Audit Report

Managed Care Pharmacy Claims Paid to Rx Plus Pharmacy of Live Oak

A Managed Care Network Provider Contracted Under Superior HealthPlan, Inc.

August 13, 2021
OIG Report No. AUD-21-021

Inspector General

Texas Health and Human Services

HHS OIG
TEXAS HEALTH AND HUMAN SERVICES
OFFICE OF INSPECTOR GENERAL

WHY OIG CONDUCTED THIS AUDIT

The Texas Health and Human Services (HHS) Office of Inspector General Audit and Inspections Division (OIG Audit) conducted an audit of Medicaid managed care claims paid to Rx Plus Pharmacy of Live Oak (Rx Plus) by Superior HealthPlan, Inc. (Superior), a managed care organization (MCO). During the period from June 1, 2017, through August 31, 2019, Rx Plus was paid $3.3 million for 27,462 Medicaid managed care claims for prescriptions dispensed to Superior members.

The audit objectives were to determine whether Rx Plus (a) properly billed for paid claims associated with Medicaid members enrolled with Superior and (b) complied with applicable contractual, state, and federal requirements.

WHAT OIG RECOMMENDS

Rx Plus should:

- Repay the state of Texas a total of $60.99, which consists of (a) the medication and dispensing fee for the prescription dispensed with an incorrect dosage direction and (b) the dispensing fee for the prescription dispensed with an incorrect issuance date.
- Continue to (a) verify the prescribers' medication dosage directions prior to dispensing medications in accordance with Texas Administrative Code requirements and (b) ensure that the accurate issuance date is submitted for each claim.

MANAGEMENT RESPONSE

Rx Plus agreed with the audit recommendations and indicated corrective actions would be implemented by August 9, 2021.

For more information, contact:
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MANAGED CARE CLAIMS PAID TO RX PLUS PHARMACY OF LIVE OAK

A Managed Care Network Provider Contracted Under Superior HealthPlan, Inc.

WHAT OIG FOUND

Rx Plus Pharmacy of Live Oak (Rx Plus) properly billed for claims and complied with applicable contractual and Texas Administrative Code requirements for all refill claims and most initial fill claims selected for testing as part of this audit. Specifically, Rx Plus:

- Properly billed for claims and complied with requirements for 103 of 103 (100 percent) refill claims tested and 118 of 120 (98.3 percent) initial fill claims tested.

However, for two initial fill claims, Rx Plus did not properly bill for the claim or consistently comply with applicable requirements for Medicaid managed care pharmacy claims. Specifically:

- For one of 120 initial fill claims tested, the medication dosage direction on the prescription did not agree with the medication dosage direction dispensed.
- For one of 120 initial fill claims tested, Rx Plus submitted the claim with an incorrect issuance date, although the prescription was still valid.

As a result, Rx Plus received Medicaid overpayments totaling $60.99.

BACKGROUND

Rx Plus is a managed care network provider pharmacy contracted under Superior HealthPlan, Inc. (Superior). Rx Plus is contracted with both Envolve Pharmacy Solutions (Envolve), a pharmacy benefit manager (PBM), and Envolve's subcontracted PBM, CVS Caremark (Caremark). Envolve serves as the primary PBM for Superior. Caremark is subcontracted via Envolve to process outpatient pharmacy claims for Superior members.

Under the managed care model, managed care organizations (MCOs) receive a capitation payment for each member enrolled, based on historical expenses by populations served. Capitation payments are monthly prospective payments the Texas Health and Human Services Commission (HHSC) makes to MCOs for the provision of covered services. HHSC makes capitation payments to MCOs at fixed, per member per month rates based on members' associated risk groups.

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INTRODUCTION

The Texas Health and Human Services (HHS) Office of Inspector General Audit and Inspections Division (OIG Audit) conducted an audit of Medicaid managed care claims paid to Rx Plus Pharmacy of Live Oak (Rx Plus) by Superior HealthPlan, Inc. (Superior), a managed care organization (MCO).

