

Audit Report

Tarrytown Expocare, LLC

A Texas Vendor Drug Program Provider



**Inspector
General**

Texas Health
and Human Services

**May 11, 2020
OIG Report No. AUD-20-010**



HHS OIG

TEXAS HEALTH AND HUMAN SERVICES

OFFICE OF INSPECTOR GENERAL

May 11, 2020

Audit Report

TARRYTOWN EXPOCARE, LLC

A Texas Vendor Drug Program Provider

WHY OIG CONDUCTED THIS AUDIT

VDP helps ensure that fee-for-service Medicaid and Children's Health Insurance Program (CHIP) recipients receive access to prescription medications in an efficient and cost-effective manner. During the audit period of July 1, 2014, through May 31, 2017, Tarrytown processed 60,643 Medicaid claims for dispensed prescriptions through VDP, for which it received reimbursements of \$3.3 million from Texas Medicaid.

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

WHAT OIG RECOMMENDS

Tarrytown should ensure that all claims it submits to VDP:

- Contain a prescriber identification number associated with the physician who signed the prescription.
- Contain the correct prescription issuance date.
- Have (a) strength and quantity changes and (b) refills authorized by the prescriber and documented prior to dispensing.

MANAGEMENT RESPONSE

In its management responses, Tarrytown indicated it will take actions by May 2020 to address issues identified in this report.

For more information, contact:

OIGAuditReports@hhsc.state.tx.us

WHAT OIG FOUND

Tarrytown Expocare, LLC (Tarrytown) complied with Texas Administrative Code (TAC) and contract provisions related to National Drug Code (NDC) usage, controlled substances, and drug acquisition.

Tarrytown did not always bill the Vendor Drug Program (VDP) properly or comply with other contractual or TAC requirements related to claims validity, quantity, and refills. A total of 40 exceptions were identified associated with 39 of 224 claims tested. Specifically, Tarrytown dispensed and billed VDP for:

- 3 prescriptions with a prescriber identification number that was not associated with the physician who signed the prescription
- 1 prescription with an unauthorized strength change
- 23 prescriptions with the incorrect prescription issuance date
- 12 prescriptions with quantities other than prescribed
- 1 prescription with an unauthorized refill

Compliance with the above requirements helps ensure members receive prescription drugs that have been authorized by a physician and are dispensed and refilled to the member in the appropriate strength and quantity.

VDP reimbursed Tarrytown \$1,429.63 for 39 unsupported claims. The error rates identified in the statistically valid random samples were applied to the appropriate populations. The \$1,429.63 identified as a dollar-for-dollar overpayment resulted in \$46,965.28 when applied to the populations. In addition, one unauthorized refill that was not part of the statistically valid random sample was identified and resulted in a dollar-for-dollar overpayment of \$416.01.

Based on the results of this audit, Tarrytown should return the total overpayment amount of \$47,381.29 to the State of Texas.

BACKGROUND

Pharmacies participating in VDP dispense prescription medications to clients and are reimbursed for prescription medication costs by the Texas Health and Human Services Commission (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.

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AUDIT BACKGROUND

The Texas Health and Human Services (HHS) Office of Inspector General (OIG) Audit and Inspections Division has completed an audit of Tarrytown Expocare, LLC (Tarrytown), a Texas Vendor Drug Program (VDP) provider.

NPI Number: 1508112392

License Number: 28150

Address: 8500 Shoal Creek Blvd. Bldg. 3
Suite 200
Austin, Texas 78757

Tarrytown processed 60,643 Medicaid claims for dispensed prescriptions through VDP during the audit period, for which it received reimbursements of \$3.3 million.

Objectives and Scope

The objectives of the audit were to determine whether Tarrytown (a) properly billed Texas Medicaid VDP based on established VDP contract requirements and (b) complied with procedure manuals published by VDP and selected Texas Administrative Code (TAC) requirements.

