

**TEXAS HEALTH AND HUMAN SERVICES COMMISSION**  
**INSPECTOR GENERAL**

**AUDIT OF SOUTHSIDE PHARMACY**

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*A Texas Vendor Drug Program Provider*



**Issued: February 9, 2018**  
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## HHSC IG

TEXAS HEALTH AND HUMAN  
SERVICES COMMISSION  
INSPECTOR GENERAL

February 9, 2018

# AUDIT OF SOUTHSIDE PHARMACY

*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 program, the Healthy Texas Women program, and the Kidney Health Care program.

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

Southside Pharmacy processed 24,450 Texas Medicaid claims for prescriptions through VDP during the audit period of March 1, 2012, through February 28, 2015. These claims resulted in Texas Medicaid reimbursing the pharmacy more than \$4.7 million.

### WHAT THE IG RECOMMENDS

Southside Pharmacy should ensure (a) claims contain the correct prescription issuance date, (b) changes in medication strength are properly authorized, (c) changes in quantity dispensed are authorized, (d) prescriptions for controlled substances contain all necessary elements, (e) medication invoices are maintained, and (f) claims contain the correct National Drug Code (NDC). Based on issues identified in this audit, Southside Pharmacy owes the State of Texas \$81,513.00.

For more information, contact:

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### WHAT THE IG FOUND

Southside Pharmacy did not bill VDP properly, or comply with other contractual or TAC requirements, for 15 of 133 claims tested.

The IG Audit Division tested Southside Pharmacy's compliance with contractual and TAC requirements in seven areas: (a) claims validity, represented by claims documentation maintained by the provider, (b) NDC usage, (c) quantity, (d) refills, (e) controlled substances (C-II), (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.

Audit results indicated there were no exceptions related to refills, warehouse billing, or acquisition cost, and IT general controls were sufficiently reliable for the purposes of the audit. There were exceptions related to claims validity, NDC usage, quantity, and controlled substances.

VDP participating pharmacies are contractually required to maintain documents to support Medicaid claims, and to submit accurate claims. When the quantity or strength of a dispensed drug differs from the quantity or strength prescribed, the pharmacist must obtain authorization for the new quantity or strength from the prescribing physician, and retain documentation to support that authorization.

Auditors identified 21 exceptions for 15 claims in which Southside Pharmacy:

- Dispensed medication:
  - For prescriptions with incorrect issuance dates
  - In a strength other than that prescribed
  - In quantities other than those prescribed
  - For a C-II prescription that did not include the quantity written as a word
- Did not produce invoices to verify NDCs billed to VDP
- Billed for different NDCs than dispensed

The dollar value of the prescription exceptions totaled \$8,817.40. After summarizing the audit exceptions and extrapolating, the IG determined that the exceptions represented an overpayment of \$81,513.00.

### LESSONS LEARNED

Pharmacists may deviate from prescriptions as written by the prescriber, provided the pharmacist obtains authorization from the prescriber. The authorization, once obtained, must be documented on the face of the prescription.

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# INTRODUCTION

The Texas Health and Human Services Commission (HHSC) Inspector General (IG) Audit Division has completed an audit of Southside Pharmacy, a Texas Vendor Drug Program (VDP) provider, vendor number 145670.

## Objective and Scope

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

The scope included initial fill claims for the period from March 1, 2012, through February 28, 2015, and a review of relevant activities, internal controls, and information technology (IT) general controls through the end of fieldwork in June 2017.

## 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 program, the Healthy Texas Women program, and the Kidney Health Care program.

Southside Pharmacy, a community pharmacy located in Houston, Texas operates under license number 25057 from the Texas State Board of Pharmacy (Pharmacy Board). Southside Pharmacy processed 24,450 claims during the audit period for which it received reimbursements of more than \$4.7 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 Southside Pharmacy in a draft report on November 21, 2017. Southside Pharmacy's management responses are included in the report following the recommendations.

## 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 Southside 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 results, issues, and recommendations in those areas, when applicable, and the results of limited testing of IT general controls, performed to determine whether data used to form audit conclusions was reliable.

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 Medicaid fee-for-service only paid claims for the audit period. Given the total number of claims submitted by Southside Pharmacy, it was determined to be administratively infeasible to review every claim in the population. The IG Audit Division therefore selected a sample of 133 claims to test. The IG Audit Division visited the pharmacy to review the records during April, May, and June 2017.

