



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

Myers and Stauffer LC (Myers and Stauffer) has completed the performance audit of Acorn 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.

Management responses from Acorn Pharmacy are included in this report.


This report is intended solely for the information and use of Texas HHSC-OIG and Acorn 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
August 9, 2022

The background of the cover is a blurred medical scene, possibly a patient in a hospital bed. Overlaid on this is a semi-transparent green geometric pattern consisting of various shapes like hexagons and lines. Scattered throughout this pattern are several white medical icons: a syringe, a pill, a virus/cell, a stethoscope, a group of three people, and a large cross. The right side of the cover is a solid black area containing white text and logos.

Final (Audit) Report

Acorn Pharmacy
NPI 1326103755

Report Date
August 9, 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. Acorn Pharmacy (Provider) was selected in coordination with the Texas 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 began operations in 1996, is a community independent pharmacy, and currently conducts pharmacy operations at 5315 Ross Avenue, Dallas, TX 75206.

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 is to determine whether pharmacy services 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

For the period of March 1, 2018, through February 28, 2021, the HHSC-OIG identified \$2,093,204 at risk of \$6,924,305 total pharmacy service reimbursements for the Provider. HHSC-OIG provided all FFS and managed care organization (MCO) claims within the total payment population to Myers and Stauffer for review. Upon review of the algorithms and contracting guidelines HHSC-OIG provided, the following outliers were present in the FFS data and were targeted for audit:



- Antiviral and Asthma COPD medications.
- Duplicate claim identification numbers across multiple claims for multiple recipients.
 - More than 50 percent of all FFS claim lines shared a claim identification number and claim line with at least one other claim line where a different prescription was dispensed. Typically claim identification numbers should be unique for each prescription dispensed and reimbursed.

To account for the risk areas, the following two distinct FFS claims universes were created:

- **Antivirals and Asthma COPD:** This claims universe was created to include certain Antiviral and Asthma COPD medications with higher total reimbursements for the pharmacy. Furthermore, the universe was reduced to only include claim lines paid greater than \$100 for high prescribers (by pharmacy reimbursements). All 85 claim lines for 72 unique recipients, with 14 unique National Drug Codes (NDC), for which the Provider was reimbursed \$17,670 were selected for audit.
- **Duplicate Claims Identification Number:** This claims universe was created to include non-compound pharmacy claims with a duplicate claim identification number shared by two or more recipients. All 41 claim lines for 26 unique recipients, with 27 unique NDCs, for which the Provider was reimbursed \$1,231 were selected for audit.
 - During the course of the audit, the duplicate claim identification numbers were determined to be the result of an error during retrieval of the claims data. Although the initial risk area for this claim set was resolved, the selected claims were still ultimately reviewed in connection with the audit objective.

Audit Process

Scope

The scope of this audit includes the review of Medicaid FFS pharmacy claims only, due to contracting guidelines, with dates of service during the period of March 1, 2018, through February 28, 2021.

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

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

In gaining an understanding of internal controls, Myers and Stauffer will limit 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 and 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 signed prescription pickup logs.
- 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.



Audit Results

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

Findings

Myers and Stauffer identified findings on five of 128 pharmacy claims. One claim may have multiple finding types. The table below provides a summary of the findings that have been identified in the audit. The findings for the claims universe are listed in detail in Appendix A. The list of findings and supporting policies follows in the table below:

List of Findings and Supporting Policies				
Finding No.	Finding Type	Finding Definition	Number of Claims with Finding	Supporting Policy
1	Incorrect Prescriber	The prescriber identified on the prescription record did not match prescriber identified on the claim despite the prescriber on the prescription record holding a valid license and active National Provider Identification (NPI) number.	5	1 TAC §354.1835 HHSC VDP Provider Manual 2019 §4.2 https://www.txvendordrug.com/providers

A lack of internal controls has been identified as a contributing cause of the findings included in the table above. The Provider has not placed enough emphasis on designing, implementing, and effectively operating internal controls to ensure the appropriate prescriber information is submitted on the claim.

