



TEXAS
Health and Human
Services

Texas Vendor Drug Program Pharmacy Provider Procedure Manual

Audits

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1 Pharmacy Audits

All pharmacies enrolled with VDP are subject to periodic audits. These may result from internal Texas HHSC auditors working with the Texas HHSC Inspector General (IG) or the Federal Medicaid Integrity Contractors working through the Centers for Medicare and Medicaid Services.

- *Refer to 1 TAC Section 354.1891 - Vendor Drug Providers Subject to Audit*

Pharmacy claims are sampled and reviewed for accuracy and compliance with state and federal laws and policies that govern the pharmacy programs. Any audit findings, derived by following procedures that are developed from accepted and approved audit standards, may subject the pharmacy provider to recoupment. The auditors determine the amount of overpayment in a sample set of claims and then apply a statistical extrapolation formula to estimate the overpayment across the universe of claims the pharmacy provider or supplier submitted over the selected audit period.

Audits determine the pharmacy provider's compliance with federal and state laws, policies, procedures, and limitations. Claims transactions selected for audit are compared with documentation on the corresponding prescriptions, invoices, pharmacy daily logs, pharmacy delivery logs, etc. Overpayments are considered exceptions subject to restitution to HHSC.

2 Audit Process

The audit process begins with an engagement letter, or notice of intent to audit, sent to the pharmacy provider. The letter includes the dates of the audit period and the proposed audit date. A request is made that pharmacy staff provide ample room and proper atmosphere for the auditor to conduct the audit. On-site audit time periods vary between 1 and 3 days. At the end of examination of material relevant to the audit, an oral exit interview is conducted. The auditors then deliver the draft audit report listing findings, if any, to the pharmacy contact - usually the owner or the pharmacist-in-charge. The pharmacy then has 15 days to provide additional documentation and a response to the draft audit report. The response may include a management rebuttal to address any findings. A final audit report will be issued.

3 Informal Appeals

A pharmacy has a right to request an informal hearing to contest the findings of an audit conducted by the HHSC IG or an entity that contracts with the federal government to audit Medicaid pharmacy providers. The informal hearing can be requested if the audit findings do not include findings that the pharmacy engaged in Medicaid fraud. In an informal hearing, an Administrative Law Judge (ALJ) from the HHSC Appeals Division will make the final decision on whether the complete findings of an audit, including any additional documentation provided, are accurate.

- *Refer to 1 TAC Section 354.1891 - Vendor Drug Providers Subject to Audit*

3.1 Appeals Process

- Pharmacy providers will have 15 days from receipt of the final audit report to request an informal hearing. Pharmacy staff will be notified via certified mail that the informal hearing has been scheduled. The notice is mailed to the pharmacy's address on file with the VDP or to the attorney representing the pharmacy. The date, time, and location of the hearing and any other pertinent details will be provided.
- If the informal hearing request was not received within 15 days of the receipt of the final performance audit report, pharmacy providers will be notified via letter that the request was not submitted timely and that an informal hearing will not be scheduled.
- If pharmacy staff are unable to attend the scheduled hearing then the ALJ must be notified in advance. The ALJ determines if the provider's reasons for absence are acceptable. The hearing is rescheduled if the ALJ deems the provider's absence reasons acceptable and the notification process described above will begin again.
- The ALJ will make the final decision. VDP staff will be available to address questions but will not vote on the matter.

3.2 Informal Hearings

- Informal hearings will be recorded. The pharmacy provider is notified in advance of the hearing date, time and location and that they may request a copy of the recording free of charge.
- A certified letter is sent to the pharmacy provider or to the attorney representing the pharmacy provider indicating the final amount due. The pharmacy provider has 30 days to either
 - ▶ Pay the amount in full; or
 - ▶ Request and have an approved payment plan.