The testing resulted in no findings related to refills, warehouse billing, or acquisition cost, and there were no findings related to IT general controls. There were exceptions related to claims validity, NDC usage, quantity, and controlled substances. Details of these exceptions are included in the sections that follow. One claim may have more than one exception and be included in more than one finding in this report. When calculating the error rate and the extrapolation value, each claim is only counted as an error once.

### 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. A prescription or a physician order must contain several elements in order to be valid, including: (a) name of the patient, (b) address of the patient, (c) name, address and telephone number of the practitioner at the practitioner's usual place of business, (d) name and strength of the drug prescribed, (e) quantity prescribed, (f) intended use for the drug unless the practitioner determines the furnishing of this information is not in the best interest of the patient, and (g) date of issuance. 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.

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## **Finding 1: Claims Were Submitted With Incorrect Prescription Issuance Dates**

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For the sample selected, Southside Pharmacy dispensed and billed VDP for five prescriptions with incorrect prescription issuance dates on the corresponding claims. VDP was billed and paid \$6,510.31 for these claims.

Instead of entering into its claim system the dates the prescriptions were written, the pharmacy entered the dates the prescriptions were received by the pharmacy. This occurred because Southside Pharmacy did not follow established internal controls to verify the date on the prescription before entering the prescription date into its claim system. The VDP pharmacy provider contract requires Southside Pharmacy to submit true, complete, and accurate claims data.<sup>1</sup> When a pharmacy does not submit the correct prescription issuance date, the patient is at risk of losing refills. If a prescription has a specified number of refills and the pharmacy inputs an incorrect prescription issuance date in its claim system, the patient is at risk of not being able to completely fill all of the refills associated with that prescription since the label (created based on the information entered in the claim system, on the prescription container) would contain an incorrect expiration date.

For example, the label on a prescription bottle is dated December 20, 2013, the day the pharmacy received a prescription issued, and dated one day earlier. The pharmacy submitted the corresponding claim to VDP on the day it received the prescription, and incorrectly indicated on the claim that the prescription date was December 20, 2013. The label on the prescription bottle shows an expiration date of December 20, 2014. The actual prescription date was December 19, 2013, with an expiration date of December 19, 2014. When the patient calls to refill the prescription on December 20, 2014, based on the label information, the pharmacy would check the date on the prescription and find that the prescription had expired a day earlier, December 19, 2014, and would not fill the prescription.

Claim details related to this finding are listed in Appendix C.

### **Recommendation 1**

Southside Pharmacy should 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 Southside Pharmacy failed to submit claims data containing accurate information, the \$6,510.31 VDP paid for the claims is subject to recoupment.

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<sup>1</sup> Title XIX Vendor Drug Program Pharmacy Provider Contract #145670, Part 2, § G.1 (June 21, 2006).

## **Management Response**

*Southside Pharmacy truly understands and tries its best to strictly adhere to the correct Rx issuance date. Southside Pharmacy has internal control not only at the data entry level but also at the Pharmacist verification level, where the Pharmacist double checks the work of the data entry technician to make sure that the prescription is correctly typed and all processes including correct Rx issuance date, days' supply, right medication is given to the right patient.*

*While Southside Pharmacy understands that for the 5 prescriptions mentioned above, the Rx issuance date did not match the claims but at no point in these 5 Rx's, patient lost any refills nor did Southside Pharmacy bill the prescription to Texas Medicaid after the Rx was expired. Please refer to dates for first and last fill of these Rxs.*

### **Action Plan**

*Southside Pharmacy will train its technicians and Pharmacist to double check the prescriptions entered at the data entry point and verification process so that these errors are not committed in future.*

### **Responsible Manager**

*Roshan Koppuzhayil*

### **Target Implementation Date**

*December 7, 2017*

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## **Finding 2: Medication Was Dispensed in a Strength Other Than Prescribed**

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For one claim, from the sample selected, Southside Pharmacy 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 \$550.66 for this claim.

This occurred because Southside Pharmacy internal controls, which require a pharmacist to ensure strength change authorizations are obtained and documented, were not followed. TAC states "original prescriptions may be dispensed only in accordance with the prescriber's authorization as indicated on the original prescription drug order including clarification to the order given to the pharmacist by the practitioner or practitioner's agent and recorded on the prescription."<sup>2</sup> Claim details related to this finding are listed in Appendix C.

