TEXAS HEALTH AND HUMAN SERVICES COMMISSION

OFFICE OF INSPECTOR GENERAL

AUDIT OF CITY DRUG COMPANY

A Texas Vendor Drug Program Provider

February 20, 2020
OIG Report No. AUD-20-004

HHSC OIG
TEXAS HEALTH AND HUMAN SERVICES COMMISSION
OFFICE OF INSPECTOR GENERAL

WHY OIG CONDUCTED THIS AUDIT

The fee-for-service VDP program helps ensure that Medicaid and Children's Health Insurance Program (CHIP) recipients receive access to prescription medications in an efficient and cost-effective manner. Pharmacies participating in the program dispense prescription medications to clients and are reimbursed for those costs by HHSC. Reimbursements to these pharmacies are designed to cover (a) the cost of the prescription medication dispensed and (b) a dispensing fee, and must meet the requirements established in its contract and other criteria.

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

WHAT OIG RECOMMENDS

City Drug should:

- Ensure that all claims it submits to VDP contain a prescriber identification number associated with the physician who signed the prescription.
- Ensure that all claims submitted to VDP have an enrolled Medicaid prescriber.
- Ensure that all claims submitted for reimbursement by VDP contain the correct NDC.
- Maintain all records related to prescription services, including medication invoices.
- Return $11,192.14 to the State of Texas.

For more information, contact:
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February 20, 2020

AUDIT OF CITY DRUG COMPANY

A Texas Vendor Drug Program Provider

WHAT OIG FOUND

City Drug Company (City Drug) complied with Texas Administrative Code (TAC) and contract provisions related to quantity, refills, controlled substances, and acquisition cost.

During the audit period of March 1, 2014, through August 31, 2016, City Drug processed 9,512 Medicaid claims for dispensed prescriptions through the Texas Vendor Drug Program (VDP), for which it received reimbursements of $1.8 million from Texas Medicaid.

City Drug did not bill VDP properly, or comply with other contractual or TAC requirements related to claims validity and National Drug Code (NDC) usage, for 6 of the 229 claims tested. Specifically, City Drug dispensed and billed VDP for:

- 2 prescriptions with a prescriber identification number that was not associated with the physician who signed the prescription.
- 1 prescription in which the NDC dispensed differed from the one billed.
- 3 prescriptions for which the auditors could not verify the NDC of the medication dispensed because invoices (a) were not provided for review or (b) had a purchase date after the date the medication was dispensed.

As a result, VDP reimbursed City Drug $2,385.40 for six unsupported claims. The $2,385.40 identified for recoupment extrapolates to $11,192.14, which is the total amount due to the State of Texas.

One claim may have more than one exception and be included in more than one issue in this report. When calculating the error rate and the extrapolation value, each claim is only counted as an exception once.

City Drug partially agreed with the audit results. Its full management response letter is included in Appendix C of the report, and is followed by a response from the OIG Audit Division. In its management responses, City Drug indicated it will execute action plans to (a) implement manual procedures and consider software solutions to verify prescriber information and (b) procure plastic totes to protect records, including daily log sheets and invoices.

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AUDIT BACKGROUND

The Texas Health and Human Services Commission (HHSC) Office of Inspector General (OIG) Audit Division has completed an audit of City Drug Company (City Drug), a Texas Vendor Drug Program (VDP) provider.

NPI Number: 1508083924

License Number: 15758

Address: 232 Jefferson Street
Van Alstyne, Texas 75495

City Drug processed 9,512 Medicaid claims for dispensed prescriptions through VDP during the audit period, for which it received reimbursements of $1.8 million.

Objectives and Scope

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

The audit scope included both initial fill claims and refill claims for the period from March 1, 2014, through August 31, 2016, as well as a review of relevant activities, internal controls, and information technology (IT) general controls through the end of fieldwork in June 2019.

