

TEXAS HEALTH AND HUMAN SERVICES COMMISSION
INSPECTOR GENERAL

**AUDIT OF MAXOR NATIONAL
PHARMACY SERVICE LLC**

A Texas Vendor Drug Program Provider



August 31, 2017
OIG Report No. AUD-17-021



HHSC IG

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A Texas Vendor Drug Program Provider

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.

Maxor Pharmacy is a corporate-owned community pharmacy. The pharmacy processed 42,738 Medicaid claims for prescriptions through VDP during the audit period of March 1, 2012, through February 28, 2015. These claims resulted in the pharmacy receiving reimbursements of more than \$53 million.

The objectives of the audit were to determine whether Maxor Pharmacy (a) properly billed Texas VDP for Medicaid claims submitted and (b) complied with contractual requirements and the Texas Administrative Code (TAC) rules.

WHAT THE IG RECOMMENDS

Maxor Pharmacy should ensure all claims for reimbursement by VDP contain correct prescription issuance dates. Maxor Pharmacy was paid \$2,575 that is subject to recoupment.

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

WHAT THE IG FOUND

The IG Audit Division tested Maxor Pharmacy's compliance with TAC and with contract requirements in seven areas: (a) claims validity, (b) National Drug Code (NDC) usage, (c) quantity, (d) refills, (e) controlled substances, (f) warehouse billing, and (g) acquisition cost. This report details results, issues, and recommendations in those areas, when applicable, and the results of limited testing of information technology (IT) general controls. The testing resulted in no findings related to NDC usage, quantity, refills, controlled substances, warehouse billing, or acquisition cost, and there were no findings related to IT general controls.

Maxor Pharmacy generally complied with contractual and TAC requirements for the claims tested, and with one exception, properly billed VDP. Based on the results of the IT general controls review, the data provided was considered sufficiently reliable for the purposes of this audit.

VDP participating pharmacies are contractually required to maintain documents to support Medicaid claims. Claims validity is determined by the claims documentation maintained by the pharmacy. Claims documentation should support the claim information reported to VDP for reimbursement. If the claims data submitted for reimbursement does not match the prescription, the claim becomes subject to recoupment by VDP.

Auditors identified one exception in which Maxor Pharmacy:

- Processed a prescription, for which it claimed and was reimbursed \$2,575, with an incorrect prescription issuance date.

Maxor Pharmacy, in its management response, acknowledged the IG Audit Division's recommendation and indicated it has addressed the finding. Maxor Pharmacy's detailed response to the IG Audit Division's recommendation is included in the body of the report.

Maxor National Pharmacy Service LLC, doing business as Maxor Pharmacy, is located in Amarillo, Texas, and has additional regional offices and pharmacies in Arizona, California, Colorado, Florida, Georgia, Maryland, Michigan, New York, Oklahoma, Tennessee, Vermont, Washington, and Washington, D.C.

LESSONS LEARNED

VDP providers should establish, implement, and verify the use of strong internal controls related to reviewing (a) data entry records prior to submission to VDP for claims reimbursement and (b) dispensing labels to prescriptions kept for completeness and accuracy. VDP providers are contractually required to maintain and report complete and accurate records to support Medicaid claims for reimbursement.

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INTRODUCTION

The Texas Health and Human Services Commission (HHSC) Inspector General (IG) Audit Division has completed an audit of Maxor National Pharmacy Services LLC (Maxor Pharmacy), a Texas Vendor Drug Program (VDP) provider, vendor number 145033.

Objectives

The objectives of this audit were to determine whether Maxor Pharmacy (a) properly billed Texas VDP for Medicaid claims submitted and (b) complied with contractual and Texas Administrative Code (TAC) requirements during the audit period of March 1, 2012, through February 28, 2015. Selected information technology (IT) general controls were reviewed to determine whether data used for audit testing was reliable.

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. This audit is focused on VDP Medicaid claims.

Maxor Pharmacy is located in Amarillo, Texas. The company has additional regional offices and pharmacies in Arizona, California, Colorado, Florida, Georgia, Maryland, Michigan, New York, Oklahoma, Tennessee, Vermont, Washington, and Washington, D.C.

Maxor Pharmacy's retail location in Amarillo operates under license number 19512 from the Texas State Board of Pharmacy (Pharmacy Board), and is listed as a corporate-owned community pharmacy. Maxor Pharmacy claimed and received payment for 42,738 Medicaid claims during the audit period, for which it received reimbursements of more than \$53 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 Maxor Pharmacy in a draft report on August 22, 2017. Maxor Pharmacy's management response is included in the report following the recommendation.