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<sup>2</sup> 22 Tex. Admin. Code § 291.34(b)(5)(A) (Nov. 24, 2011, through June 7, 2012) and 22 Tex. Admin. Code § 291.34(b)(6)(A) (Sept. 8, 2013, through June 11, 2016).

## **Recommendation 2**

Southside Pharmacy should ensure that all claims are adequately supported and fully documented, and that any changes in medication strength are properly authorized by the prescribing physician and documented prior to dispensing.

Since Southside Pharmacy failed to obtain appropriate authorization, the \$550.66 VDP paid for the claims is subject to recoupment.

## **Management Response**

*Southside truly realizes its responsibilities for internal controls and ensures that all Rx's are correctly verified with 100% accuracy. However, Southside would request Texas Medicaid to reverse the charge back purely based on clerical error and not being intentional. Southside Pharmacy also realizes that patient safety is of paramount importance and under no circumstances will be compromised.*

### Action Plan

*Southside Pharmacy will train its technicians and Pharmacist to double check the prescriptions entered at the data entry point and verification process so that these errors are not committed in future.*

### Responsible Manager

*Roshan Koppuzhayil*

### Target Implementation Date

*December 1, 2017*

## ***NATIONAL DRUG CODE***

The NDC for the medication dispensed by a pharmacy must match the NDC for the medication billed to VDP. Only medications listed on the VDP formulary are eligible for reimbursement.

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## **Finding 3: Medication Invoices Were Missing**

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From the sample selected, Southside Pharmacy dispensed and billed VDP for seven prescriptions for which the auditors could not verify the NDC of the medication dispensed because invoices were either not provided for review or were incorrect for the requested claim. VDP was billed and paid \$1,720.46 for these claims.

This occurred because Southside Pharmacy did not maintain all of the records necessary to demonstrate that it had purchased the medications it dispensed. The VDP pharmacy provider contract specifically requires providers to maintain all

medication invoices.<sup>3</sup> The missing invoices prevented verification that the dispensed NDCs were available at the pharmacy for distribution. Claim details related to this finding are listed in Appendix C.

### **Recommendation 3**

Southside Pharmacy should maintain all records related to prescription services, including medication invoices.

Since Southside Pharmacy failed to maintain supporting documentation for medication invoices, the \$1,720.46 VDP paid for the claims is subject to recoupment.

### **Management Response**

*Southside Pharmacy is providing the copy of the invoices as requested. Based on the documentation provided, Southside would request the charge back to be waived off.*

#### **Action Plan**

*Southside Pharmacy will maintain all records related to prescription services including medication invoices. The Pharmacist and technicians will be trained to make sure that they follow proper documentation procedure.*

#### **Responsible Manager**

*Roshan Koppuzhayil*

#### **Target Implementation Date**

*December 1, 2017*

### **Auditor Comment**

The additional documentation provided did not clear the exceptions as they are for incorrect amounts, NDCs, and dates.

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## **Finding 4: Incorrect NDCs Were Billed**

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For the sample selected, Southside Pharmacy dispensed and billed VDP for six prescriptions involving compounded drugs in which the NDCs dispensed differed from those billed. VDP was billed and paid \$427.30 for these claims.

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<sup>3</sup> Title XIX Vendor Drug Program Pharmacy Provider Contract #145670, Part 2 § H.1(a) (June 21, 2006).

For these compounded drugs, Southside Pharmacy billed NDCs that were available in its computer system rather than the NDCs that were actually dispensed. TAC requires the pharmacy to bill the NDC that corresponds with the medication dispensed.<sup>4</sup> Claim details related to this finding are listed in Appendix C.

#### **Recommendation 4**

Southside Pharmacy should ensure that all claims submitted for reimbursement by VDP contain the correct NDC.

Since Southside Pharmacy failed to submit claims data containing accurate information, the \$427.30 VDP paid for the claims is subject to recoupment.

