



Office of Inspector General

Texas Health and Human Services Commission

Stuart W. Bowen, Jr., Inspector General

Performance Audit Report

HEB Pharmacy #444

March 18, 2016

IG Report No. 15-45-465037-VD-01

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EXECUTIVE SUMMARY

The Texas Health and Human Services Commission (HHSC), Inspector General (IG), Audit Division, has completed its performance audit of HEB Pharmacy #444 (Vendor), vendor number 465037, as specified in the Texas Administrative Code (TAC), Title 1, Part 15, Chapter 354, Subchapter F, Division 5, Section 354.1891.

Objectives (*Subject*)

The objectives of the audit were to determine if the Vendor billed the Texas Medicaid Vendor Drug Program (VDP) accurately and complied with contractual requirements and TAC.

Background

As part of the Texas Medical Assistance Program operated in accordance with Title XIX of the Social Security Act, the VDP provides statewide outpatient pharmaceutical services to eligible recipients. Pharmaceutical services include the preparation, packaging, compounding, and labeling of covered legend and nonlegend drugs that appear in the latest revision of the Texas Drug Code Index. Contracted pharmacies and pharmacists provide the pharmaceutical services and submit claims for reimbursement to HHSC through an electronic adjudication system. Payments made to the Vendor during the audit period reviewed totaled \$4,962,232.59.

Summary of Scope and Methodology

The engagement covered the period of September 1, 2010 through August 31, 2013 and included obtaining an understanding of internal controls limited to the objectives described above. Additionally, IG examined pharmacy prescriptions, daily logs, and other applicable accounting records that supported the claims submitted for reimbursement. For sampling methodology, see Appendix B.

IG conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that IG plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. IG believes the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.

Conclusions

The Vendor materially billed the Texas Medicaid Vendor Drug Program accurately and complied with contractual requirements and TAC rules.

DETAILED FINDINGS

Invalid Claims: Incorrect Prescriber's Identification Number for Eight Claims

The Vendor submitted and billed eight prescriptions with the incorrect prescriber identification number on each claim. The Vendor did not ensure that the correct prescriber identification number was submitted for reimbursement. As a result, the Vendor was paid for non-compliant prescriptions. Texas Administrative Code, Title 1, Part 15, Chapter 354, Subchapter F, Division 2, Rule §354.1835 states, "Vendors must enter the identification number of the prescriber, as listed with the appropriate medical specialty board, on each claim."

Recommendation

The Vendor must ensure that the correct prescriber identification number is used when submitting claims to the Vendor Drug program.

Management's Response

Agree. Pharmacy selected a prescriber profile with an incorrect NPI. Prescriber profile has been updated.

Invalid Claims: Non-Tamper Resistant Prescriptions for Fourteen Claims

The Vendor dispensed medication for fourteen prescriptions written on non-tamper resistant prescription paper. The claims were submitted without the Vendor confirming the authenticity of the prescriptions resulting in overpayment. Texas Administrative Code, Title 1, Part 15, Chapter 354, Subchapter F, Division 4, Rule §354.1863(c) states, "Effective April 1, 2008, prescriptions for covered pharmaceuticals submitted to a pharmacy in written form will be eligible for payment only if the prescription is executed on tamper-resistant prescription paper, as required by §1903(i)(23) of the Social Security Act (42 U.S.C. §1936b(i)(23))."

Recommendation

The Vendor should ensure that all prescriptions that are filled, on or after April 1, 2008, are on the required tamper-resistant paper with appropriate safety features.

Management's Response

Agree. Pharmacy team will be re-trained on the tamper proof requirement.

Invalid Claims: Strength Substitution for Two Claims

The Vendor billed and dispensed a different strength than what was ordered for two claims. If confirmation approval was obtained, the Vendor did not document the physician's authorization for a strength substitution for these prescriptions. Thus, the Vendor was improperly paid for the claims. Texas Administrative Code, Title 1, Part 15, Chapter 354, Subchapter F, Division 3, Section 354.1851(a) states, "Substitution is legal only if and when authorized by the prescribing physician... (c) Substitution authorization must be completely documented on the prescription."

