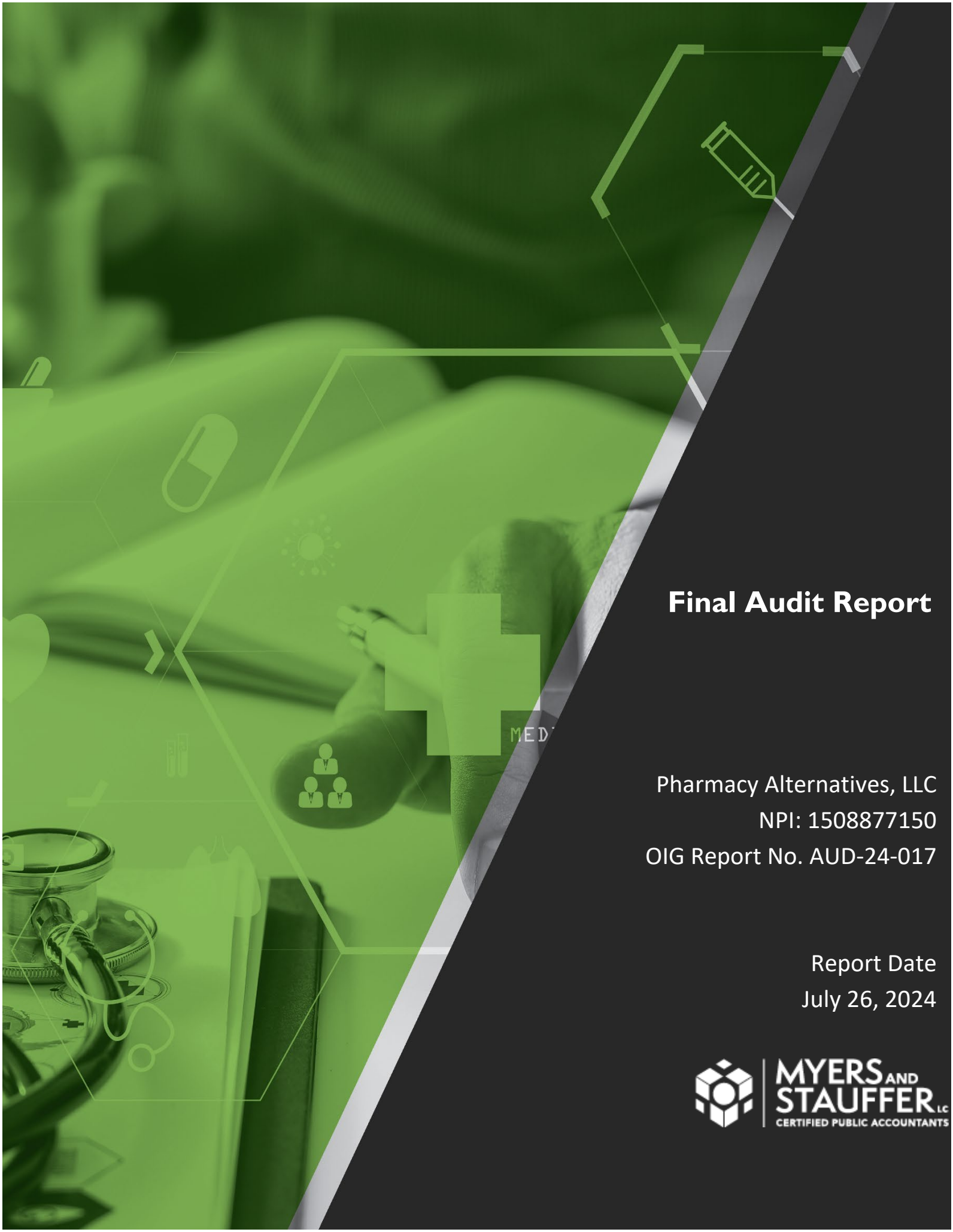

Final Audit Report

Pharmacy Alternatives, LLC
NPI: 1508877150
OIG Report No. AUD-24-017

Report Date
July 26, 2024

MYERS AND STAUFFER LC
CERTIFIED PUBLIC ACCOUNTANTS

Executive Summary

In coordination with the Texas Health and Human Services Commission Office of the Inspector General (HHSC-OIG), Myers and Stauffer LC (Myers and Stauffer) has completed the performance audit of Pharmacy Alternatives, LLC (Provider). The purpose of the performance audit was to determine whether managed care organization (MCO) encounter pharmacy claims billed and paid under the state Medicaid program were in accordance with applicable state and federal Medicaid laws, regulations, rules, policies, and contractual requirements.

We conducted this audit in accordance with the performance audit provisions of Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to sufficiently obtain 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.

The purpose of this performance audit report is to clearly communicate the results of the audit to those charged with governance, Provider management, and the appropriate oversight officials.