#### **Management Response**

*Since few of the whole sellers closed their operations, it is very hard to get the invoices from them but Southside Pharmacy will make sure to keep all paper copy invoices for future references. Based on the documents provided, Southside Pharmacy would request charge back to be waived off.*

##### Action Plan

*Southside Pharmacy will maintain all records related to prescription services including medication invoices and submit claims data containing accurate information. Southside has implemented mandatory bar code scanning to avoid incorrect NDC being dispensed.*

##### Responsible Manager

*Roshan Koppuzhayil*

##### Target Implementation Date

*December 1, 2017*

#### **Auditor Comment**

The additional documentation provided did not clear all the exceptions. Southside Pharmacy did not maintain the invoices for purchases on drugs.

#### **QUANTITY**

VDP participating pharmacies are contractually required to maintain documents to support Medicaid claims. Pharmacists may dispense a different quantity of medication than ordered by the prescribing physician as long as the prescribing physician is contacted and authorizes the change.

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<sup>4</sup> 1 Tex. Admin. Code § 354.1901(a) (June 19, 2003) and (Jan. 14, 2013).

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## **Finding 5: Medication Was Dispensed in Quantities Other Than Prescribed**

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For one claim, from the sample selected, Southside Pharmacy dispensed and billed VDP for a different quantity of medication than was ordered by the prescribing physician. VDP was billed and paid \$7.02 for these claims. This occurred because Southside Pharmacy's internal controls, which require a pharmacist to ensure quantity changes are authorized by the prescriber and documented, were not consistently followed. TAC states that providers must dispense the quantity prescribed.<sup>5</sup> TAC also establishes how changes in quantity of medication dispensed must be authorized.<sup>6</sup> Claim details related to this finding are listed in Appendix C.

### **Recommendation 5**

Southside Pharmacy should ensure that all claims are adequately supported and fully documented, and that any changes in the quantity dispensed from the quantity prescribed are authorized by the prescribing physician and documented prior to dispensing.

Since Southside Pharmacy failed to obtain authorization for quantity changes, the \$7.02 VDP paid for the claims is subject to recoupment.

### **Management Response**

██████████ was billed for a quantity of 150ml. This is the quantity which is written on the actual hard copy Rx.

#### Action Plan

*Southside Pharmacy will train its technicians and Pharmacist to make sure that they document the conversation with the prescriber or prescribers' office on the hard copy prescription.*

#### Responsible Manager

*Roshan Koppuzhayil*

#### Target Implementation Date

*December 7, 2017*

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<sup>5</sup> 1 Tex. Admin. Code § 354.1901(b) (June 19, 2003) and (Jan. 14, 2013).

<sup>6</sup> 22 Tex. Admin. Code § 291.34(b)(5)(A) (Nov. 24, 2011, through (Sept. 7, 2013) and 22 Tex. Admin. Code § 291.34(b)(6)(A) (Sept. 8, 2013, through June 11, 2016).

## **Auditor Comment**

A conference call with Southside after receipt of the management response clarified that billing the compound for 6X25 ml is not the same as billing for the compound at 3X50ml. While the total milliliters is correct, individual components are not correct; Southside agrees with the finding.

## **CONTROLLED SUBSTANCES**

C-II medications are controlled substances and drugs with a high potential for abuse, with use potentially leading to severe psychological or physical dependence. There are additional prescription requirements for dispensing these kind of medications.

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### **Finding 6: Medication Was Dispensed for an Incomplete C-II Prescription**

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For the sample selected, Southside Pharmacy dispensed and billed VDP for one C-II medication with an incorrectly formatted quantity on the prescription. VDP was billed and paid \$28.50 for this claim.

This occurred because Southside Pharmacy did not verify that the quantity on the prescription was written both numerically and as a word, as required by the Texas Health and Safety Code.<sup>7</sup> Claim details related to this finding are listed in Appendix C.

## **Recommendation 6**

Southside Pharmacy should ensure that C-II prescriptions contain all necessary elements, including the quantity written both numerically and as a word.

Since Southside Pharmacy accepted an incomplete prescription, the \$28.50 VDP paid for the claims is subject to recoupment.

## **Management Response**

*Southside truly realizes its responsibilities for internal controls and ensures that all Rx's are correctly verified with 100% accuracy. The hard copy Rx missed quantity in words but it was written numerically. Southside would request Texas Medicaid to reverse the charge back purely based on clerical error and not being intentional. Southside Pharmacy also realizes that patient safety is of paramount importance and under no circumstances will be compromised.*

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<sup>7</sup> Tex. Health & Safety Code § 481.075 (e) (Sept. 1, 2011).