During the period from June 1, 2017, through August 31, 2019, Rx Plus was paid $3.3 million for 27,462 Medicaid managed care claims for prescriptions dispensed to Superior members.

Background

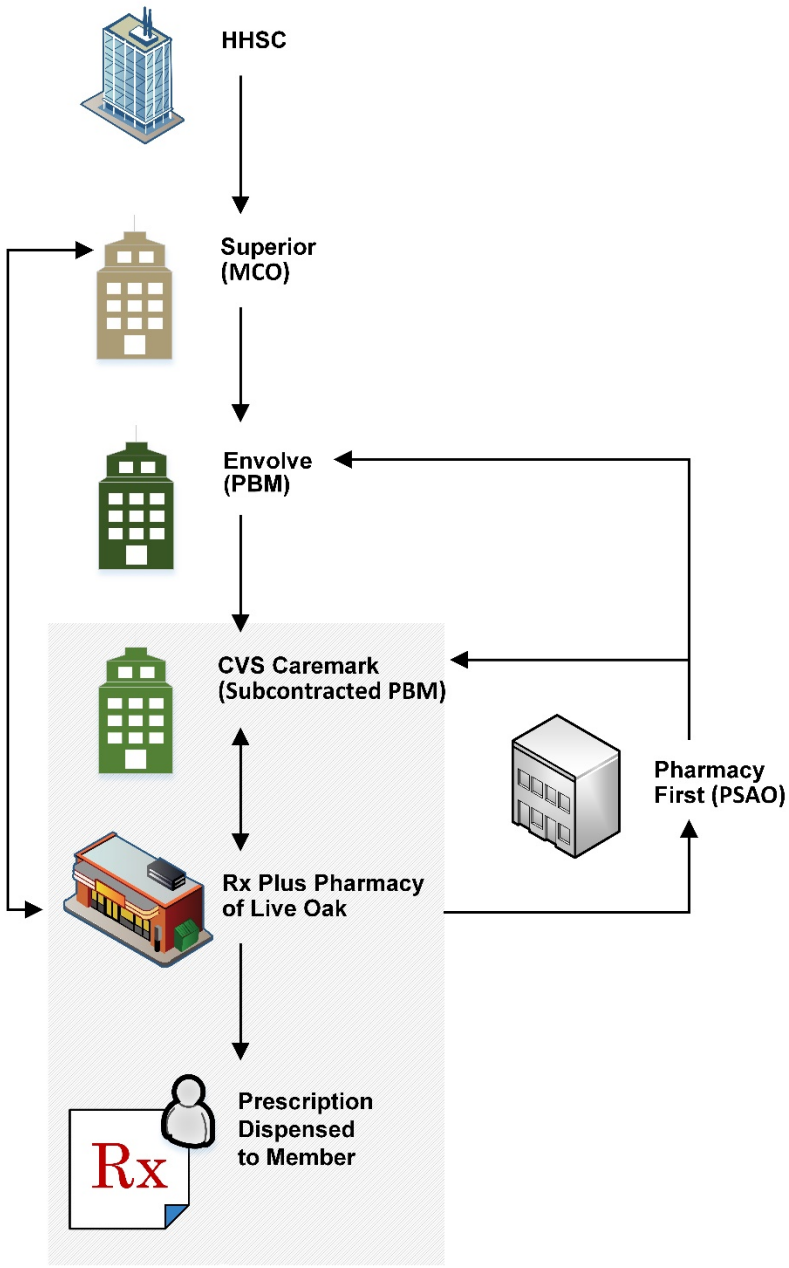
Rx Plus is a managed care network provider pharmacy contracted under Superior that utilizes Pharmacy First, a pharmacy services administrative organization (PSAO),[1] for administrative and network services, including (a) contracting with pharmacy benefit managers (PBMs), (b) processing payments, and (c) reconciling claims. Through Pharmacy First, Rx Plus is contracted with both Envolve Pharmacy Solutions (Envolve), a PBM, and Envolve's subcontracted PBM, CVS Caremark (Caremark). Envolve serves as the primary PBM for Superior. Caremark is subcontracted via Envolve to process outpatient pharmacy claims for Superior members.