Methodology

The OIG Audit Division collected information for this audit through discussions, interviews, and electronic communications with City Drug management and staff and by reviewing:

- Supporting documentation for a sample of all claims billed to VDP during the audit scope
- City Drug's policies and procedures
- IT general controls involving the Liberty software system

The OIG Audit Division used two populations of paid claims, with service dates ranging from March 1, 2014, through August 31, 2016, for this audit. One population contained initial fill claims and one contained refill claims for the audit period. The OIG Audit Division selected two samples for testing. One sample contained 109 initial fill claims and one sample contained 120 refill claims, for a total of 229 claims.

For the claims in the initial fill sample and the refill sample, the OIG Audit Division tested City Drug's compliance in six 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, and (f) 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 OIG Audit Division issued an engagement letter on May 14, 2019, to City Drug providing information about the upcoming audit, and conducted fieldwork at the Van Alstyne, Texas, facility from June 3, 2019, through June 7, 2019. The OIG Audit Division presented the audit results, issues, and recommendations to City Drug in a draft report on October 22, 2019.

In its management responses, City Drug indicated it will execute action plans to (a) implement manual procedures and consider software solutions to verify prescriber information and (b) procure plastic totes to protect records, including daily log sheets and invoices. The City Drug management responses are included in the report following each recommendation.

City Drug partially agreed with the audit results. The full City Drug management response letter is included in Appendix C of the report. Auditor comments follow the City Drug management response letter.

Criteria

- 1 Tex. Admin. Code § 354 Subchapter F (2001 through 2016)
- 22 Tex. Admin. Code § 291 Subchapter B (2012 through 2016)
- Vendor Drug Program Pharmacy Provider Contracts #143917 (1999) and #148695 (2016)
- HHSC Vendor Drug Program Fee-for-Service Pharmacy Provider Procedures Manual, §§ 5.2 (2014 through 2016), 6.2 (2016), and 8.1 (2016)
- Texas Medicaid Provider Procedures Manual, Vol. 1, § 1.1 (2014 through 2016)

Auditing Standards

Generally Accepted Government Accounting Standards

The OIG 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 OIG Audit Division believes the evidence obtained provides a reasonable basis for our issues and conclusions based on our audit objectives.

ISACA

The OIG Audit Division performs work in accordance with the IT Standards, Guidelines, and Tools and Techniques for Audit and Assurance and Control Professionals published by ISACA.

AUDIT RESULTS

City Drug complied with TAC and contract provisions related to quantity, refills, controlled substances, and acquisition cost. IT general controls were in place, and the data used to form audit conclusions was reliable.

Six exceptions related to claims validity and NDC usage were noted. 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 issue in this report. When calculating the error rate and the extrapolation value, each claim is only counted as an exception once.

Of the 229 claims tested, there were 6 unsupported claims with 6 exceptions. The unsupported claims represent overpayments to City Drug. Results indicated an extrapolated overpayment amount of $11,192.14 for six unsupported claims. See Appendix B for details about these claims.

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. In consideration for payment under the VDP contract, participating pharmacies must comply with all applicable laws, rules, and regulations, including Pharmacy Board rules and regulations in effect at the time the prescription is serviced.[1] According to Pharmacy Board rules, 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.[2]

If the pharmacy (a) does not maintain or cannot produce documents to support the dispensing of the 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.[3] Relevant criteria follow.

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

[2] 22 Tex. Admin. Code § 291.34(b)(7)(A) (Sept. 8, 2013, through June 12, 2016).

[3] 1 Tex. Admin. Code § 354.1863(b) (Sept. 23, 2008, and May 15, 2016).

1 Tex. Admin. Code §354.1835 (May 24, 2002, and May 15, 2016) provides, "Vendors must enter the identification number of the prescriber, as listed with the appropriate medical specialty board, on each claim."

1 Tex. Admin. Code § 354.1863(b) (Sept. 23, 2008, and May 15, 2016) provides, "A signed prescription must be maintained in the dispenser's file and available for audit at any reasonable time. … The name of the prescriber and the signature of the dispensing pharmacist must be documented."

Vendor Drug Program Pharmacy Provider Contract #143917, Part II (June 14, 1999) provides, "The Pharmacy Provider agrees: … (M.) To submit claims for payment in accordance with billing guidelines and procedures promulgated by the Department, including electronic claims. Provider certifies that information submitted regarding claims will be true, accurate, complete, and that such information can be verified by source documents from which data entry is made by the Pharmacy."

