2	1,903.32
	5/15/2014	2	692.79
	5/23/2014	2	381.97
	6/25/2014	7	381.97
	6/27/2014	6	877.46
	7/9/2014	6	877.46
	7/23/2014	6	877.46
	8/7/2014	6	877.46
	6/21/2014	2	205.63
	8/13/2014	7	225.14
Total			\$86,265.91

Source: IG Audit Division

Appendix D: Report Team and Distribution

Report Team

The IG staff members who contributed to this audit report include:

- Kacy J. VerColen, CPA, Audit Director
- Kanette Blomberg, CPA, Audit Manager
- Jerry Ethridge, CIA, CGAP, CRMA, Audit Project Manager
- Melissa Stice Larson, CIA, CISA, CFE, HCISPP, IT Audit Manager
- Amy Behrnes, MBA, CIA, CIPP, IT Audit Project Manager
- Jesus Vega, CIGA, Senior Auditor
- Carol Barnes, CIGA, Staff Auditor
- Ben Ringer, Staff Auditor
- Adebukola Salawu, MBA, CIGA, Staff Auditor
- Dan Hernandez, MBA, CFE, Quality Assurance Reviewer
- Mo Brantley, Senior Audit Operations Analyst

IG Support

- Rolando Delgado, Data Intelligence Analyst
- Katie Reyes, Data Intelligence Analyst

Report Distribution

Health and Human Services

- Charles Smith, Executive Commissioner
- Cecile Erwin Young, Chief Deputy Executive Commissioner
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- Heather Griffith Peterson, Chief Operating Officer
- Karen Ray, Chief Counsel
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- Jami Synder, Associate Commissioner, Medicaid and CHIP Services Department
- Katherine Scheib, Deputy Associate Commissioner, Medicaid and CHIP Services Department
- Gina Marie Muniz, Interim Deputy Director, Vendor Drug Program, Medicaid and CHIP Services Department
- Priscilla Parrilla, Interim Director, Pharmacy Operations and Contract Oversight, Vendor Drug Program
- Kimberly Royal, Manager, Contract Compliance and Performance Management, Medicaid and CHIP Services Department
- Lisa Cruz Hidrogo, Special Projects Manager, Medicaid and CHIP Services Department

Houston Medicine Chest, LLC

- Chad Michael, Chief Executive Officer
- Doug Sloan, Chief Financial Officer

Appendix E: IG Mission and Contact Information

The mission of the IG is to prevent, detect, and deter fraud, waste, and abuse through the audit, investigation, and inspection of federal and state taxpayer dollars used in the provision and delivery of health and human services in Texas. The senior leadership guiding the fulfillment of IG's mission and statutory responsibility includes:

- Sylvia Hernandez Kauffman, Principal Deputy Inspector General
- Christine Maldonado, Chief of Staff and Deputy IG for Operations
- Olga Rodriguez, Senior Advisor and Director of Policy and Publications
- Roland Luna, Deputy IG for Investigations
- David Griffith, Deputy IG for Audit
- Quinton Arnold, Deputy IG for Inspections
- Alan Scantlen, Deputy IG for Data and Technology
- Judy Hoffman-Knobloch, Interim Deputy IG for Medical Services
- Anita D'Souza, Chief Counsel

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- Online: <https://oig.hhsc.texas.gov/report-fraud>
- Phone: 1-800-436-6184

To Contact the Inspector General

- Email: OIGCommunications@hhsc.state.tx.us
- Mail: Texas Health and Human Services Commission
Inspector General
P.O. Box 85200
Austin, Texas 78708-5200
- Phone: 512-491-2000