The audit scope included both initial fill claims and refill claims for the period from July 1, 2014, through May 31, 2017, as well as a review of relevant activities, internal controls, and information technology (IT) general controls in place through the end of fieldwork in December 2019.

Methodology

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

- Supporting documentation for two samples, one of initial fill claims and one of refill claims, billed to VDP during the audit period.
- Relevant Tarrytown policies and procedures.
- Relevant IT general controls associated with the systems used by Tarrytown to process and support pharmacy claims.

For this audit, the OIG Audit and Inspections Division used two populations of paid claims, with service dates ranging from July 1, 2014, through May 31, 2017. One population contained initial fill claims, and the second population contained refill claims. Two separate samples were selected for testing. One sample contained 104 initial fill claims, and the second sample contained 120 refill claims, for a total of 224 claims.

For the claims in both samples, the OIG Audit and Inspections Division tested Tarrytown'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) drug acquisition. This report details results, issues, and recommendations in those areas, when applicable, and the results of limited testing of IT general controls.

The OIG Audit and Inspections Division verified sampled claims against corresponding data and documentation maintained by Tarrytown. Based on the results of this verification, the data was considered reliable for the purposes of this audit.

The OIG Audit and Inspections Division issued an engagement letter on August 30, 2019, to Tarrytown providing information about the upcoming audit, and conducted a site visit at Tarrytown's Austin, Texas, facility from September 9, 2019, through September 12, 2019.

The OIG Audit and Inspections Division presented audit results, issues, and recommendations to Tarrytown in a draft report dated April 7, 2020. Tarrytown was provided with the opportunity to study and comment on the report.

In its management responses, Tarrytown indicated it will take actions by May 2020 to address issues identified in this report. The Tarrytown management responses to the audit recommendations contained in the report are included in the report following each recommendation. The full Tarrytown management response letter is included in Appendix C of the report.

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 #146679 (2013) and #148419 (2016)

- HHSC Vendor Drug Program Fee-for-Service Pharmacy Provider Procedures Manual, §§ 5.2 (2014 through 2016), 6.2 (2016), and 8.1 (2016 through 2017)
- Texas Medicaid Provider Procedures Manual, Vol. 1, § 1.1 (2014 through 2017)

Auditing Standards

Generally Accepted Government Accounting Standards

The OIG Audit and Inspections Division conducted the audit in accordance with 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 obtain sufficient, appropriate evidence to provide a reasonable basis for the issues and conclusions based on our audit objectives. The OIG Audit and Inspections Division believes that evidence obtained provides a reasonable basis for our issues and conclusions based on our audit objectives.

ISACA (formerly known as the Information Systems Audit and Control Association)

The OIG Audit and Inspections 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

Tarrytown complied with TAC requirements and contractual provisions related to NDC usage, controlled substances, and drug acquisition. Selected IT general controls reviewed were in place, and the data used to form audit conclusions was considered reliable for the purposes of this audit.

Tarrytown did not always comply with requirements related to claims validity, quantity, and refills. 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.

Of the 224 claims selected for testing in statistically valid random samples, 40 total exceptions were identified associated with 39 claims. The 39 claim exceptions represent overpayments to Tarrytown. Table 1 summarizes the types of exceptions that are detailed in the issues that follow.

Table 1: Summary of Exceptions

Exception Type	Number of Exceptions	Total for Exceptions
Incorrect Prescriber Identification Numbers	3 of 224	\$ 41.23
Unauthorized Prescription Strength Change	1 of 224	49.72
Incorrect Prescription Issuance Date	23 of 224	498.39 ¹
Incorrect Medication Quantities	12 of 224	155.73
Unauthorized Refills	1 of 120	692.18
Total	40²	\$1,437.25

Source: *OIG Audit and Inspections Division*

Results indicated an extrapolated overpayment amount of \$46,965.28. When calculating the estimated overpayment amount for this report, the dollar value of the errors was extrapolated across the appropriate sample population, and each claim was only counted as an exception once.