Vendor Drug Program Pharmacy Provider Contract #148695, Part 2 (May 17, 2016) provides, "Manual means the Texas Vendor Drug Program Pharmacy Provider Procedure Manual issued by HHSC."

Vendor Drug Program Pharmacy Provider Contract #148695, Part 3(F) (May 17, 2016) provides, "The Provider agrees that information contained in all claims data submitted by or on behalf of the Provider: (1.) Is true, complete and accurate. … (3.) Is subject to audit, review, and inspection in accordance with the Manual, and Index, and updates or revisions thereto."

HHSC Vendor Drug Program Fee-for-Service Pharmacy Provider Procedures Manual, §§ 5.2 (Feb. 11, 2014, through Mar. 1, 2016), 6.2 (Apr. 1, 2016), and 8.1 (July 1, 2016, through Aug. 1, 2016) provides, "Pharmacies … are[4] be [*sic*] required to submit claims … using the individual national provider identification number (NPI) of the prescribing provider or the supervising prescriber where applicable. …. For prescriptions written by physician assistants (PA), advance practice registered nurses (APRN), or prescribing pharmacists (PH), that do not have a NPI, the supervising prescriber's NPI will be accepted."

Texas Medicaid Provider Procedures Manual, Vol. 1, § 1.1 (Feb. 2014 through July 2016) provides, "To be eligible for Texas Medicaid reimbursement, a provider of medical services (including an out-of-state provider) must … [f]ile with the Texas Medicaid & Healthcare Partnership (TMHP) the required Texas Medicaid enrollment application ensuring that the application is correct, complete, and includes all required attachments and additional information."

[4] The word "will" appeared in place of the word "are" in the manuals with effective dates of February 11, 2014, through April 1, 2016.

Issue 1: Incorrect Prescriber Identification Number

City Drug dispensed and billed VDP for two prescriptions with a prescriber identification number that was not associated with the prescriber who signed the prescription. In one instance, City Drug filed the claim under the APRN's supervising prescriber's NPI number, even though the APRN had their own NPI number. In the second instance, the prescriber NPI number submitted on the claim was the NPI number of neither the prescriber nor the prescriber's supervisor. In this case, the actual prescriber was a physician not enrolled with TMHP.

City Drug did not follow TAC and program manuals, which require VDP claims to be paid only when the prescriber number is associated with the physician who signs a prescription. As a result, VDP reimbursed City Drug $332.93 for two unsupported claims. See Appendix B for details about these claims. The $332.93 for the two unsupported claims is subject to extrapolation and recoupment.

City Drug, in its management response letter included in Appendix C of the report, provided comments on this issue.

Recommendation 1

City Drug should ensure that all claims it submits to VDP for reimbursement contain a prescriber identification number associated with the physician who signed the prescription.

City Drug should ensure that all claims submitted to VDP have an enrolled Medicaid prescriber.

Management Response

Action Plan

We have submitted a request to Transaction Data Systems to remove the Submit Supervisors NPI check box on all 3rd parties in our system if at all possible. We are still awaiting a response from programmers as of today, January 24th. We are manually going in to verify that the boxes are unchecked one bin number at a time. We are also investigating new software from other pharmacy software vendors due to lack of response to multiple requests. We have set a goal to have all insurance bins updated by May 2020.

Responsible Manager

Pharmacist-in-Charge

Target Implementation Date

May 2020

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. Relevant criteria follow.

1 Tex. Admin. Code §354.1901(a) (Jan. 14, 2013, through May 15, 2016) provides, "For the original dispensing and each subsequent refill, the provider indicates on the prescription the price and reimbursement method (wholesale estimated acquisition cost, direct estimated acquisition cost, or maximum allowable cost) and National Drug Code number (NDC), which is submitted to the department on the corresponding pharmacy claim."

Vendor Drug Program Pharmacy Provider Contract #143917, Part II (June 14, 1999) provides, "The Pharmacy Provider agrees: … [J.] To maintain and retain all prescription documents, medication invoices and medication acquisition documents and any other records pertinent to (1) the services for which a claim was submitted or (2) the claims presented for payment for such services and all other records required to be maintained by the standards of participation."