AUDIT RESULTS

VDP pharmacy providers must follow TAC and contract provisions when filling, dispensing, and billing for prescriptions. Pharmacy Board and VDP rules require prescriptions to include specific elements to be valid. The IG Audit Division tested Maxor Pharmacy's compliance in seven areas: (a) claims validity, represented by claims documentation maintained by the provider, (b) National Drug Code (NDC) usage, (c) quantity, (d) refills, (e) controlled substances, (f) warehouse billing, and (g) acquisition cost. This report details the results, issues, and recommendations in those areas, when applicable, and the results of limited testing of IT general controls.

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 included only fee-for-service paid claims for the audit scope period. Given the total number of claims submitted by Maxor Pharmacy, it was determined to be administratively infeasible to review every claim in the population. The IG Audit Division therefore selected a sample of 68 claims to test. The IG Audit Division visited the pharmacy to review the records during June of 2017.

For the claims tested, there were no findings related to NDC usage, quantity, refills, controlled substances, warehouse billing, or acquisition cost, and there were no findings related to IT general controls. There was an exception related to claims validity. The exception resulted from inadequate documentary support for a Medicaid pharmacy claim Maxor Pharmacy billed to VDP. The exception is detailed in the following section.

CLAIMS VALIDITY

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

Finding 1: A Claim Was Submitted With an Incorrect Prescription Issuance Date

For one claim, Maxor Pharmacy dispensed a medication from a prescription dated September 10, 2014. When Maxor Pharmacy submitted the claim for reimbursement of \$2,575, which VDP paid, the date of issuance of the prescription was reported on the claim and on the prescription label as September 19, 2014. A prescription label with an incorrect issuance date was generated at that time. This occurred because the pharmacy did not follow established internal controls to verify the claims data entry of the prescription prior to submitting the claim for reimbursement.

Maxor Pharmacy is contractually required to submit true, complete, and accurate claims data for reimbursement.¹ By not reporting the correct prescription issuance date on the claim submitted for reimbursement, Maxor failed to ensure the claim data was accurate. Additionally, the incorrect prescription issuance date was recorded on the prescription label, putting the patient at risk of losing one refill, since the incorrect date on the label would lead the patient to believe the prescription expiration date was nine days after the actual expiration date.² Claim details related to this finding are listed in Appendix C.

Recommendation 1

Maxor Pharmacy should follow its established internal controls to ensure that all claims submitted for reimbursement by VDP contain the correct prescription issuance date as written on the prescription by the prescribing physician.

Since Maxor Pharmacy failed to submit claim data containing accurate information, the \$2,575 VDP paid for the claim is subject to recoupment.

Management Response

Action Plan

Maxor provides and follows established internal controls to ensure prescription issuance dates match prescription written dates on submitted claims. In this single instance, a clerical error occurred. This patient originally enrolled with a Medicaid MCO, which used Navitus as the pharmacy benefit manager. Navitus requires their specific Synagis PA form to accompany the original prescription; therefore, the prescription information was transcribed to the Navitus Synagis PA form. The date was transcribed as 09/19/2014 instead of 09/10/14. Subsequently the patient left the MCO provider and returned to the VDP Fee-for-Service

¹ Vendor Drug Pharmacy Contract #529-05-0063-00759 Terms and Conditions G (April 1, 2005).

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

program prior to dispensing. The Navitus form was attached and scanned into the pharmacy system along with the VDP FFS Request form by the member advocate. In our pharmacy system, the pharmacy technician must create a physician order to dispense a prescription. The physician order form was created with the correct prescription issuance date 09/10/14. The pharmacy technician then mistyped the written date on entry of the prescription as 09/19/14 due to a keyboarding error as the "9" was entered instead of a "0" due to "9" being adjacent to "0". The pharmacist verified the prescription by reviewing the scanned Navitus PA form containing the incorrect date. In the future, the member advocate will determine the third party payor prior to executing any required forms to prevent confusion. The pharmacist will be more attentive in the review of the Rx written date on the signed Synagis PA form. The Pharmacists were trained on importance of this date in the electronic claims.

Regarding the statement of the patient being at risk of losing one refill, the prescription was only written for 4 refills which did not extend past the one year time for refills. This drug is only approved for use over a 4-5 month treatment window annually, and the patient receives monthly injections over that period. While there was a clerical data entry error, the patient had a valid prescription and received this medication. Had we recognized this single error, we could have reversed, corrected and resubmitted the corrected claim for payment.