The audit focused on certain MCO encounter pharmacy claims with dates of service during September 1, 2020, through August 31, 2022. The audit identified that 1 of the 106 reviewed MCO encounter pharmacy claims did not comply with relevant policies. The claim's original prescription order did not meet all record requirements.

Background and Criteria

HHSC-OIG contracted Myers and Stauffer to conduct audits of Medicaid claims billed by providers and paid by the state Medicaid program. Myers and Stauffer has been engaged to perform a claims audit of Pharmacy Alternatives, LLC (Provider). The audit focused on MCO encounter pharmacy claims having dates of service during the period September 1, 2020, through August 31, 2022.

The Provider is a closed-door pharmacy located at 5810 Trade Center Drive Building 1, Suite 400, Austin, TX 78744. Per their website, "Pharmacy Alternatives® is a specialized pharmacy focused on serving individuals with cognitive, intellectual and developmental disabilities….The individuals we serve live in intermediate care facilities, waiver homes, group homes, assisted living, supported-living or foster care….Pharmacy Alternatives provides comprehensive pharmacy services to many types of agencies across the United States."

Pharmacies receive, process, and dispense prescription drug or medication orders. Texas pharmacies must enroll with the HHSC Vendor Drug Program (VDP) prior to dispensing outpatient prescriptions to Medicaid managed care enrollees. HHSC contracts with MCOs licensed by the Texas Department of Insurance and pays them a monthly amount to coordinate health services for Medicaid clients enrolled in their health plan. The health plans contract directly with doctors and other health care providers to create provider networks their members can use. The health plans are required to provide all covered, medically-necessary services to their members.

Claims for MCO pharmacies enrolled in the HHSC VDP should comply with the Texas Administrative Code (TAC); United States Code, including the False Claims Act and Controlled Substances Act; Texas Controlled Substances Act; Uniform Managed Care Manual; Texas State Board of Pharmacy (TSBP) rules, and MCO rules, if applicable.

Audit Objective

The objective of the claims audit is to determine whether pharmacy claims billed to, and paid under, the state Medicaid program were in accordance with applicable state and federal Medicaid laws, regulations, rules, policies, and contractual requirements. The specific state and federal Medicaid laws, regulations, rules, policies, and contractual requirements tested were agreed to by HHSC-OIG in the approved audit test plan.

Sampling Overview

For the period January 1, 2018, through December 31, 2021, HHSC-OIG developed algorithms to identify risk areas for Texas Medicaid providers. The algorithms identified $14,144,923 at risk of $22,985,939 total pharmacy payments to the Provider. HHSC-OIG provided all at risk fee-for-service and MCO encounter claims within the total payment population to Myers and Stauffer for review. HHSC-OIG subsequently provided MCO encounter data to Myers and Stauffer for audit purposes covering the period September 1, 2020, through August 31, 2022, totaling $11,593,896 in provider reimbursement.

The claims data was further analyzed and the audit universe was established to only include certain medications for the following MCOs (pharmacy benefit managers [PBMs] during the period of review are also noted):

- Amerigroup (PBM: IngenioRx/Caremark).
- Superior HealthPlan (PBM: Envolve Pharmacy Solutions).
- United Healthcare (PBM: OptumRx).

Through additional analysis of the MCO encounter data, a claims universe was created focused on the following drugs:

- Aristada ER 882 mg/3.2 mL.
- Aristada ER 1064 mg/3.9 mL.
- Banzel 400 mg Tablet.
- Fanapt 10 mg Tablet.
- Invega Trinza 273 mg/0.88 mL.
- Invega Trinza 546 mg/1.75 mL.
- Perseries ER 120 mg Syringe.

The final claims universe consisted of 37,578 claims for 917 unique recipients for which the Provider was reimbursed $6,066,261. The sample included 106 claims for 23 unique recipients for which the Provider was reimbursed $326,378. A summary of the MCO claims universe is below:

- **Amerigroup**: Universe included 13,093 claims for 319 unique recipients for which the Provider was reimbursed $2,208,459. The sample included 31 claims for seven unique recipients for which the Provider was reimbursed $111,018.
- **Superior HealthPlan**: Universe included 14,193 claims for 353 unique recipients for which the Provider was reimbursed $2,016,952. The sample included 49 claims for 13 unique recipients for which the Provider was reimbursed $144,321.
- **United Healthcare**: Universe included 10,292 claims for 284 unique recipients for which the Provider was reimbursed $1,840,850. The sample included 26 claims for three unique recipients for which the Provider was reimbursed $71,039.

Audit Process

Scope

The scope of this audit included the review of only Medicaid MCO encounter pharmacy claims, with dates of service during the period September 1, 2020, through August 31, 2022.