Vendor Drug Program Pharmacy Provider Contract #148695, Part 3 (G)(1) (May 16, 2016) provides that the provider is obligated "To keep and maintain all the records necessary for the purchasing and dispensing of Recipient prescriptions, and furnish all reports in such form and scope as HHSC may require. This includes without limitation: (a) All prescription documents, medication invoices and medication acquisition documents."

Issue 2: Incorrect NDC

City Drug dispensed and billed VDP for one prescription in which the NDC of the drug dispensed differed from the NDC billed. City Drug did not follow the TAC requirement to bill the NDC that corresponds with the medication dispensed. As a result, VDP reimbursed City Drug $15.14 for one claim with an incorrect NDC. The $15.14 for the one claim with an incorrect NDC is subject to extrapolation and recoupment. Claim detail related to this finding is listed in Appendix B.

City Drug, in its management response letter included in Appendix C of the report, provided comments on this issue.

Recommendation 2

City Drug should ensure that all claims submitted for reimbursement by VDP contain the correct NDC.

Management Response

Action Plan

Again, this is a by-product of not having original paperwork due to water damage. [redacted] *of the OIG was given the copy of repair invoice in July and then we gave a subsequent copy in December; but all the boxes of wet paper were destroyed following HIPPA guidelines by Shred-It company. We are procuring plastic totes in lieu of cardboard boxes to store invoices and logs. The firesafe filing cabinets suggested by OIG are not standard practice for retail pharmacies due to limited space options and cost prohibition. We will try to have all boxes replaced with totes by May 2020.*

Responsible Manager

Pharmacist-in-Charge

Target Implementation Date

May 2020

Issue 3: Missing Medication Invoices

City Drug dispensed and billed VDP for three prescriptions for which the auditors could not verify the NDC of the medication dispensed because invoices (a) were not provided for review or (b) had a purchase date after the date the medication was dispensed.

City Drug did not comply with the contractual requirement to maintain all records related to prescription services, including medication invoices, for all VDP claims. The missing or incorrect invoices prevented verification that the correct NDC had been purchased and was available on the date dispensed by City Drug. As a result, VDP reimbursed City Drug $2,037.33 for three unsupported claims. See Appendix B for details about these claims. The $2,037.33 for the three unsupported claims is subject to extrapolation and recoupment.

City Drug, in its management response letter included in Appendix C of the report, provided comments on this issue.

Recommendation 3

City Drug should maintain all records related to prescription services, including medication invoices.

Management Response

Action Plan

We have begun the process of incorporating our daily invoices into the plastic storage bins with a finality date of May 2020. The roof leaks were absolutely beyond our control; an act of nature combined with an old historical building. City Drug Co. will continue to train and educate the staff to the importance of medication invoices for proof of dispensing as well as track and trace paperwork for 5 years versus the TSBP rule of 2 years.

Responsible Manager

Pharmacist-in-Charge

Target Implementation Date

May 2020

OVERPAYMENTS TO CITY DRUG

Overpayments identified for the sample of claims were used to calculate an error rate, which was applied to the population of all claims using extrapolation. See Appendix A for the sampling and extrapolation methodology.

Extrapolation

The populations included in this audit consist of 9,512 fee-for-service VDP claims from March 1, 2014, through August 31, 2016, for which HHSC paid City Drug $1,763,582.31. Two statistically valid samples were selected that included a total of 229 claims for which HHSC paid City Drug $240,622.61.

The 6 claims with 6 exceptions are detailed in Issues 1 through 3. The dollar value of a claim is only included once in the extrapolation.

Issue 1	$ 332.93
Issue 2	15.14
Issue 3	2,037.33
Total	$2,385.40

The estimated overpayment amount was calculated by extrapolating the dollar value of the errors across both sample populations. By extrapolating the results to both populations of claims within the scope of the audit, OIG determined that the exceptions represented an overpayment for the population of $11,192.14. The overpayment was calculated using the lower limit of a two-sided 80 percent confidence interval.