The OIG Audit and Inspections Division identified an additional claim, not part of the statistical sample, in the amount of \$416.01 that was overpaid to Tarrytown. Details about the claim exceptions can be found in Appendix B.

¹ This amount includes the dispensing fee of \$7.62 for one claim with two types of exceptions. The full amount for the prescription (\$49.72) is included in the unauthorized prescription strength change total amount for extrapolation. The amount of the prescription, including its dispensing fee, is only included one time for the purposes of calculating the extrapolated overpayment.

² One of the 39 claims had two exceptions: an unauthorized prescription strength change and an incorrect prescription date.

CLAIMS VALIDITY

Pharmacies participating in VDP 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 Texas State Board of Pharmacy (Pharmacy Board) rules and regulations in effect at the time the prescription is serviced.³ According to Pharmacy Board rules, a prescription or a physician order must contain several elements in order to be valid, including the (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.⁴

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.⁵ Relevant criteria follow.

1 Tex. Admin. Code § 354.1835 (Sept. 1, 2001, and May 15, 2016) provides, "... [v]endors 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 #146679, Part 2(G) (Jan. 4, 2013) and *Vendor Drug Program Pharmacy Provider Contract #148419, Part 3(F) (Apr. 22, 2016)* provide: "The Provider agrees that information contained in all claims data submitted by or on behalf of the Provider: (1.) Is true, complete and accurate; (2.) Can be verified by reference to source documentation maintained by the Provider; (3.) Is subject to audit, review, and inspection in accordance with the ... Manual ... and updates or revisions thereto."

Vendor Drug Program Pharmacy Provider Contract #146679, Part 2(D) (Jan. 4, 2013) provides, "This Contract incorporates by reference the terms of

³ Texas State Board of Pharmacy rules are published in 22 Tex. Admin. Code, Part 15.

⁴ 22 Tex. Admin. Code § 291.34(b)(7)(A) (Sept. 8, 2013, through Dec. 19, 2016).

⁵ 1 Tex. Admin. Code § 354.1863(b) (Sept. 23, 2008, through May 15, 2016).

the ... Pharmacy Provider Procedures Manual (“Manual”) ... ” and *Vendor Drug Program Pharmacy Provider Contract #148419, Part 2 (Apr. 22, 2016)* provides, “Manual means the Texas Vendor Drug Program Pharmacy Provider Procedure Manual issued by HHSC.”

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 May 1, 2017) provides, “Pharmacies ... are⁶ be [sic] required to submit claims ... using the ... 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 (June 2014 through Feb. 2017) provides, “To be eligible for Texas Medicaid reimbursement, a provider ... (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.”

22 Tex. Admin. Code § 291.34(b)(6)(A) (Sept. 8, 2013, through Dec. 19, 2016) provides, “Original prescriptions may be dispensed only in accordance with the prescriber's authorization as indicated on the original prescription drug order including clarifications to the order given to the pharmacist by the practitioner or the practitioner's agent and recorded on the prescription.”

Issue 1: Incorrect Prescriber Identification Numbers

For 221 of 224 claims tested, the correct prescriber identification number was included on the claims submitted to VDP for reimbursement. For the remaining three claims, Tarrytown dispensed and billed VDP for prescriptions with a prescriber identification number that was not associated with the prescriber who signed the prescription. In all three instances, Tarrytown filed the claim under the supervising prescriber’s NPI number, although the prescriber listed on the prescription had a unique NPI number.

Tarrytown 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 Tarrytown \$1,013.60 for three claims with incorrect prescriber identification numbers. Details about these claims can be found in Appendix B. The dispensing fee amount of \$41.23 for the three claims

⁶ The word “will” appeared in place of the word “are” in the manuals with effective dates of February 11, 2014, through April 1, 2016.

with incorrect prescribers is subject to extrapolation and recoupment. See the Extrapolation section of this report on page 13 for more information.