Testing of the PBM's claims processing system is outside the scope of the audit. As such, if the claims adjudicated for payment through the PBM's claims processing system, the assumption was made the drug prescribed/dispensed was included in the Texas Drug Code Index.

In gaining an understanding of internal controls, Myers and Stauffer limited the review to the Provider's overall internal control structure significant to the audit objectives. Myers and Stauffer determined significant internal controls to the audit objective include:

- **Control Environment:** The foundation for an internal control system. It provides the discipline and structure to help an entity achieve its objectives.
- **Control Activities:** The actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system, which includes the entity's information system.
- **Monitoring:** Activities management establishes and operates to assess the quality of performance over time and promptly resolve the findings of audits and other reviews.

Methodology

Myers and Stauffer conducted this performance audit in accordance with GAGAS and applicable TAC rules, including 1 TAC §371.1719 and 1 TAC §354.1891, as appropriate. Those standards require that the audit is planned and performed to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. Audit testing was performed to verify compliance in the following areas:

- Verified pharmaceuticals were dispensed by a licensed pharmacist by obtaining and reviewing licensing documentation for all dispensing pharmacists during the period under review.
- Verified pharmaceuticals were prescribed by a practitioner licensed to prescribe legend drugs by obtaining and reviewing documentation of prescriber's licensing and original signed prescriptions.
- Verified claims included the prescriber's correct identification number by obtaining and reviewing the pharmacy claims data and original prescription.
- Verified original prescription met documentation requirements by obtaining and reviewing original signed prescriptions and documentation of telephone orders and faxed orders, if applicable.
    - Verified original prescription conformed to the TSBP rules concerning records to be maintained by a pharmacy.
    - Verified original prescription was signed.

- Verified initials or identification code of the transcribing pharmacist was documented if the prescription order was communicated orally or telephonically.
- Verified faxed prescriptions included a statement indicating the prescription had been faxed (e.g., “Faxed To:”).
- Verified prescriptions for covered pharmaceuticals submitted to a pharmacy in written form were executed on tamper-resistant prescription paper.
- Verified original prescription included the following information:
  - Name and address of the recipient.
  - Name of the prescriber and their work address.
  - Name and strength of the drug prescribed.
  - Quantity prescribed.
  - Directions for use.
  - Date of issuance.
- Verified pharmacist documented the following on either the original hardcopy prescription or in the pharmacy's data processing system when the prescription is dispensed:
  - Unique identification number of the prescription drug order.
  - Initials or identification number of the dispensing pharmacist.
  - Quantity dispensed (if different from the quantity prescribed).
  - Date of dispensing (if different from the date of issuance).
  - National Drug Code of the drug actually dispensed.
  - Name of the drug actually dispensed (if different from the one prescribed).
- Verified refill prescriptions met all requirements by obtaining and reviewing the original prescriptions as well as pharmacy records of refills.
  - Verified pharmacist dated the prescription and initialed the refills.
  - Verified total amount of prescriptions authorized (up to 11 refills) were dispensed within one year of the original prescription by obtaining and reviewing records of refills dispensed and their corresponding original signed prescription.
  - Verified refills were dispensed as authorized by the prescriber by obtaining and reviewing the original signed prescription, record of refill, and other pharmacy records as needed.

- Verified pharmacist dispensed and billed drugs safely and accurately, as prescribed, by obtaining and reviewing the original signed prescription and prescriber authorizations as needed.
  - Verified that only authorized drugs were dispensed and billed.
    - Verified substitutions were authorized by the prescribing physician and the substituted drug was dispensed accurately as prescribed.
    - Verified prescriptions were properly documented when a brand was necessary.
  - Verified the prescribed and dispensed drug was picked up by the recipient/recipient's guardian by reviewing signed prescription pick-up logs.
- Verified quantity dispensed was the same as the quantity prescribed and billed, except as limited by HHSC's policies and procedures, by obtaining and reviewing the original signed prescription and pharmacy claims data.
- Verified prescription label met documentation requirements by obtaining and reviewing the prescription back tag.

In addition, inquiries; observations; inspection of documents and records; review of other audit reports; and/or direct tests were performed to assess the design, implementation and/or operating effectiveness of controls determined significant to the audit objectives stated in the scope.

Audit Results

Myers and Stauffer believes the evidence obtained during the course of the claims audit provides a reasonable basis for the findings and conclusions based on the audit objective. The audit was not intended to discover all possible errors and any errors not identified within this report should not lead to a conclusion the practice is acceptable. Due to the limited nature of the review, no inferences should be drawn from this report with respect to the Provider's overall level of performance.