Therefore, based on the results of this audit, City Drug should return the extrapolated overpayment amount of $11,192.14 to the State of Texas.

CONCLUSION

City Drug complied with TAC and contract provisions related to quantity, refills, controlled substances, and acquisition cost. IT general controls were in place, and the data used to form audit conclusions was reliable.

Six exceptions related to claims validity and NDC usage were noted. For those claims, City Drug did not bill VDP properly, or comply with other contractual or TAC requirements. The 6 claims resulted in overpayments of $2,385.40 subject to extrapolation and recoupment. The total amount due to the State of Texas is $11,192.14.

The OIG Audit Division offered recommendations to City Drug, which, if implemented, will correct deficiencies in compliance with contractual and TAC requirements.

The OIG Audit Division thanks management and staff at City Drug for their cooperation and assistance during this audit.

Appendix A Sampling and Extrapolation Methodology

Statistical Sampling

The OIG Data and Technology Division provided data for testing. It was administratively infeasible to review every claim in the population; therefore, the OIG Audit Division selected a sample of 109 initial fill claims and a sample of 120 refill claims to test for a total of 229 claims. The following query parameters are provided for replication purposes.

Two item detailed queries were run in the Xerox Pharmacy Claims Data Warehouse using the Texas VDP PBM Universe table. The data sets included only fee-for-service paid claims for the audit scope. One data set included only initial fill paid claims and the second data set included only refill paid claims.

Query Result Objects field names included:

Prescription Number	Last Name (client)
First Name (client)	Participant ID
Drug Name	Drug Strength
Quantity	Days Supply
Nbr of 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
TPL Amt	Pharmacy ID
TCN	Pharmacy Name
Claim Line Number	Unlimited Drug Indicator
Allowed Ingredient Amount	Dispensing Fee Amount

Query Filters Included:

- Date of Service (between 03/01/2014 and 08/31/2016)
- TX Status Code (equal to PD)
- Batch Doc. Type Code (equal to A;C)
- Group ID (equal to V)

- Pharmacy ID (equal to [redacted])
- TPL Amt Less than or Equal to (0)

Extrapolation

OIG provided City Drug 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 used for extrapolation included in this audit consists of refill claims with dispensing dates between March 1, 2014, and August 31, 2016. The estimated overpayment amount of $11,192.14 was calculated by extrapolating the dollar value of the errors as identified in Appendix B across the refill 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.

City Drug 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 issues are accurate.

Opportunities to provide relevant documentation extend to the draft audit report stage. City Drug provided additional relevant documentation, including sufficient evidence that supported the removal of identified errors on which the identified overpayment in the draft report was based. Errors were removed based on the sufficient additional evidence being provided at the draft audit stage, the overpayment amount was recalculated, and a new extrapolation amount is provided with the final report.

The Texas Legislature has recognized HHSC OIG's authority to utilize a peer reviewed sampling and extrapolation process. HHSC OIG has formally adopted RAT-STATS software as the statistical software to be utilized for the extrapolation process, to be 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 OIG met all relevant policies, procedures, and AIG standards for the period under review.

Appendix B: Recoupable Paid Claims

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

Issue 1: Incorrect Prescriber Identification Number
Issue 2: Incorrect NDC Was Billed
Issue 3: Missing Medication Invoices

Sample Number	Prescription Number	Fill Date	Issue Number	Claim Amount
RF-31	[redacted]	[redacted]/2014	2	$ 15.14
RF-88	[redacted]	[redacted]/2016	3	1,180.37
RF-90	[redacted]	[redacted]/2016	3	702.54
OF-93	[redacted]	[redacted]/2016	1	325.86
RF-92	[redacted]	[redacted]/2016	3	154.42
RF-111	[redacted]	[redacted]/2016	1	7.07
Total				$2,385.40