Under the managed care model, MCOs receive a capitation payment for each member enrolled, based on historical expenses by populations served. Capitation payments are monthly prospective payments the Texas Health and Human Services Commission (HHSC) makes to MCOs for the provision of covered services. HHSC makes capitation payments to MCOs at fixed, per member per month rates based on members' associated risk groups.

[1] Prior to December 20, 2018, Rx Plus contracted with Access Health as its PSAO. Since December 20, 2018, Rx Plus has been contracted with Pharmacy First as its PSAO.

Figure 1 illustrates the business relationships involved in delivering managed care pharmacy benefits to Superior's Medicaid members whose prescriptions were dispensed by Rx Plus and paid by Superior. The shaded section designates areas related to pharmacy claims payment, which was the scope of this audit.

Figure 1: Pharmacy Benefit Delivery Process Through Rx Plus



Source: OIG Audit

Objective and Scope

The audit objectives were to determine whether Rx Plus (a) properly billed for paid claims associated with Medicaid members enrolled with Superior and (b) complied with applicable contractual, state, and federal requirements. The audit included a review of Rx Plus's internal control as well as testing of controls that were significant within the context of the audit objectives.

The audit scope included both initial fill claims and refill claims for the period from June 1, 2017, through August 31, 2019, as well as a review of relevant activities, internal controls, and information technology (IT) general controls in place through the end of fieldwork in July 2021.

Methodology

OIG Audit selected and tested statistically valid random samples of initial fill and refill prescription claims, and reviewed supporting documentation provided by Rx Plus against Superior's order and claims data for the following elements:

- Provider's name and national provider identifier (NPI) number
- Patient name
- Drug name, strength, and quantity
- Prescription expiration
- Controlled substance requirements
- Delivery confirmation in the form of customer signatures, as appropriate

OIG Audit reviewed Rx Plus's system of internal controls, including components of internal control,[2] within the context of the audit objectives. OIG Audit also reviewed key internal controls, including prescription expiration dates and signed delivery logs. Details about the sampling methodology are given in Appendix A.

OIG Audit presented preliminary audit results, issues, and recommendations to Rx Plus in a draft report dated August 2, 2021. Rx Plus agreed with the audit recommendations and indicated corrective actions would be implemented by August 9, 2021. Rx Plus's management responses are included in the report following each recommendation.

[2] For more information on the components of internal control, see the United States Government Accountability Office's *Standards for Internal Control in the Federal Government*, (Sept. 2014), https://www.gao.gov/assets/gao-14-704g.pdf (accessed Apr. 16, 2021).

Criteria

OIG Audit used the following criteria to support the issues included in this report:

- 22 Tex. Admin. Code §§ 291.33 and 291.34 (2016 through 2019)
- CVS Caremark Pharmacy Provider Manual (2016 through 2018)

Auditing Standards

Generally Accepted Government Auditing Standards

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, 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.

AUDIT RESULTS

Rx Plus properly billed for claims and complied with applicable contractual and Texas Administrative Code requirements for all refill claims and most initial fill claims selected for testing as part of this audit. Specifically, Rx Plus:

- Properly billed for claims and complied with requirements for all 103 refill claims tested and 118 of 120 (98.3 percent) initial fill claims tested.

However, for two initial fill claims, Rx Plus did not properly bill for the claim or consistently comply with applicable requirements for Medicaid managed care pharmacy claims. Specifically:

- For one of 120 initial fill claims tested, the medication dosage direction on the prescription did not agree with the medication dosage direction dispensed.

- For one of 120 initial fill claims tested, Rx Plus submitted the claim with an incorrect issuance date, although the prescription was still valid.