Recommendation

The Vendor should ensure that all prescriptions are dispensed according to the prescriber's order. The Vendor should obtain and document the prescriber's authorization when a substitution is made.

Management's Response

Agree. Pharmacy team will be re-trained on the importance of documenting physician authorizations received verbally.

Billing Errors: National Drug Code (NDC) Availability Not Supported for Two Claims

The Vendor submitted two claims for prescriptions in which the NDC availability was not supported by an invoice record. As a result, the Vendor was paid for claims not sufficiently supported by drug purchase invoices. Texas Administrative Code, Title 1, Part 15, Chapter 354, Subchapter A, Division 1, Rule 354.1004 states, "(a) The provider must maintain all records necessary to fully disclose the services provided. These records must be retained for a period of five years from the date of the service, or until all audit questions are resolved, whichever is longer. Records and supporting information must be made available upon request, regarding any payment of claims for services or supplies by the provider, to the Texas Department of Health or its designated agent."

Recommendation

The Vendor should retain all documentation that supports the purchase of all drugs that are billed to the Vendor Drug Program.

Management's Response

Agree. Supply chain team could not locate these invoices at time of audit.

APPENDICES

OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

The objectives of the audit were to determine if the Vendor billed the Texas Medicaid VDP accurately and complied with contractual requirements and the TAC rules.

Scope

The engagement covered the period of September 1, 2010 through August 31, 2013. During the engagement, IG did not review all internal controls. IG limited the internal control review to the objectives described above.

Methodology

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

An engagement letter was issued to the Vendor outlining the understanding of IG with respect to the audit of paid claims submitted by the Vendor for reimbursement. To obtain an understanding of the Vendor's internal controls, an internal control questionnaire was completed and observations were made throughout the audit. Additionally, IG examined prescriptions, daily logs, and other applicable accounting records that supported the claims submitted for reimbursement. Professional judgment was exercised in planning, executing, and reporting the results of our audit.

Criteria Used to Determine Compliance with Contractual Requirements and the TAC

- Texas Administrative Code, Title 1, Part 15, Chapter 354, Subchapter F, Divisions 1 through 7, Sections 354.1801 through 354.1928; Chapter 355, Subchapter J, Division 28
- Texas Vendor Drug Contract for HEB Pharmacy #444
- Vendor Drug Program Pharmacy Provider Handbook, March 1, 2006
- Texas Drug Code Index
- Texas State Board of Pharmacy rules and regulations
- Health and Safety Code, Title 6, Subtitle C, Chapter 481, Subchapter A
- Revisions and updates to the aforementioned materials and information
- Notices or bulletins issued by the VDP concerning Medicaid pharmaceutical drug benefits

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Other Information

Fieldwork was conducted from June 15, 2015 through June 30, 2015.

SAMPLING METHODOLOGY**Summary of Sample Methodology**

IG used statistically valid random sampling to determine the extent to which the Vendor correctly billed the VDP for Medicaid prescription claims. IG conducted its sampling methodology in accordance with guidance from CMS Medicare Program Integrity Manual Chapter 8 - Administrative Actions and Statistical Sampling for Overpayment Estimates and guidance issued by the American Institute of Certified Public Accountants and Statement on Auditing Standards (SAS), Number 39. In order to ensure proper evaluation of the entire population, IG divided the population into two groups, a population for low dollar transactions and a population for high dollar transactions. The low and high dollar populations were then split into 13 strata. Sample sizes were calculated for each stratum in the low and high population groups. In any stratum containing only a single sample item, extrapolation was excluded for that stratum and any errors were calculated on a dollar-for-dollar basis to determine the final extrapolated recoupment amount owed. To determine the final extrapolated recoupment amount owed by the Vendor, IG utilized RAT-STATs Stratified Variable Appraisal functionality to evaluate the results of the low and high samples. The results for the low and high dollar populations can be found in Tables A and B respectively.