Recommendation 1

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

Management Response

Action Plan

Re-education and training of pharmacy order entry and prescription review team regarding appropriate prescription entry, documentation and verification procedures.

Responsible Manager

Chief Operating Officer

Target Implementation Date

May 2020

Issue 2: Unauthorized Prescription Strength Change

For 223 of 224 claims tested, Tarrytown dispensed the prescribed strength when filling the prescription. For the remaining claim, Tarrytown dispensed and billed VDP for a different strength of medication than was prescribed, without documented authorization from the prescribing physician.

Tarrytown did not follow TAC guidelines, which require VDP claims to be paid only when changes in strength are properly authorized by the prescribing physician and documented prior to dispensing. As a result, VDP reimbursed Tarrytown \$49.72 for one claim that was not properly authorized. Details about this claim can be found in Appendix B. The amount of \$49.72 for this unauthorized claim is subject to extrapolation and recoupment. See the Extrapolation section on page 13 for more information.

Recommendation 2

Tarrytown should consistently ensure that any changes in the strength dispensed from the strength prescribed are authorized by the prescribing physician and documented prior to dispensing.

Management Response

Action Plan

Re-education and training of pharmacy order entry and prescription review team regarding appropriate prescription entry, documentation and verification procedures.

Responsible Manager

Chief Operating Officer

Target Implementation Date

May 2020

Issue 3: Incorrect Prescription Issuance Date

Tarrytown did not follow TAC requirements and contract guidelines, which require VDP claims to be paid only when the date of issuance on the claim matches the prescription date. Specifically, for 23 of the 224 claims tested, Tarrytown dispensed and then billed VDP for prescriptions with an incorrect prescription issuance date. As a result, VDP reimbursed Tarrytown \$17,283.68 for 23 claims with incorrect issuance dates.

The dispensing fees for 22 of the 23 claims totaled \$490.77 and is subject to extrapolation and recoupment. The dispensing fee associated with the remaining claim, in the amount of \$7.62, was identified in Issue 2 and included in the extrapolation amount for that issue. Details about these claims can be found in Appendix B and extrapolation information can be found in the Extrapolation section on page 13.

The OIG Audit and Inspections Division verified that the recipients did not receive medication beyond the correct expiration date by reviewing the prescription numbers' claim history.

Recommendation 3

Tarrytown should ensure that all claims it submits to VDP for reimbursement contain the correct prescription issuance date as written on the prescription by the prescribing physician.

Management Response

Action Plan

Re-education and training of pharmacy order entry and prescription review team regarding appropriate prescription entry, documentation and verification procedures.

Responsible Manager

Chief Operating Officer

Target Implementation Date

May 2020

QUANTITY

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, which must be documented by the pharmacy. Quantity changes made to comply with Medicaid limitations for reimbursement purposes do not override the pharmacist's obligation to obtain the prescriber's authorization for quantity changes. Relevant criteria follow.

22 Tex. Admin. Code § 291.34(b)(6)(A) (Sept. 8, 2013, through Dec. 19, 2016) provides, "Original prescriptions may be dispensed only in accordance with the prescriber's authorization as indicated on the original prescription drug order including clarifications to the order given to the pharmacist by the practitioner or the practitioner's agent and recorded on the prescription."

Issue 4: Incorrect Medication Quantities

For 12 of the 224 claims tested, Tarrytown dispensed and then billed VDP for a different quantity of medication than was ordered, without documented authorization from the prescribing physician. The quantity dispensed exceeded the prescribed amount in 3 of the 12 claims, while the other 9 claims involved quantity decreases.

Tarrytown did not follow TAC guidelines, which require VDP claims to be paid only when changes in quantity are properly authorized by the prescribing physician and documented prior to dispensing. As a result, VDP reimbursed Tarrytown \$2,859.58 for 12 claims that were not properly authorized. Details about these unauthorized claims can be found in Appendix B.