As a result, Rx Plus received Medicaid overpayments totaling $60.99. Table 1 summarizes the types of exceptions OIG Audit identified and the associated overpayment amounts.

Table 1: Summary of Exceptions

Area of Testing	Number of Exceptions	Total Overpayment
Dosage Directions	1 of 223	$60.64
Issuance Dates	1 of 223	0.35
Total	2 of 223	$60.99

Source: OIG Audit

OIG Audit communicated other, less significant issues to Rx Plus in a separate written communication.

PRESCRIPTION DOSAGE DIRECTIONS AND ISSUANCE DATES

Pharmacies issuing prescriptions to Texas Medicaid members must ensure that (a) all original prescriptions include the medication dosage direction and (b) pharmacies follow dosage direction orders given by the prescriber.[3] Additionally, all original prescriptions must include the date of issuance, and

[3] 22 Tex. Admin. Code § 291.34(b)(6)(A) and (b)(7)(A)(vi) (Dec. 19, 2016, through June 20, 2019).

prescription orders are valid for one year from the date of issuance.[4] Claims submitted by a provider must be accurate and complete.[5]

For the 223 claims selected for testing, OIG Audit (a) compared the prescriber's original prescriptions with the medication dispensing labels[6] to determine whether the medication dosage direction on the prescription was dispensed correctly and (b) compared the prescription issuance dates to the claims data to determine whether the issuance date was accurately reported.

Issue 1: Rx Plus Consistently Followed Requirements for Prescription Dosage Directions and Issuance Dates with Two Exceptions

Rx Plus consistently provided dosage directions on prescriptions that followed the dosage directions given by the prescriber. For all 103 of 103 (100 percent) refill claims tested, the medication dosage direction on the prescription agreed with the medication dosage Rx Plus dispensed. However, for one of 120 (0.8 percent) initial fill sample claims tested, Rx Plus did not dispense the medication using the dosage direction prescribed. According to Rx Plus, this was a pharmacy error and no correspondence was noted on this prescription.

Rx Plus also consistently included the correct issuance date on prescriptions. For all 103 of 103 (100 percent) refill claims, Rx Plus accurately reported the prescription issuance date. However, for one of 120 (0.8 percent) initial fill sample claims tested, Rx Plus submitted the claim to Superior with an incorrect issuance date, although the prescription was still valid. According to Rx Plus, this was an error, and the issuance date was entered incorrectly by the pharmacy.

By not following the dosage direction as specified by a prescriber, Rx Plus increased the risk of dispensing the incorrect dosage and putting the patient at risk of complications, which could have immediate medical consequences. When Rx Plus submitted the claim to Superior with an incorrect issuance date, the claim was reported inaccurately. Further, the patient may be affected because the prescription could be valid for a longer or shorter period of time than what was intended by the prescriber.

For the initial fill claim dispensed with dosage information that did not align with the directions given by the prescriber, Rx Plus was overpaid $59.33 and $1.31 for the cost of medication and dispensing fee, respectively. For the initial fill claim

[4] 22 Tex. Admin. Code § 291.34 (b)(7)(A)(viii) and (b)(8)(B)(i) (Dec. 19, 2016, through June 20, 2019).

[5] CVS Caremark Pharmacy Provider Manual, "Claims Submission" (2016 through 2018).

[6] 22 Tex. Admin. Code § 291.33(c)(7)(A) (Dec. 6, 2015, through Mar. 12, 2019).

submitted with an incorrect issuance date, Rx Plus was overpaid $0.35 for the dispensing fee.

Recommendation 1a

Rx Plus should repay the state of Texas a total of $60.99, which consists of (a) the medication and dispensing fee for the prescription dispensed with an incorrect dosage direction and (b) the dispensing fee for the prescription dispensed with an incorrect issuance date.

Management Response

Action Plan

Rx Plus agrees to pay total amount of $60.99 which consists of the fees for the prescription dispensed with incorrect dosage direction and incorrect issuance date.