Sample Results

To achieve valid sampling results, the population was separated into low and high dollar claims. To determine the dollar value of billing errors, IG tested 621 claims, of which 26 constituted exceptions. Of the 621 claims, 408 were low dollar and 213 were high dollar. The low and high dollar claims were selected for testing based on statistically valid random sampling. Of the 26 findings, 20 were from the low dollar claims and 6 from the high dollar claims. The findings for low dollar and high dollar claims were categorized in two parts, a dollar-for-dollar population and an extrapolated population. The low dollar tested claims consisted of three dollar-for-dollar tested claims from the dollar-for-dollar population and 405 randomly sampled claims from the extrapolated population. The high dollar tested claims consisted of one dollar-for-dollar tested claim from the dollar-for-dollar population and 212 randomly sampled claims from the extrapolated population. The total recoupment amount for the low dollar sample was calculated to be \$8,259 and the high dollar sample totaled \$9,221, for a total combined recoupment amount of \$17,480 (Tables A and B).

APPENDIX B (cont.)

During the engagement, IG identified the following instances of noncompliance for the claims:

| Finding Type | Low Dollar Findings | High Dollar Findings | Total Findings |
|--|---------------------|----------------------|----------------|
| Invalid Claims: | | | |
| Incorrect Prescriber's Identification Number | 7 | 1 | 8 |
| Non-Tamper Resistant Prescriptions | 11 | 3 | 14 |
| Strength Substitutions | 0 | 2 | 2 |
| Billing Error: | | | |
| NDC Availably Not Supported | 2 | 0 | 2 |
| | | | |
| Total | 20 | 6 | 26 |

See the Detailed Findings section of this report for details.

Sampling Frame

The sampling frame (population) was the Vendor's claims paid by HHSC that had a "Date of Service" in the audit period of September 1, 2010 through August 31, 2013. The low dollar sample frame consisted of all paid claims less than or equal to \$833.39. The high dollar sample frame consisted of all paid claims greater in amount than \$833.39.

Sample Unit

The sample unit was a paid claim. A paid claim is a prescription dispensed to a Medicaid recipient by a contracted Vendor or Pharmacist for which HHSC paid the Vendor and the "Date of Service" was in the audit period of September 1, 2010 through August 31, 2013.

Table A**Total Population Paid and Recoupment Statistics
(Low Dollar)**

| | |
|---|------------------------------|
| Total Paid Dollar Amount in Extrapolation Population | \$4,150,471.40 |
| Total Paid Dollar Amount in Dollar-For-Dollar Population | 286,820.20 |
| Total Population Paid Dollar Amount | <u>\$4,437,291.60</u> |
| Total Recoupment Amount from Extrapolation Population Using RAT-STATs 2007 Stratified Variable Appraisal (Calculated at lower limit of 90% confidence interval) | \$8,259.00 |
| Total Recoupment Amount from Dollar-For-Dollar Population | 0.00 |
| Total Population Recoupment Amount | <u>\$8,259.00</u> |

Table B**Total Population Paid and Recoupment Statistics
(High Dollar)**

| | |
|---|----------------------------|
| Total Paid Dollar Amount in Extrapolation Population | \$507,614.87 |
| Total Paid Dollar Amount in Dollar-For-Dollar Population | 17,326.12 |
| Total Population Paid Dollar Amount | <u>\$524,940.99</u> |
| Total Recoupment Amount from Extrapolation Population Using RAT-STATs 2007 Stratified Variable Appraisal (Calculated at lower limit of 90% confidence interval) | \$9,221.00 |
| Total Recoupment Amount from Dollar-For-Dollar Population | 0.00 |
| Total Population Recoupment Amount | <u>\$9,221.00</u> |

Please note: Additional details regarding the samples and extrapolations will be provided upon request.

Schedule of Findings
HEB Pharmacy #444
Vendor Number: 465037
Over/(Under) Payments for Low Dollar Claims