**Action Plan**

*Southside Pharmacy will train its technicians and Pharmacist to double check the prescriptions entered at the data entry point and verification process so that these errors are not committed in future.*

**Responsible Manager**

*Roshan Koppuzhayil*

**Target Implementation Date**

*December 1, 2017*

**EXTRAPOLATION**

The population included in this audit consists of claims for initial fill claims with dispensing dates between March 1, 2012, and February 28, 2015. The estimated overpayment amount of \$81,513.00 was calculated by extrapolating the dollar value of the errors as identified in Appendix C across the population for this audit at the time of the draft report. The overpayment was calculated using the lower limit of a two-sided 80 percent confidence interval.

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**Finding 7: Overpayments to Southside Pharmacy**

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Audit results indicated Southside Pharmacy was paid \$8,817.40 for claims containing an error. After summarizing the audit exceptions for findings one through seven, and extrapolating the results to the original population of claims within the scope of the audit, the IG determined that the exceptions represented an overpayment of \$81,513.00.

**Recommendation 7**

Southside Pharmacy should return the overpayment amount of \$81,513.00 to the State of Texas. See Appendix B for the sampling and extrapolation methodology.

## CONCLUSION

The IG Audit Division completed an audit of Southside Pharmacy. The audit evaluated Southside 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, May, and June 2017.

Southside Pharmacy did not bill VDP properly, or comply with other contractual or TAC requirements, for 15 of 133 claims. The 15 claims resulted in \$8,817.40 reimbursed in error, which extrapolates to \$81,513.00. 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 Southside Pharmacy:

- Dispensed medication:
  - For prescriptions with incorrect issuance dates
  - In a strength other than that prescribed
  - In quantities other than those prescribed
  - For a C-II prescription that did not include the quantity written as a word
- Did not produce invoices to verify NDCs billed to VDP
- Billed for different NDCs than dispensed

The IG Audit Division offered recommendations to Southside Pharmacy which, if implemented, will correct deficiencies in compliance with contractual and TAC requirements.

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

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## Appendix A: Objective, Scope, and Methodology

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### Objective

The objectives of this audit were to determine whether Southside Pharmacy (a) properly billed VDP for Medicaid claims submitted and (b) complied with contractual and TAC requirements.

### Scope

The audit scope included initial fill claims for the period from March 1, 2012, through February 28, 2015, and a review of relevant activities, internal controls, and IT general 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 Southside Pharmacy management and staff and by reviewing:

- Supporting documentation for a sample of all initial fill Medicaid claims billed to VDP during the audit scope.
- Policies and procedures of Southside Pharmacy.
- IT general controls involving the RX 30 information system used by Southside Pharmacy during the audit period.

The IG Audit Division issued an engagement letter on March 15, 2017, to Southside Pharmacy providing information about the upcoming audit, and conducted fieldwork at the Houston, Texas, facility during April, May, and June 2017. Auditors did not remove original records from the Southside Pharmacy premises. During fieldwork, auditors requested additional documents, which Southside Pharmacy provided. 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.

## Criteria

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

- 6 Tex. Health & Safety Code § 481.075 (e) (Sept. 1, 2011)
- 1 Tex. Admin. Code § 354.1835 (May 24, 2002)
- 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 (June 19, 2003) and (Jan. 14, 2013)
- 22 Tex. Admin. Code § 291.34 (Nov. 24, 2011, through June 11, 2016)
- Title XIX Vendor Drug Program Pharmacy Provider Contract #145670 (June 21, 2006)

## 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.

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## Appendix B: Sampling and Extrapolation Methodology

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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 133 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 initial fill paid claims for the audit scope.

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 1821159906)

The IG provided Southside Pharmacy with an extrapolation detail file at the same time as the draft audit report. The extrapolation detail file contains information about the data and methods used to determine the overpayment in sufficient detail so the extrapolation results may be demonstrated to be statistically valid and are fully reproducible.

The extrapolation detail file contains the (a) population of claims, (b) sample frame, including sample size determination, (c) seed value for random number generation, (d) extrapolation validation, and (e) results printout from the RAT – STATS software. The population included in this audit consists of claims for initial fill claims with dispensing dates between March 1, 2012, and February 28, 2015. The estimated overpayment amount of \$81,513.00 was calculated by extrapolating the dollar value of the errors as identified in Appendix C across the population for this audit at the time of the draft report. The overpayment was calculated using the lower limit of a two-sided 80 percent confidence interval.