Responsible Manager

Pharmacist in Charge

Target Implementation Date

August 9, 2021

Recommendation 1b

Rx Plus should continue to (a) verify the prescribers' medication dosage directions prior to dispensing medications in accordance with Texas Administrative Code requirements and (b) ensure that the accurate issuance date is submitted for each claim.

Management Response

Action Plan

Rx Plus will ensure to double check the dosage direction and issuance date prior to dispensing the medication in accordance with Texas Administrative Code requirements.

Responsible Manager

Pharmacist in Charge

Target Implementation Date

August 9, 2021

CONCLUSION

For almost all initial fill and refill claims tested, Rx Plus (a) properly billed for paid claims associated with Medicaid members enrolled with Superior and (b) complied with applicable contractual and Texas Administrative Code requirements. For all 103 of 103 (100 percent) refill claims tested and 118 of 120 (98.3 percent) initial fill claims tested, Rx Plus properly billed for the claims and complied with requirements.

However, for two initial fill claims, Rx Plus did not properly bill for the claims or comply with applicable requirements for Medicaid managed care pharmacy initial fill claims. Specifically:

- For one of 120 initial fill sample claims tested, the medication dosage direction on the prescription did not agree with the medication dosage direction dispensed.

- For one of 120 initial fill sample claims tested, Rx Plus submitted the claim with an incorrect issuance date, although the prescription was still valid.

OIG Audit offered recommendations to Rx Plus, which, if implemented, will (a) recoup $60.99 overpaid to Rx Plus and (b) help ensure continued compliance with contractual and Texas Administrative Code requirements.

OIG Audit thanks management and staff of Rx Plus Pharmacy of Live Oak for their cooperation and assistance during this audit.

Appendix A: Detailed Methodology

After an initial assessment of risk factors and total claims paid by Superior, OIG Audit performed testing from the population of claims paid to Rx Plus for prescriptions dispensed to Superior members from June 1, 2017, through August 31, 2019.

OIG Audit issued an engagement letter to Rx Plus on May 24, 2021, providing information about the upcoming audit, and conducted fieldwork from May 2021 through July 2021.

Data Reliability

OIG Audit assessed the reliability of data provided by Rx Plus by tracing encounter data to the Superior paid claims and interviewing relevant Rx Plus personnel knowledgeable about the systems and data. OIG Audit determined that the data was sufficiently reliable for the purpose of this audit.

Testing Methodology

OIG Audit collected information for this audit through discussions, interviews, and electronic communications with Rx Plus management and staff. OIG Audit reviewed:

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

For this audit, OIG Audit used two populations of paid claims with service dates ranging from June 1, 2017, through August 31, 2019. One population contained initial fill claims, and the second population contained refill claims. Two separate samples were selected for testing. One sample contained 120 initial fill claims, and the second sample contained 103 refill claims, for a total of 223 claims.

For the claims in both samples, OIG Audit tested Rx Plus's compliance in six areas: (a) claims validity, represented by claims documentation maintained by the provider, (b) National Drug Code (NDC) usage, (c) refills, (d) quantity, (e) controlled substances, and (f) drug acquisition. Additionally, any controlled substance (C-II) prescriptions in the selected samples were tested to determine whether written prescriptions were executed on tamper-resistant pads. This report

details results, issues, and recommendations in those areas, when applicable, and the results of limited testing of IT general controls.

Statistical Sampling

OIG statisticians selected a statistically valid random sample of paid claims to test whether Rx Plus properly billed Superior for dispensed prescriptions, including initial fills and refills. The sample was designed to be representative of the population, and therefore, it is appropriate to project the results of that sample to the population.

The OIG Fraud, Waste, and Abuse Research and Analytics Division provided data for testing. It was administratively infeasible to review every claim in the population; therefore, OIG Audit selected one sample of 120 initial fill claims and a second sample of 103 refill claims to test, for a total of 223 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 Vendor Drug Program (VDP) PBM Universe table. The data sets included only Superior 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. The data sets were further filtered to only include paid claims greater than ten dollars.