Responsible Managers

Rhetta York Pharmacy Manager

Carol Capps, PIC

Lori Story, Director of Reimbursement

Jan Robinson, Executive Vice President of Specialty and Infusion Services

Carl Birdsong, President and Chief Compliance Officer

Target Implementation Date

Immediate

CONCLUSION

The IG Audit Division completed an audit of Maxor Pharmacy. The audit evaluated Maxor Pharmacy to determine whether it properly billed VDP and complied with contractual and TAC requirements. The IG Audit Division evaluated IT general controls to determine whether data used for audit testing was reliable. The IG Audit Division conducted site visits in April and June 2017.

Maxor Pharmacy generally complied with contractual and TAC requirements for the claims tested, and with one exception, properly billed VDP. Based on the results of the IT general controls review, the data provided was considered sufficiently reliable for the purposes of this audit.

There was an exception in which Maxor Pharmacy submitted a claim with an incorrect prescription issuance date for payment and was reimbursed \$2,575.

The IG Audit Division offered recommendations to Maxor Pharmacy, which, if implemented, will:

- Correct deficiencies in compliance with contractual obligations
- Result in Maxor refunding \$2,575 to the VDP program

The IG Audit Division thanks management and staff at Maxor Pharmacy, including its corporate management team, for their cooperation and assistance during this audit.

Appendix A: Objectives, Scope, and Methodology

Objectives

The objectives of this audit were to determine whether Maxor Pharmacy (a) properly billed Texas Medicaid VDP for Medicaid claims submitted and (b) complied with contractual and TAC requirements. Selected IT general controls were reviewed to determine whether data used for audit testing was reliable.

Scope

The audit scope included the period from March 1, 2012, through February 28, 2015, and a review of relevant activities and internal controls through the end of fieldwork in June 2017.

Methodology

To accomplish its objectives, the IG Audit Division collected information for this audit through discussions and interviews with Maxor Pharmacy management and staff, and reviewed:

- Supporting documentation for a sample of all initial claims billed to VDP during the audit scope.
- Policies and procedures of Maxor Pharmacy.
- IT general controls involving the CPR Plus and GRX information systems used by Maxor pharmacy during the audit period.

The IG Audit Division issued an engagement letter on March 23, 2017, to Maxor Pharmacy providing information about the upcoming audit, and conducted fieldwork at the Amarillo, Texas, facility during April and June 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.

Auditors did not remove original records from the Maxor Pharmacy premises. During fieldwork, auditors requested additional documents, which Maxor Pharmacy provided.

Criteria

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

- Vendor Drug Pharmacy Contract #529-05-0063-00759 (April 1, 2005)
- 1 Tex. Admin. Code § 354.1863 (Sept. 23, 2008)
- 1 Tex. Admin. Code § 354.1867 (June 9, 2010)
- 1 Tex. Admin. Code § 354.1901 (June 19, 2003) and (Jan. 14, 2013)
- 22 Tex. Admin. Code § 291.31 (Dec. 9, 2009) through (Dec. 7, 2014)
- 22 Tex. Admin. Code § 291.34 (Nov. 24, 2011) through (Dec. 7, 2014)
- 21 C.F.R. § 1311.200(f) (Apr. 1, 2010)

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 68 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 included only fee-for-service paid claims for the audit scope and did not include refills.

Query Result Objects field names included:

Prescription Number	Last Name (client)
First Name (client)	Participant ID
Drug Name	Drug Strength
Quantity	Days Supply
Number of Refills 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 03/01/2012 and 02/28/2015)
- TX Status Code (equal to PD)
- Batch Doc. Type Code (equal to C)
- Group ID (equal to V)
- Pharmacy ID (equal to 1871693119)

Appendix C: Prescription Paid in Error

The table below provides details about the claim filed and paid in error for the following finding discussed in the report.

Finding 1. Prescription Issuance Date Error in Claim

Prescription Number	Fill Date	Finding Number	Claim Amount
██████████	09/19/2014	1	\$2,575.02

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, CIGA, Audit Manager
- Jerry Ethridge, MBA, 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
- Ben Ringer, Staff Auditor
- Mo Brantley, Senior Audit Operations Analyst

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

Report Distribution

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- Cecile Erwin Young, Chief Deputy Executive Commissioner
- Kara Crawford, Chief of Staff
- Heather Griffith Peterson, Chief Operating Officer
- Karen Ray, Chief Counsel
- Karin Hill, Director of Internal Audit
- Jami Snyder, 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

Maxor Pharmacy

- Carl Birdsong, President
- Carol Capps, Pharmacist-in-Charge, Retail
- Rhetta York, Pharmacist-in-Charge, IVSA

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
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