The three claims with quantity increases are subject to extrapolation and recoupment for the full amount of \$35.47. The dispensing fee amount of \$120.26 for the nine unauthorized claims with quantity decreases is subject to extrapolation and recoupment. See the Extrapolation section on page 13 for more information.

Although TAC requires prescriptions to be dispensed as authorized by the practitioner, in general practice and with approval of the Pharmacy Board, pharmacists only need to obtain the prescriber's authorization when dispensing a quantity greater than the quantity indicated on the face of the prescription, not when dispensing less. According to a letter received from the executive director of the Pharmacy Board dated February 20, 2018,⁷ "the Board will be considering amending its rules to clarify that a pharmacist may dispense less than prescribed at the request of the patient or the patient's agent at a future Board meeting."

Pharmacies are paid a professional dispensing fee as compensation for the administrative effort required to fill a Medicaid prescription. Tarrytown did not follow TAC or VDP rules when processing identified claims. In recognition of this, the OIG Audit and Inspections Division determined the professional dispensing fees are recoupable for the unauthorized quantity decreases.

Recommendation 4

Tarrytown should ensure that any changes in the quantity dispensed from the quantity prescribed are authorized by the prescribing physician and documented prior to dispensing.

Management Response

Action Plan

Re-education and training of pharmacy order entry and prescription review team regarding appropriate prescription entry, documentation and verification procedures.

Responsible Manager

Chief Operating Officer

⁷ Letter from Texas State Board of Pharmacy Executive Director to HHS Inspector General (Feb. 20, 2018).

Target Implementation Date

May 2020

REFILLS

TAC requires explicit authorization from the prescribing physician for medication refills.⁸ On the original prescription, the physician may authorize no refills or designate the number of refills allowed. Dispensing a refill without authorization or without maintaining documentation is a refill error and not eligible for reimbursement. Prescription refills must be properly authorized to prevent overmedication of patients and waste, fraud, or abuse. Relevant criteria follow.

Pursuant to Texas Human Resources Code, “A person commits a violation if the person: ... fails to maintain documentation to support a claim for payment in accordance with the requirements specified by commission rule or medical assistance program policy or engages in any other conduct that a commission rule has defined as violation of the medical assistance program.”⁹

The Texas Human Resources Code also provides, “A person who commits a violation ... is liable to the commission for either the amount paid in response to the claim for payment or the payment of an administrative penalty in an amount not to exceed \$500 for each violation, as determined by the commission.”¹⁰

1 Tex. Admin. Code § 354.1867 (June 9, 2010) provides, “All refills are counted when determining compliance with the authorized refill limitation. In the absence of specific refill instructions, the prescription must be interpreted as not refillable. If a prescription notes specific refill instructions, any future dispensings must be considered refills of the original prescription, unless the prescriber has been contacted for authorization to dispense a new supply of medication. If authorization is granted, a new and separate prescription is prepared.”

22 Tex. Admin. Code § 291.34(b)(8)(A)(i) (Sept. 8, 2013, through Dec. 19, 2016) provide, “Refills may be dispensed only in accordance with the prescriber’s authorization as indicated on the original prescription drug order except as authorized in [the] paragraph ... of this subsection relating to accelerated refills.”

Vendor Drug Program Pharmacy Provider Contract #146679, Part 2(G)(1) (Jan. 4, 2013) and #148419, Part 3(F)(1) (Apr. 22, 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.”

⁸ 1 Tex. Admin. Code § 354.1867 (June 9, 2010).

⁹ Tex. Hum. Res. Code § 32.039 (b)(3) (Sept. 1, 2011, and Apr. 2, 2015).

¹⁰ Tex. Hum. Res. Code § 32.039 (b-1) (Sept. 1, 2011, and Apr. 2, 2015).

Issue 5: Unauthorized Refills

Of the 120 claims tested for the refill population, Tarrytown dispensed one refill that was not authorized on the prescription. Tarrytown submitted a claim for this refill, and VDP reimbursed the claim amount.