Query Result Objects field names included:

Member ID	Unit of Measure
Member Name	Drug Strength
Member Date of Birth	Package Size
Member Age on Date of Service	Metric Decimal Quantity Prescribed
Member Gender Code	Metric Decimal Quantity Dispensed
Prescription Number	Days Supply
Claim Line Number	Nbr of Refills Authorized
Claim ID	Refill Number
Drug Name	Compound Code
NDC	Date Prescribed
Unit Dose Indicator	Date of Service
Dosage Form Description	Rx Fill Date
Total Reimbursed Amount	Dispensing Status
Prior Authorization	Date Paid
DAW Code	Allowed Ingredient Amount
Rx Origin Code	Dispensing Fee
Drug Class Code	Pharmacy Name
DEA Code	Dispensing Fee Amount
Prescriber Alt ID	Prescriber Name

Prescriber ID	Pharmacy Vendor ID
Pharmacy ID (NPI)	Basis of Cost Determination
Pharmacy Name	Basis of Reimbursement Descr.
Basis of Reimbursement	Plan Code
MCO Name & Program	

Query Filters Included:

- Date of Service (between 09/01/2016 to 08/31/2019)
- 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)

Sample Testing

OIG Audit tested a total of 223 (120 initial fills claims and 103 refill claims) statically valid sample claims selected from Superior paid claims to determine whether they were supported and complied with applicable statues, rules, and contractual requirements. For all 223 claims tested, Rx Plus properly billed 221 (118 initial fill and 103 refill) claims. OIG Audit verified supporting documentation provided by Rx Plus and compared with claim data. Data tested included verification of:

- Existence of prescription.
- Required information included on the prescription: patient name, medication name, strength, quantity and dosage directions, issuance date, prescriber name, and NPI (or other required identification number).
- Medication dispensed as prescribed.
- Prescription number, filled date, and expiration date.
- Usage of tamper resistant paper for handwritten prescription.
- NDCs and the NDC listing on the VDP's formulary.
- United States Drug Enforcement Administration (DEA) number for the control substance prescription filled.
- Recipient signature for the control substance prescription filled.

- Quantity and pharmacist signature for the C-III through C-V control substance prescription filled.

- Authorization of refills.

- Accuracy of claims.

Appendix B: Audit Issues Index

Table B.1 provides details about the claims filed and paid in error for the following issues discussed in the report.

Issue 1: Prescription Dosage Different from Dispensing Label
Issue 2: Issuance Date Different from Claims Data

Table B.1: Claims Associated with Issues Discussed in This Report

Sample Number	Prescription Number	Fill Date	Issue Number	Claim Amount	Overpayment Amount
43	[redacted]	[redacted]/2018	1	$ 60.64	$60.64
100	[redacted]	[redacted]/2019	1	232.11	0.35
Total	—	—	—	$292.75	$60.99

Source: OIG Audit

Appendix C: Abbreviations

Abbreviations Used in This Report

DEA	United States Drug Enforcement Administration
HHS	Health and Human Services
HHSC	Health and Human Services Commission
IT	Information technology
MCO	Managed care organization
NDC	National Drug Code
NPI	National provider identifier
OIG	Office of Inspector General
OIG Audit	OIG Audit and Inspections Division
PBM	Pharmacy benefit manager
PSAO	Pharmacy services administration organization
VDP	Texas Vendor Drug Program

Appendix D: Report Team and Distribution

Report Team

OIG staff members who contributed to this audit report include:

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Rx Plus Pharmacy of Live Oak

- Himanshu Patel, Owner and Pharmacist in Charge

Superior HealthPlan, Inc.

- Carlos E. Galvan, Compliance and Reporting Specialist, Audit Management Team

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:

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- Susan Biles, Chief of Staff
- Dirk Johnson, Chief Counsel
- Christine Maldonado, Chief of Operations and Workforce Leadership
- Juliet Charron, Chief of Strategy
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