Southside Pharmacy has been kept apprised of all aspects of the audit process, and has been provided multiple opportunities to provide relevant documentation and information in order to ensure audit findings are accurate.

Opportunities to provide relevant documentation extended to the draft audit report stage. The draft audit report stage was the final opportunity for Southside Pharmacy to provide additional relevant documentation, including sufficient evidence that would support the removal of identified errors on which the overpayment in this report is based. Errors were removed based on additional evidence Southside Pharmacy provided at the draft audit stage. After the removal of those errors, the overpayment amount was recalculated, and a new extrapolation amount is provided with this final audit report.

The Texas Legislature has recognized HHSC IG's authority to utilize a peer reviewed sampling and extrapolation process. HHSC IG has formally adopted RAT – STATS software as the statistical software to be utilized for the extrapolation process, and is consistent with the Office of Inspector General for the United States Department of Health and Human Services. The Association of Inspectors General concluded a peer review of this process on January 7, 2016, and opined that IG met all relevant policies, procedures, and AIG standards for the period under review.

## 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.

- Finding 1. Claims Were Submitted With Incorrect Prescription Issuance Dates
- Finding 2. Medication Was Dispensed in a Strength Other Than Prescribed
- Finding 3. Medication Invoices Were Missing
- Finding 4. Incorrect NDCs Were Billed
- Finding 5. Medication Was Dispensed in Quantities Other Than Prescribed
- Finding 6. Medication Was Dispensed for an Incomplete C-II Prescription

Prescription Number <sup>8</sup>	Fill Date	Finding Number	Claim Amount
	12/20/2013	1	\$ 2,443.70
	2/9/2015	1	2,071.61
	1/15/2015	1	780.68
	11/5/2013	1	691.58
	7/17/2012	1	522.74
	12/24/2014	2	550.66
	2/4/2015	4, 3	309.90
	10/14/2014	4, 3	46.69
	7/12/2013	4, 3	44.22
	5/14/2012	4, 3	12.00
	5/31/2013	4	7.47
	6/1/2012	4, 5, 3	7.02
	6/21/2013	6	28.50
	10/10/2014	3	1,287.31
	4/1/2013	3	13.32
<b>Total</b>			<b>\$ 8,817.40</b>

Source: IG Audit Division

<sup>8</sup> One prescription number may have multiple exceptions and be included in more than one finding in this report. In this table, the prescription and the total amount subject to recoupment are listed once.

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## Appendix D: Report Team and Distribution

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### 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
- Jesus Vega, CIGA, Senior Auditor
- Ben Ringer, Staff Auditor
- 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
- Kara Crawford, Chief of Staff
- Heather Griffith Peterson, Chief Operating Officer
- Victoria Ford, Chief Policy Officer
- Karen Ray, Chief Counsel
- Karin Hill, Director of Internal Audit
- Stephanie Muth, State Medicaid Director, Medicaid and CHIP Services Department
- Katherine Scheib, Deputy Associate Commissioner, Medicaid and CHIP Services Department

- Gina Marie Muniz, Interim Director, Vendor Drug Program, Medicaid and CHIP Services Department
- Priscilla Parrilla, Interim Director, Pharmacy Operations and Contract Oversight, Vendor Drug Program
- Robin Agnew, Vendor Drug Program Manager, Medicaid and CHIP Services Department
- Kimberly Royal, Manager, Contract Compliance and Performance Management, Medicaid and CHIP Services Department
- Lisa Cruz Hidrogo, Special Projects Manager, Medicaid and CHIP Services Department

#### Southside Pharmacy

- Roshan George Koppuzhayil, Pharmacist-in-Charge
- Rohit Wattal, Pharmacy Manager

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## Appendix E: IG Mission and Contact Information

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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, 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
- Brian Klozik, Deputy IG for Medicaid Program Integrity
- 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

### To Obtain Copies of IG Reports

- IG website: <https://oig.hhsc.texas.gov>

### To Report Fraud, Waste, and Abuse in Texas HHS Programs

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

### To Contact the Inspector General

- Email: [OIGCommunications@hhsc.state.tx.us](mailto: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