| Client Number | Prescription Number | Fill Date | Amount Paid | Audited Cost | Over/(Under) Payments | Comments |
|---------------|---------------------|-----------|-------------|--------------|-----------------------|------------------------------------|
| ██████ | ██████ | ██████ | \$13.36 | \$5.68 | \$7.68 | Incorrect Prescriber ID* |
| ██████ | ██████ | ██████ | 8.48 | 1.83 | 6.65 | Incorrect Prescriber ID* |
| ██████ | ██████ | ██████ | 85.71 | 76.59 | 9.12 | Incorrect Prescriber ID* |
| ██████ | ██████ | ██████ | 15.55 | 8.75 | 6.80 | Incorrect Prescriber ID* |
| ██████ | ██████ | ██████ | 21.18 | 14.27 | 6.91 | Incorrect Prescriber ID* |
| ██████ | ██████ | ██████ | 32.26 | 25.14 | 7.12 | Incorrect Prescriber ID* |
| ██████ | ██████ | ██████ | 170.12 | 160.29 | 9.83 | Incorrect Prescriber ID* |
| | | Sub Total | \$346.66 | \$292.55 | \$54.11 | |
| ██████ | ██████ | ██████ | \$8.21 | \$0.00 | \$8.21 | Non-Tamper Resistant Prescription |
| ██████ | ██████ | ██████ | 12.49 | 0.00 | 12.49 | Non-Tamper Resistant Prescription |
| ██████ | ██████ | ██████ | 106.66 | 97.12 | 9.54 | Non-Tamper Resistant Prescription* |
| ██████ | ██████ | ██████ | 15.64 | 8.00 | 7.64 | Non-Tamper Resistant Prescription* |
| ██████ | ██████ | ██████ | 7.53 | 0.00 | 7.53 | Non-Tamper Resistant Prescription |
| ██████ | ██████ | ██████ | 20.07 | 12.33 | 7.74 | Non-Tamper Resistant Prescription* |
| ██████ | ██████ | ██████ | 5.91 | 0.00 | 5.91 | Non-Tamper Resistant Prescription |
| ██████ | ██████ | ██████ | 7.49 | 0.00 | 7.49 | Non-Tamper Resistant Prescription |
| ██████ | ██████ | ██████ | 52.52 | 45.00 | 7.52 | Non-Tamper Resistant Prescription* |
| ██████ | ██████ | ██████ | 12.53 | 0.00 | 12.53 | Non-Tamper Resistant Prescription |
| ██████ | ██████ | ██████ | 108.04 | 0.00 | 108.04 | Non-Tamper Resistant Prescription |
| | | Sub Total | \$357.09 | \$162.45 | \$194.64 | |
| ██████ | ██████ | ██████ | \$7.65 | \$0.00 | \$7.65 | NDC Availability not Supported |
| ██████ | ██████ | ██████ | 244.53 | 0.00 | 244.53 | NDC Availability not Supported |
| | | Sub Total | \$252.18 | \$0.00 | \$252.18 | |
| | | Total | \$955.93 | \$455.00 | \$500.93 | |

*Dispensing Fee Withheld.

APPENDIX C (cont.)

Schedule of Findings
 HEB Pharmacy #444
 Vendor Number: 465037
 Over/(Under) Payments for High Dollar Claims

| Client Number | Prescription Number | Fill Date | Amount Paid | Audited Cost | Over/(Under) Payments | Comments |
|---------------|---------------------|-----------|-------------|--------------|-----------------------|-----------------------------------|
| ████████ | ████████ | ████████ | \$871.15 | \$847.59 | \$23.56 | Incorrect Prescriber ID* |
| | | Sub Total | \$871.15 | \$847.59 | \$23.56 | |
| ████████ | ████████ | ████████ | \$1,276.91 | \$0.00 | \$1,276.91 | Non-Tamper Resistant Prescription |
| ████████ | ████████ | ████████ | 2,000.41 | 0.00 | 2,000.41 | Non-Tamper Resistant Prescription |
| ████████ | ████████ | ████████ | 1,383.66 | 0.00 | 1,383.66 | Non-Tamper Resistant Prescription |
| | | Sub Total | \$4,660.98 | \$0.00 | \$4,660.98 | |
| ████████ | ████████ | ████████ | \$2,041.30 | \$0.00 | \$2,041.30 | Strength Substitution |
| ████████ | ████████ | ████████ | 2,041.30 | 0.00 | 2,041.30 | Strength Substitution |
| | | Sub Total | \$4,082.60 | \$0.00 | \$4,082.60 | |
| | | Total | \$9,614.73 | \$847.59 | \$8,767.14 | |

*Dispensing Fee Withheld.

REPORT DISTRIBUTION

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