Source: OIG Audit Division

Appendix C: City Drug Management Response Letter

Management Response to Recommendation 1

In WinRx system, supervising physicians are linked into the CNNP, ARNP or PA Prescriber's screen because that information is required by pharmacy state law; however, unbeknownst to any Pharmacist or Technician employed at City Drug Co. until the OIG brought it to our attention with this audit; in the 3rd party transmission fields there is a box that can be checked/unchecked to submit the supervisor's information as the primary prescriber to the 3rd party (i.e. Medicaid, Aetna, etc.) in lieu of the PA or NP. This field is not visible to any pharmacy personnel without manually going into the complete transmission claim data to see transmitted physician name and NPI. It is not visible on the prescription back tag, nor visible on the daily logs which we printed for OIG. Until OIG showed us these claims in July, we were not even aware of this factor and called our software vendor to see how this was even possible or if it was a fluke. We placed a request to our software company, formerly ComputerRx, which is now Transaction Data Systems. They are uncertain as to when the NPI (Supervisors) box was added to the 3rd party transmission fields; however they did say it was at the request of Texas pharmacies due to filling prescriptions for Texas Medicaid requirements somewhere between 2012 and 2015. [redacted] **no way to access the information** [redacted]**.**
The first prescription had the APRN's information on the back tag and delivery log but was transmitted with the supervisory MD in the 3rd party claims field. The doctor that was submitted was the APRN's supervisory MD [redacted] **at the time the prescription was written.**

The second prescription had an urgent care clinic supervisory physician added under the physician who wrote the prescription. Once again, not visible on prescription hard copy or daily log. City Drug Co. was unaware until OIG presented findings in July.

We feel that these two discrepancies are a computer technical discrepancy due to a software glitch, not a financial nor a clinical discrepancy. There was definitely no fraud, waste or abuse committed. Both patients fully received the correct medication prescribed for them, with the correct directions, quantities, physicians' names etc.

ACTION PLAN:

We have submitted a request to Transaction Data Systems to remove the Submit Supervisor's NPI check box on all 3rd parties in our system if at all possible. We are still awaiting a response from programmers as of today, January 24th. We are manually going in to verify that the boxes are unchecked one bin number at a time. We are also investigating new software from other pharmacy software vendors due to lack of response to multiple requests. We have set a goal to have all insurance bins updated by May 2020.

RESPONSIBLE MANAGER:

During the date range of this audit, the Pharmacist-in-Charge was [redacted]. As of May 2017, the Pharmacist-in-Charge is now [redacted].

Management Response to Recommendation 2:

We have one compound that is remaining as an NDC dispensed differing from one that is billed. We have explained to the OIG that the compound log sheets are just like the daily log sheets that we printed for them and had the most current NDC we are using to make said compound. Because all of the invoices, compound sheets, delivery logs, and trade/track sheets (which were stored above the pharmacy ceiling) for that time period were destroyed from significant water damage from rooftop leaks; we were unable to produce the original. Any reprints will only print the NDC used last because they are updated when compound is made each and every time. This is another example of an IT technical issue from WinRX now Transaction Data Systems, and not any other type of discrepancy.

ACTION PLAN:
Again, this is a by-product of not having original paperwork due to water damage. [redacted] of the OIG was given the copy of repair invoice in July and then we gave a subsequent copy in December; but all the boxes of wet paper were destroyed following HIPPA guidelines by Shred-It company. We are procuring plastic totes in lieu of cardboard boxes to store invoices and logs. The firesafe filing cabinets suggested by OIG are not standard practice for retail pharmacies due to limited space options and cost prohibition. We will try to have all boxes replaced with totes by May 2020.

Management Response to Recommendation 3:

City Drug Co. has been in existence since 1890; and it is still housed in the original building from the 1800s. We had experienced several roof leaks causing significant water damage with the torrential spring rains a couple of years ago which destroyed many boxes of invoices, daily logs, trace and track sheets, compound sheets, tons of old prescriptions and other pertinent pharmacy paperwork up in the attic of the pharmacy even affecting the back half of the ceiling of the interior pharmacy which was cited by the TSBP upon their visit in 2017. We had roof repairs and ceiling repairs completed and the OIG was given the original repair invoice receipt for the roof.

