

Texas Vendor Drug Program **Pharmacy Provider Procedure Manual**

Audits

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The Pharmacy Provider Procedure Manual (PPPM) is available online at txvendordrug.com/about/policy/manual.



TEXAS
Health and Human
Services

*Medical and
Social Services*

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1 Pharmacy Audits

All pharmacies enrolled with VDP are subject to periodic audit (1 TAC Section 354.1891 - Vendor Drug Providers Subject to Audit). These stem from internal Texas Health and Human Services Commission auditors working with the Texas HHSC Inspector General (IG) or the Federal Medicaid Integrity Contractors working through the Centers for Medicare and Medicaid Services.

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 provider or supplier submitted over the selected audit period.

Audits determine provider 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 (notice of intent to audit) sent to the pharmacy provider; the engagement 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 conclusion 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 provider's response may include a management rebuttal to address any findings. Next, a final audit report will be issued.

3 Informal Appeals

Section 11 of Senate Bill (S.B.) 207, 84th Legislature, Regular Session, 2015, specifies that 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 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 (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. Providers will be notified via certified mail that the informal hearing has been scheduled. The notice is mailed to the provider's address on file with the VDP or to the attorney representing the provider. 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 provider's receipt of the final performance audit report, providers will be notified via letter that the request was not submitted timely and that an informal hearing will not be scheduled.
- If the provider is unable to attend the scheduled hearing then the provider must inform the ALJ in advance, who will determine if the provider's reasons for absence are acceptable. The hearing will be 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 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 provider or to the attorney representing the provider indicating the final amount due. The provider has 30 days to either
 - ▶ Pay the amount in full; or
 - ▶ Request and have an approved payment plan.