For this one claim, Tarrytown did not follow TAC and contract guidelines, which require VDP claims to be paid only when refills are authorized on a prescription or authorization is obtained from the prescribing physician and documented prior to dispensing a refill.

As a result, VDP reimbursed Tarrytown \$692.18 for one unauthorized refill claim. The amount of \$692.18 for the one claim is subject to extrapolation and recoupment. Details about this unauthorized claim can be found in Appendix B. See the Extrapolation section on page 13 for more information.

Additionally, Tarrytown over-dispensed and billed VDP for a prescription refill that was not authorized by the prescriber. While reviewing the claim history for errors noted with incorrect prescription issuance dates, the OIG Audit and Inspections Division discovered that the noted prescription was dispensed past the number of refills originally prescribed.

VDP reimbursed Tarrytown \$416.01 for the over-dispensed claim.

Recommendation 5

Tarrytown should ensure refills are authorized on a prescription or obtain authorization from the prescribing physician prior to dispensing a refill.

Management Response

Action Plan

Re-education and training of pharmacy order entry and prescription review team regarding appropriate prescription entry, documentation and verification procedures.

Responsible Manager

Chief Operating Officer

Target Implementation Date

May 2020

OVERPAYMENTS TO TARRYTOWN

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. The sampling and extrapolation methodology is detailed in Appendix A.

Extrapolation

The populations included in this audit consisted of 60,643 fee-for-service VDP claims from July 1, 2014, through May 31, 2017, for which the Texas Health and Human Services Commission (HHSC) paid Tarrytown \$3,271,394.07. Two statistically valid samples were selected that included a total of 224 claims for which HHSC paid Tarrytown \$155,922.51.

The 39 claims with 40 exceptions are detailed in Issues 1 through 5. The dollar value of a claim is only included once in the extrapolation.

Issue 1	\$ 41.23
Issue 2	49.72
Issue 3	490.77
Issue 4	155.73
Issue 5	<u>692.18</u>
Total	\$1,429.63

The estimated overpayment amount was calculated by extrapolating the dollar value of the errors across the appropriate sample population. 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 \$46,965.28. The overpayment was calculated using the lower limit of a two-sided 80 percent confidence interval.

Therefore, based on the results of this audit, Tarrytown should return the extrapolated overpayment amount of \$46,965.28 to the State of Texas. In addition, the dollar-for-dollar amount of \$416.01 from Issue 5 should be returned to the State of Texas, for a total of \$47,381.29.

CONCLUSION

Tarrytown complied with TAC requirements and contractual provisions related to NDC usage, controlled substances, and drug acquisition. Selected IT general controls reviewed were in place, and the data used to form audit conclusions was considered reliable for the purposes of this audit.

The OIG Audit and Inspections Division identified 40 exceptions related to claims validity, quantity, and refills. For those claims, Tarrytown did not bill VDP properly or comply with TAC requirements, contractual provisions, and program manuals. The 39 claims with 40 exceptions resulted in overpayments of \$1,429.63, which are subject to extrapolation and recoupment.

The overpayment for the over-dispensed prescription, to be recovered on a dollar-for-dollar basis, is for \$416.01. The total amount due to the Texas Health and Human Services Commission is \$47,381.29.

The OIG Audit and Inspections Division offered recommendations to Tarrytown, which, if implemented, will correct deficiencies in compliance with TAC requirements, contractual provisions, and program manuals.

The OIG Audit and Inspections Division thanks management and staff at Tarrytown 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 and Inspections Division selected a sample of 104 initial fill claims and a sample of 120 refill claims to test for a total of 224 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 07/01/2014 and 05/31/2017)
- 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 Tarrytown with an extrapolation detail file at the same time as the draft audit report. The extrapolation detail file contained information about the data and methods used to determine the overpayment in sufficient detail so that the extrapolation results could be demonstrated to be statistically valid and were fully reproducible.