City Drug Co. requested replacement copies of invoices from primary and every secondary wholesaler that we could think of for the years requested. We had requested some additional help from the OIG with the audit requests and were originally promised help but that was later recanted in our last meeting. We were successful in obtaining electronic copies from Amerisource Bergen, and some wholesalers were not as forthcoming due to the time span of six years. We provided as many as we could retrieve to the OIG in spreadsheet format even broadening the scope of date range from wholesaler to account for inventory purchased previously and not dispensed for in one instance over one year (i.e. Sample number RF-8, [redacted], Fill Date [redacted]/14: We had ordered this medication numerous times in 2012, 2013 (again we are forwarding the email containing updated invoices) and then not again until [redacted]/14; however, we ran a dispensing report which we are forwarding to the OIG and it shows that from

[redacted]/2013 until [redacted]/2014 we did not dispense any of that medication.

City Drug Co. maintains that the pharmacy industry has unique considerations as far as medications are not always available in the entire eleven digit NDC format. At any given time, there are always medications on backorder status or even recalled. The same identical package size may not be available day to day; generics are autopicked by wholesaler buying groups and products have a long shelf life and may sit on shelf for years before either being completely dispensed or expiring. City Drug Co. maintains that in all cases the patient received the correct medication. City Drug Co. also maintains that this is an example of a technical discrepancy, not a financial nor a clinical one. An example of the backorder of a medication, would be the compounded prescription [redacted], for the entire summer of 2014, we had to order this medication in a [redacted] packaging (none of the regular bottled [redacted] were available to purchase, only the more expensive and much more labor intensive [redacted] packaging). These NDC's are not covered by Texas Medicaid nor eligible for a prior authorization. Another example of package backorder would be the [redacted] RF-91. We billed for the [redacted] which was what we always dispensed but for a couple of months had to dispense the [redacted] which require [redacted] and special instructions to utilize. We would not order this with just cause i.e. unless the [redacted] was not available and this was [redacted]. Again, our patients always received the correct medications, dosages, quantities as prescribed by their physicians.

ACTION PLAN:
We have begun the process of incorporating our daily invoices into the plastic storage bins with a finality date of May 2020. The roof leaks were absolutely beyond our

control; an act of nature combined with an old historical building. City Drug Co. will continue to train and educate the staff to the importance of medication invoices for proof of dispensing as well as track and trace paperwork for 5 years versus the TSBP rule of 2 years.

In conclusion,
We ask that the OIG audit staff take into account considerations unique to the pharmacy industry when they determine our compliance. We feel that the IG audit staff could greatly benefit by having a pharmacist on staff or as a paid consultant with them reviewing prescriptions regarding pharmacy audits/issues, or coordinate with the Texas State Board of Pharmacy compliance officers. We had all of our hard copies readily available and they were dispensed to the patient with correct medication, directions, doctor, and quantity listed on hard copy with proof of receipt. We don't have all of our invoices due to a natural disaster but first and foremost we put our patients first. We definitely have not committed any fraud, waste or abuse when filling any prescriptions.
In all manners of prescription dispensing, we adhere to the following oath that we took as Pharmacists upon graduation:

"I PROMISE TO DEVOTE MYSELF TO A LIFETIME OF SERVICE TO OTHERS THROUGH THE PROFESSION OF PHARMACY. IN FULFILLING THIS VOW:

- I WILL CONSIDER THE WELFARE OF HUMANITY AND RELIEF OF SUFFERING MY PRIMARY CONCERNS.
- I WILL APPLY MY KNOWLEDGE, EXPERIENCE, AND SKILLS TO THE BEST OF MY ABILITY TO ASSURE OPTIMAL OUTCOMES FOR MY PATIENTS.
- I WILL RESPECT AND PROTECT ALL PERSONAL AND HEALTH INFORMATION ENTRUSTED TO ME.
- I WILL ACCEPT THE LIFELONG OBLIGATION TO IMPROVE MY PROFESSIONAL KNOWLEDGE AND COMPETENCE.
- I WILL HOLD MYSELF AND MY COLLEAGUES TO THE HIGHEST PRINCIPLES OF OUR PROFESSION'S MORAL, ETHICAL AND LEGAL CONDUCT.
- I WILL EMBRACE AND ADVOCATE CHANGES THAT IMPROVE PATIENT CARE.
- I WILL UTILIZE MY KNOWLEDGE, SKILLS, EXPERIENCES, AND VALUES TO PREPARE THE NEXT GENERATION OF PHARMACISTS.

