



*To the Executive Commissioner of the Texas Health and Human Services Commission  
Austin, Texas*

Myers and Stauffer LC has completed the performance audit of Healthy City Pharmacy to determine whether 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. The specific state and federal Medicaid laws, regulations, rules, policies, and contractual requirements to be tested were agreed to by Texas Health and Human Services Commission Office of the Inspector General (HHSC-OIG) in the approved audit test plan.

Our audit was performed under Myers and Stauffer's master contract #529-17-0117-00004, Work Order/Contract #HHS000721400011, Purchase Order #HHSTX-2-0000278647 with HHSC. Our audit covered the period of March 1, 2018, through February 28, 2021.

We conducted this audit in accordance with the performance audit provisions of 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 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.

Due to the nature of our audit conclusions, a management response from Healthy City Pharmacy was not necessary.

This report is intended solely for the information and use of Texas HHSC-OIG and Healthy City Pharmacy management and is not intended to be, and should not be, used by anyone other than these specified parties.

If we can be of any assistance to you or if you have any questions concerning this report, please contact us.

Sincerely,

*Myers and Stauffer LC*

Myers and Stauffer LC  
July 15, 2022



**Final (Audit) Report**

Healthy City Pharmacy  
NPI 1841644465

Report Date  
July 15, 2022





## Background and Criteria

The Texas Health and Human Services Commission Office of the Inspector General (HHSC-OIG) contracted Myers and Stauffer LC (Myers and Stauffer) to conduct audits of Medicaid claims billed by providers and paid by the state Medicaid program. Healthy City pharmacy (Provider) was selected in coordination with the HHSC-OIG for Myers and Stauffer to perform a claims audit. The audit focused on paid fee-for-service (FFS) pharmacy claims having dates of service during the period of March 1, 2018, through February 28, 2021.

The Provider is a Community Independent Pharmacy which operates at 3028 Trawood Drive, El Paso, TX 79936. The Provider also conducts business under the name EZ Scripts, LLC. Their website indicates they provide immunizations, pharmacy services, and are able to provide free delivery.

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 people enrolled in either Medicaid managed care or traditional Medicaid. The HHSC VDP is responsible for outpatient prescriptions of people enrolled in traditional Medicaid.

The HHSC VDP provides statewide access to covered outpatient drugs for people enrolled in Medicaid, the Children's Health Insurance Program (CHIP), the Children with Special Health Care Needs (CSHCN) Services program, the Healthy Texas Women (HTW) Program, and the Kidney Health Care (KHC) Program.

Claims for pharmacies enrolled in the HHSC VDP should comply with the HHSC VDP Pharmacy Provider Procedure Manual (PPPM); the Texas Administrative Code (TAC); United States Code, including the False Claims Act and Controlled Substances Act (CSA); Texas Controlled Substances Act; and Texas State Board of Pharmacy Rules, if applicable.

## Audit Objective

The objective of the claims audit was 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 to be tested were agreed to by the HHSC-OIG in the approved audit test plan.

## Sampling Overview

The HHSC-OIG identified \$1,422,577 at risk of \$4,980,631 total reimbursements for the Provider during the period of March 1, 2018, through February 28, 2021 for pharmacy services and submitted all FFS and managed care organization (MCO) claims for audit. Per review of the HHSC-OIG provided algorithms and contracting guidelines, the following FFS data outlier was identified to target our audit:



- Subclass (Cancer, Human Immunodeficiency Virus)

Furthermore, only selected drugs were included in the final claims universe. The Provider received more than \$ [REDACTED] in total reimbursements for each of the following drugs.

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

The final claims universe consisted of 40 claim lines for 12 unique recipients for which the Provider was reimbursed \$ [REDACTED]. All claim lines were selected for audit.

## Audit Process

### Scope

The scope of this audit included the review of Medicaid FFS pharmacy claims with dates of service during the period of March 1, 2018, through February 28, 2021.

Testing of the HHSC VDP claims processing system was outside the scope of the audit. As such, pursuant to guidance from the HHSC-OIG, if the claims adjudicated for payment through the HHSC VDP claims processing system, the following assumptions were made:

- Drug prescribed/dispensed was included in the HHSC VDP Formulary Drug Index.
- Prescribing practitioner was enrolled with the HHSC VDP.

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 Generally Accepted Government Auditing Standards (GAGAS) and applicable TAC rules, including 1 TAC §371.1719 and §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:

- Verify that pharmaceuticals were dispensed by a licensed pharmacist enrolled in Medicaid by obtaining and reviewing licensing documentation for all dispensing pharmacists during the period under review.
- Verify that pharmaceuticals were prescribed by a practitioner licensed to prescribe legend drugs and enrolled as a Texas Medicaid provider by obtaining and reviewing documentation of prescribers' licensing, HHSC VDP status, and original signed prescriptions.
- Verify that claims included the prescriber's correct identification number by obtaining and reviewing the pharmacy claims data and original prescription.
- Verify that the original prescription met documentation requirements by obtaining and reviewing original signed prescriptions, documentation of telephone orders, and faxed orders, if applicable.
  - Verify that the original prescription conformed to the Texas State Board of Pharmacy rules concerning the records to be maintained by a pharmacy.
  - Verify that the original prescription was signed.
  - Verify that the initials or identification code of the transcribing pharmacist was documented if the prescription order was communicated orally or telephonically.
  - Verify that faxed prescriptions included a statement that indicated that the prescription had been faxed (e.g., "Faxed To:").
  - Verify that prescriptions for covered pharmaceuticals submitted to a pharmacy in written form were executed on tamper-resistant prescription paper.
  - Verify that the original prescription included the following information:
    - The name and address of the recipient.
    - The name of the prescriber and their work address.
    - The name and strength of the drug prescribed.
    - The quantity prescribed.
    - Directions for use.
    - Date of issuance.
  - Verify that the pharmacist documents the following on either the original hardcopy prescription or in the pharmacy's data processing system when the prescription is dispensed:



- The unique identification number of the prescription drug order.
  - The initials or identification number of the dispensing pharmacist.
  - The quantity dispensed (if different from the quantity prescribed).
  - The date of dispensing (if different from the date of issuance).
  - The NDC of the drug actually dispensed.
  - The name of the drug actually dispensed (if different from the one prescribed).
- Verify that refill prescriptions met all requirements by obtaining and reviewing the original prescriptions as well as pharmacy records of refills.
    - Verify that pharmacist dated the prescription and initialed the refills.
    - Verify that the 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.
    - Verify that the 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.
  - Verify that the pharmacist dispensed and billed drugs safely and accurately, as prescribed, by obtaining and reviewing the original signed prescription and prescriber authorizations as needed.
    - Verify that only authorized drugs were dispensed and billed.
      - Verify that substitutions were authorized by the prescribing physician and the substituted drug was dispensed accurately as prescribed.
      - Verify that prescriptions properly documented when a brand was necessary.
    - Verify that the prescribed and dispensed drug was picked up by the recipient/recipient's guardian by reviewing either signed prescription pickup logs or signed delivery confirmations.
  - Verify that the 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.
  - Verify that the 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.

Based on the work performed, the internal control system was determined to be effectively designed, implemented, and operating for an established effective internal control system.



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## Audit Results

Myers and Stauffer believes the evidence obtained during the course of the claims audit provides a reasonable basis for the determination that the 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 for all sampled and reviewed claims. 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. Based upon this audit, Myers and Stauffer determined no further review and no recommendations are necessary at this time. 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.