The extrapolation detail file contained 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 populations used for extrapolation included in this audit consisted of initial and refill claims for initial fill claims with dispensing dates between July 1, 2014, and May 31, 2017. The estimated overpayment amount of \$46,965.28 was calculated by extrapolating the dollar value of the errors as identified in Appendix B across the appropriate population for initial fill or refill at the time of the draft report. The overpayment was calculated using the lower limit of a two-sided 80 percent confidence interval.

Tarrytown was kept apprised of all aspects of the audit process and, in order to ensure audit findings were accurate, was offered multiple opportunities to provide relevant documentation and information.

Opportunities to provide relevant documentation extended to the draft audit report stage. After receiving the draft report, Tarrytown did not provide additional relevant documentation or other sufficient evidence that would support the removal of identified errors on which the overpayment in this report is based.

The Texas Legislature has recognized HHS OIG's authority to utilize a peer-reviewed sampling and extrapolation process. HHS 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 (AIG) 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: Audit Issues Index

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

- Issue 1: Incorrect Prescriber Identification Numbers
- Issue 2: Unauthorized Prescription Strength Change
- Issue 3: Incorrect Prescription Issuance Date
- Issue 4: Incorrect Medication Quantities
- Issue 5: Unauthorized Refills

Table B.1: Sample Claims With Errors Subject to Extrapolation

Sample Number	Prescription Number	Fill Date	Issue Number	Claim Amount
OR-25	██████	██████/2014	1	\$ 8.11
OR-83	██████	██████/2016	1	17.15
RF-70	██████	██████/2015	1	15.97
OR-10	██████	██████/2014	2,3	49.72
OR-17	██████	██████/2014	3	144.11
OR-11	██████	██████/2014	3	7.28
OR-33	██████	██████/2015	3	11.48
OR-43	██████	██████/2015	3	14.80
OR-66	██████	██████/2016	3	12.32
OR-68	██████	██████/2016	3	6.97
OR-72	██████	██████/2016	3	10.56
RF-8	██████	██████/2014	3	6.93
RF-20	██████	██████/2014	3	8.76
RF-25	██████	██████/2014	3	12.72
RF-26	██████	██████/2014	3	35.22
RF-36	██████	██████/2014	3	18.66
RF-41	██████	██████/2014	3	11.99
RF-48	██████	██████/2014	3	45.07
RF-59	██████	██████/2015	3	24.11
RF-89	██████	██████/2016	3	54.99
RF-93	██████	██████/2016	3	15.52
RF-100	██████	██████/2016	3	8.46
RF-103	██████	██████/2016	3	8.31
RF-104	██████	██████/2016	3	16.23
RF-112	██████	██████/2017	3	8.13
RF-120	██████	██████/2017	3	8.15

Sample Number	Prescription Number	Fill Date	Issue Number	Claim Amount
OR-41	██████	██████/2015	4	20.21
OR-97	██████	██████/2017	4	8.70
OR-100	██████	██████/2017	4	8.12
RF-49	██████	██████/2015	4	9.15
RF-50	██████	██████/2015	4	12.32
RF-85	██████	██████/2016	4	7.07
RF-92	██████	██████/2016	4	9.44
RF-108	██████	██████/2016	4	37.03
RF-119	██████	██████/2017	4	8.22
RF-3	██████	██████/2014	4	13.91
RF-111	██████	██████/2017	4	11.47
RF-116	██████	██████/2017	4	10.09
RF-75	██████	██████/2015	5	692.18
Total	—	—	—	\$1,429.63

Source: OIG Audit and Inspections Division

Table B.2: Dollar-for-Dollar Claim

Sample Number	Prescription Number	Fill Date	Issue Number	Claim Amount
—	██████	██████/2016	5	\$416.01

Source: OIG Audit and Inspections Division

Appendix C: Tarrytown Management Response Letter



OIG Audit Draft Report - Tarrytown Expcare: A Texas Vendor Drug Program Provider

Management Response

Issue 1: Incorrect Prescriber Identification Numbers

Recommendation 1: Tarrytown should consistently ensure that all claims it submits to VDP for reimbursement contain a prescriber identification number associated with the physician who signed the prescription.