I TAKE THESE VOWS VOLUNTARILY WITH THE FULL REALIZATION OF THE RESPONSIBILITY WITH WHICH I AM ENTRUSTED BY THE PUBLIC."

Auditor Comments

The OIG Audit Division appreciates the feedback provided by City Drug in its management response letter and respects the City Drug position on reported issues. The OIG Audit Division offers the following comments in response to the City Drug management response letter:

Issue 1: An accurate and appropriate prescriber ID is required to support paid claims. Records provided by City Drug did not contain the prescriber ID associated with the paid claim.

Issue 2: The OIG Audit Division acknowledges the impact of the loss of records caused by City Drug's roof leak and recognizes the challenges City Drug had when attempting to obtain replacement invoices from some of its wholesalers. However, it is City Drug's responsibility to maintain records that support paid claims. Records provided by City Drug did not contain the NDC associated with the paid claim.

Issue 3: The OIG Audit Division acknowledges the impact of the loss of records caused by City Drug's roof leak. However, it is City Drug's responsibility to maintain invoices and other records required to support its drug purchases.

The OIG Audit Division regularly consults with the OIG Chief Pharmacy Officer to verify its understanding of pharmacy services, and with the Texas State Board of Pharmacy and with VDP regarding rule or contract violations.

As potential issues were identified during this audit, the OIG Audit Division shared detailed evidence supporting the issues with City Drug, providing an opportunity to research the issues and provide additional or replacement evidence. When received from City Drug, the OIG Audit Division considered the additional or replacement evidence and, when appropriate, adjusted audit results and conclusions accordingly. These collaborative efforts continued through November 2019.

The OIG Audit Division stands by its methodology for conducting this audit, its approach for obtaining sufficient and appropriate evidence to achieve the audit objectives, and the issues, conclusions, and recommendations presented in this report.

Appendix D: Report Team and Distribution

Report Team

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

- Audrey O'Neill, CIA, CFE, CGAP, Deputy IG for Audit
- Kacy J. VerColen, CPA, Interim Assistant Deputy IG for Audit
- Steve Sizemore, CIA, CISA, CGAP, Audit Director
- Lisa Kanette Blomberg, CPA, CIGA, Audit Manager
- Maria M. Johnson, CFE, Audit Project Manager
- Melissa Stice Larson, CIA, CISA, CFE, HCISPP, IT Audit Manager
- Carol Barnes, CIGA, Staff Auditor
- Emery Hizon, CIGA, Staff Auditor
- Mo Brantley, Senior Audit Operations Analyst
- Ashley Rains, CFE, Senior Audit Operations Analyst

Report Distribution

Health and Human Services

- Dr. Courtney N. Phillips, Executive Commissioner
- Ruth Johnson, Chief Operating Officer
- Victoria Ford, Chief Policy and Regulatory Officer
- Karen Ray, Chief Counsel
- Michelle Alletto, Chief Program and Services Officer
- Nicole Guerrero, Director of Internal Audit
- Stephanie Muth, State Medicaid Director, Medicaid and CHIP Services
- Katherine Scheib, Deputy Associate Commissioner for Operations, Medicaid and CHIP Services

City Drug

- Mika English, Pharmacist-In-Charge
- David Schatz, Owner

Appendix E: OIG Mission, Leadership, and Contact Information

The mission of OIG 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 OIG's mission and statutory responsibility includes:

- Sylvia Hernandez Kauffman, Inspector General
- Susan Biles, Chief of Staff
- Dirk Johnson, Chief Counsel
- Christine Maldonado, Chief of Operations and Workforce Leadership
- Juliet Charron, Chief of Strategy
- Quinton Arnold, Chief of Inspections and Investigations
- Steve Johnson, Chief of Medicaid Program Integrity

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

To Contact OIG

- Email: OIGCommunications@hhsc.state.tx.us
- Mail: Texas Health and Human Services Commission
  Office of Inspector General
  P.O. Box 85200
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