Finding

Myers and Stauffer identified a finding on 1 of 106 pharmacy claims. The finding for the claims universe is listed in detail in Appendix A. The finding summary and supporting policy follows in the table below:

List of Findings and Supporting Policies				
Finding No.	**Finding Type**	**Finding Definition**	**Number of Claims with Finding**	**Supporting Policy**
1	Original Prescription Missing Required Elements	The original prescription did not meet all record requirements. All original prescriptions shall bear the name and address of the patient and the name, address, and telephone number of the practitioner at the practitioner's usual place of business.	1	22 TAC §291.34(b)(7)(A)

As demonstrated by the results of this audit, the Provider's overall internal control system appears to be functioning well. However, to address the finding included in the table above, the Provider should continue to place additional emphasis on ensuring that the controls in place are designed to adequately review, document, and retain records to support that the billed services were provided in accordance with required regulations on a consistent basis.

Management's Response

A draft copy of this report was sent to the Provider on July 9, 2024. An exit conference was held on July 18, 2024, to discuss the preliminary findings. During the exit conference, the Provider did not contest the findings and stated they do not have any additional documentation to submit.

Final Determination of Overpayment

The Medicaid-paid claim with an identified finding is listed in detail in Appendix A of this report. The corresponding overpayment amount in Appendix A is only applicable to the sampled claims Myers and Stauffer reviewed during the audit. The overpayment calculated from our sample is $3,159.48. The sample was not confirmed to be representative of the universe; therefore, it would not be appropriate to project the test results to the universe.

The total amount due to HHSC-OIG is $3,159.48 for the claims reviewed. Based on the findings cited in this Final Audit Report, the Provider is directed to:

- Remit the overpayment in the amount of $3,159.48, pursuant to 1 TAC §371.1719, Recoupment of Overpayments Identified by Audit, 1 TAC §354.1891, Vendor Drug Providers Subject to Audit, and §354.1892, Exception Notification. Payment is to be made to HHSC-OIG.
- Comply with all state and federal Medicaid laws, regulations, rules, policies and contractual requirements.

Appendix A - Detailed Findings

Pharmacy Alternatives
Project Number 026
NPI 1508877150

Original Claims Information															Audit Determination			
Sample Line Number	Claims Universe	State Issued Medicaid ID	Member Full Name	Claim Number	Prescription Number	Prescribing Provider NPI	Prescribing Provider Name	Drug Name	National Drug Code	Date of Service	Date Prescribed	Quantity Dispensed	Dispensing Fee	Total Reimbursed Amount	Finding Type	Supporting Policy Reference	Corrected Claim Payment	Overpayment Amount
31	Amerigroup	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	$0.15	$3,159.48	ORIGINAL PRESCRIPTION MISSING REQUIRED ELEMENTS	A	$0.00	$3,159.48
Totals													**$0.15**	**$3,159.48**			**$0.00**	**$3,159.48**

Legends

Finding Type		Policy Reference	Definition
ORIGINAL PRESCRIPTION MISSING REQUIRED ELEMENTS		A	The original prescription did not meet all record requirements. All original prescriptions shall bear the name and address of the patient and the name, address, and telephone number of the practitioner at the practitioner's usual place of business.

Reference	Supporting Policy	Policy
A	22 TAC §291.34(b)(7)(A)	(7) Prescription drug order information. (A) All original prescriptions shall bear: (i) the name of the patient, or if such drug is for an animal, the species of such animal and the name of the owner; (ii) the address of the patient; provided, however, that a prescription for a dangerous drug is not required to bear the address of the patient if such address is readily retrievable on another appropriate, uniformly maintained pharmacy record, such as medication records; (iii) the name, address and telephone number of the practitioner at the practitioner's usual place of business, legibly printed or stamped, and if for a controlled substance, the DEA registration number of the practitioner; (iv) the name and strength of the drug prescribed; (v) the quantity prescribed numerically, and if fora controlled substance: (I) numerically, followed by the number written as a word, if the prescription is written; (II) numerically, if the prescription is electronic; or (III) if the prescription is communicated orally or telephonically, as transcribed by the receiving pharmacist; (vi) directions for use; (vii) the intended use for the drug unless the practitioner determines the furnishing of this information is not in the best interest of the patient; (viii) the date of issuance; (ix) if a faxed prescription: (I) a statement that indicates that the prescription has been faxed (e.g., Faxed to); and (II) if transmitted by a designated agent, the name of the designated agent; (x) if electronically transmitted: (I) the date the prescription drug order was electronically transmitted to the pharmacy, if different from the date of issuance of the prescription; and (II) if transmitted by a designated agent, the name of the designated agent; and (xi) if issued by an advanced practice nurse or physician assistant in accordance with Subtitle B, Chapter 157, Occupations Code: (I) the name, address, telephone number, and if the prescription is for a controlled substance, the DEA number of the supervising practitioner; and (II) the address and telephone number of the clinic where the prescription drug order was carried out or signed; and (xii) if communicated orally or telephonically: (I) the initials or identification code of the transcribing pharmacist; and (II) the name of the prescriber or prescriber's agent communicating the prescription information.