Management Response:

Action Plan: Re-education and training of pharmacy order entry and prescription review team regarding appropriate prescription entry, documentation and verification procedures.

Responsible Manager: Zach Corbell, COO

Target Implementation Date: 05/01/2020

Issue 2: Unauthorized Prescriber Strength Change

Recommendation 2: Tarrytown should consistently ensure that any changes in the strength dispensed from the strength prescribed are authorized by the prescriber physician and documented prior to dispensing.

Management Response:

Action Plan: Re-education and training of pharmacy order entry and prescription review team regarding appropriate prescription entry, documentation and verification procedures.

Responsible Manager: Zach Corbell, COO

Target Implementation Date: 05/01/2020

Issue 3: Incorrect Prescription Issuance Date

Recommendation 3: Tarrytown should ensure that all claims it submits to VDP for reimbursement contain the correct prescription issuance date as written on the prescription by the prescribing physician.

Management Response:

Action Plan: Re-education and training of pharmacy order entry and prescription review team regarding appropriate prescription entry, documentation and verification procedures.

Responsible Manager: Zach Corbell, COO

Target Implementation Date: 05/01/2020

**Issue 4: Incorrect Medication Quantities**

Recommendation 4: Tarrytown should ensure that any changes in the quantity dispensed from the quantity prescribed are authorized by the prescribing physician and documented prior to dispensing.

Management Response:

Action Plan: Re-education and training of pharmacy order entry and prescription review team regarding appropriate prescription entry, documentation and verification procedures.

Responsible Manager: Zach Corbell, COO

Target Implementation Date: 05/01/2020

Issue 5: Unauthorized Refills

Recommendation 5: Tarrytown should ensure refills are authorized on a prescription or obtain authorization from the prescribing physician prior to dispensing a refill.

Management Response:

Action Plan: Re-education and training of pharmacy order entry and prescription review team regarding appropriate prescription entry, documentation and verification procedures.

Responsible Manager: Zach Corbell, COO

Target Implementation Date: 05/01/2020

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, Chief of Audit and Inspections
- Kacy J. VerColen, CPA, Assistant Deputy Inspector General of Audit
- Steve Sizemore, CIA, CISA, CGAP, Audit Director
- Kanette Blomberg, CPA, CIGA, Audit Manager
- Maria Johnson, CFE, Audit Project Manager
- Ben Ringer, Staff Auditor
- TiAnna Riddick, Associate Auditor
- Ashley Rains, CFE, Senior Audit Operations Analyst

OIG Support

- Ravi Govind, Senior Data Research Analyst

Report Distribution

Health and Human Services

- Phil Wilson, Acting Executive Commissioner
- Victoria Ford, Acting Chief Operating Officer and Chief Policy and Regulatory Officer
- Karen Ray, Chief Counsel
- Michelle Alletto, Chief Program and Services Officer
- Nicole Guerrero, Director, System Internal Audit
- Stephanie Stephens, State Medicaid Director, Medicaid and CHIP Services
- Katherine Scheib, Deputy Associate Commissioner for Operations, Medicaid and CHIP Services
- Gina Marie Muniz, Director, Vendor Drug Program, Medicaid and CHIP Services

Tarrytown Expocare, LLC

- Mark Newberry, Owner and Chief Executive Officer
- Zach Corbell, Chief Operating Officer

Appendix E: OIG Mission and Contact Information

The mission of the 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
- Mike Thomas, Interim Chief of Investigations
- Steve Johnson, Chief of Medicaid Program Integrity

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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 OIG

- Email: OIGCommunications@hhsc.state.tx.us
- Mail: Texas Health and Human Services
Office of Inspector General
P.O. Box 85200
Austin, Texas 78708-5200
- Phone: 512-491-2000