Management's Response

A draft copy of this report was sent to the Provider on July 20, 2022. An exit conference was held on July 28, 2022 to discuss the preliminary findings. During the exit conference, the Provider did not contest the findings and stated they do not have any additional documentation to submit.



Final Determination of Overpayment

The Medicaid paid claims with identified findings are listed in detail in Appendix A of this report. The corresponding overpayment amount in Appendix A is only applicable to the sampled claims Myers and Stauffer reviewed during the audit. The overpayment calculated from our sample is \$90. The sample was not confirmed to be representative of the universe; therefore, it would not be appropriate to project the test results to the universe.

The total amount due to the HHSC-OIG is \$90 for the claims reviewed. Based on the findings cited in this Final Audit Report, the Provider is directed to:

- Remit the overpayment in the amount of \$90, pursuant to 1 TAC §371.1719, Recoupment of Overpayments Identified by Audit, 1 TAC §354.1891, Vendor Drug Providers Subject to Audit, and §354.1892, Exception Notification. Payment is to be made to the Texas HHSC-OIG.
- Comply with all state and federal Medicaid laws, regulations, rules, policies and contractual requirements.



Appendix A – Detailed Findings

Acorn Pharmacy Project Number 011 NPI 1326103755																			
Original Claims Information													Audit Determination						
Sample Line Number	State Issued Medicaid ID	Member Full Name	Claim Number	Prescription Number	Prescribing Provider NPI	Prescribing Provider Name	Drug Name	National Drug Code	Date of Service	Date Prescribed	Dispensing Fee	Total Reimbursed Amount	Finding Type	Supporting Policy Reference	Recoupment Type	Adjusted Prescribing Provider	Corrected Claim Payment	Overpayment Amount	
97							PEDIATRIC ELECTROLYTE SOLUT				\$0.00	\$18.04	INCORRECT PRESCRIBER	A, B, C	1		\$0.00	\$18.04	
98							PEDIATRIC ELECTROLYTE SOLUT				\$0.00	\$18.04	INCORRECT PRESCRIBER	A, B, C	1		\$0.00	\$18.04	
111							PEDIALYTE SOLUTION				\$0.00	\$18.04	INCORRECT PRESCRIBER	A, B, C	1		\$0.00	\$18.04	
113							PEDIALYTE SOLUTION				\$0.00	\$18.04	INCORRECT PRESCRIBER	A, B, C	1		\$0.00	\$18.04	
124							POLYETHYLENE GLYCOL 3350 PO				\$8.27	\$17.77	INCORRECT PRESCRIBER	A, B, C	1		\$0.00	\$17.77	
Totals												\$8.27	\$89.93					\$0.00	\$89.93



Legends

Finding Type	Policy Reference	Definition
INCORRECT PRESCRIBER	A, B, C	The prescriber identified on the prescription record did not match prescriber identified on the claim despite the prescriber on the prescription record holding a valid license and active National Provider Identification (NPI) number.

Recoupment Type	Recoupment Type Definition
1	Full

Reference	Supporting Policy	Policy
A	1 TAC §354.1835	Unless an exception is needed during a disaster, as described in §354.1868 of this subchapter (relating to Exceptions in Disasters), vendors must enter the identification number of the prescriber, as listed with the appropriate medical specialty board, on each claim.
B	HHSC VDP Provider Manual 2019 §4.2	Pharmacy Staff are required to submit claims using the NPI of the prescribing provider or, when applicable, the supervising prescriber...the actual NPI of a physician assistant, advance practice registered nurse (APRN), or prescribing pharmacist is required for prescriptions written by these provider types, which do have prescribing authority as allowed by their respective state boards. For prescriptions written by these provider types that do not have a NPI, the supervising prescriber's NPI will be accepted.
C	https://www.txvendordrug.com/providers	The Texas VDP website provides the following instruction to providers, "If the prescribing provider's National Provider Identifier (NPI) is not on file with VDP then users may query the NPI Registry. Pharmacy staff can contact us to have the NPI added and allow claims to process."