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January 2014

Performance Audit  
Recommendations and Corrective  
Actions for Audit: 06-4

Medicaid: Audit Identifies \$2.2  
Million in Questioned Pharmacy  
Claims

Dated: 12/28/2006

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# Overview

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The SAO makes recommendations designed to improve the operations of state government. For our work to produce benefits, auditees or the General Assembly must implement these recommendations although we cannot require them to do so. Nevertheless, a measure of the quality and persuasiveness of our performance audits is the extent to which these recommendations are accepted and acted upon. The greater the number of recommendations that are implemented, the more benefit will be derived from our audit work.

In 2010, the SAO began to follow-up on the recommendations issued in our performance audits. Experience has shown that it takes time for some recommendations to be implemented. For this reason, we perform our follow-up activities two and four years after the calendar year in which the audit report is issued (e.g., we followed up on recommendations contained in audit reports issued in calendar year 2008 in 2010 and 2012). Our annual performance reports summarize whether we are meeting our recommendation implementation targets.

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Act 155 (2012) required that we post on our website “a summary of significant recommendations arising out of the...audit reports... and the dates on which corrective actions were taken related to these recommendations. Recommendation follow-up shall be conducted at least biennially and for at least four years from the date of the audit report.”

This report addresses the requirements of Act 155 to post the results of our recommendation follow-up work on our website. The report does not include follow-up on recommendations issued as part of the state’s financial statement audit and the federally mandated Single Audit, which are performed by a contractor. However, our new contract for this work requires the contractor to provide the results of its recommendation follow-up in the future. Accordingly, we expect that future reports will contain this data.

Audit No., Name & Date	Rec #	Recommendation	Follow-Up Date	Status and Date	Review Comments
<a href="#">06-4 Medicaid: Audit Identifies \$2.2 Million in Questioned Pharmacy Claims 12/28/2006</a>	1	<p>The Office of Vermont Health Access (now the department DVHA] should systematically review and validate the specific claims identified by data mining to clearly determine which of the claims were incorrectly billed or paid. OVHA should seek refunds for those identified claims that were improperly paid and for which providers are unable to document as valid claims. Pharmacies should have the opportunity to provide documentation which supports the questioned paid claims as valid.</p>	12/31/2010	Not Implemented	In 2010, DVHA reported that it did not intend to implement this recommendation.
	2	<p>The Office of Vermont Health Access (now the department DVHA] should extend the analysis of past claims, using some or all of the algorithms employed in this report, to the earlier portion of the First Health pharmacy benefit management contract, that is, from November 2001 through December, 2003.</p>	12/31/2010	Not Implemented	In 2010, DVHA reported that it did not intend to implement this recommendation.
	3	<p>The Office of Vermont Health Access (now the department DVHA] should consider employing additional data mining analysis, using different algorithms than the eight we employed, to check for other improper payments in the entire First Health contract period of July 2001 through December, 2005.</p>	12/31/2010	Not Implemented	In 2010, DVHA reported that it did not intend to implement this recommendation.

Audit No., Name & Date	Rec #	Recommendation	Follow-Up Date	Status and Date	Review Comments
<a href="#">06-4 Medicaid: Audit Identifies \$2.2 Million in Questioned Pharmacy Claims 12/28/2006</a>	4	The Office of Vermont Health Access (now the department DVHA], in conjunction with its new Medicaid pharmacy benefit manager, MedMetrics Health Partners should ensure that software controls are in place to automatically identify and prevent payment of the most common billing errors this report has identified and which are confirmed as improper payments by OVHA.	12/31/2010	Implemented (no date given)	DVHA has made significant enhancements to pharmacy policies and the claims processing system to mitigate many of the deficiencies identified in the 2006 report. Many enhancements were implemented in the fall of 2007. DVHA continues to make enhancements to system edits and also to actively manage its preferred drug list through the Drug Utilization Board activities. Examples of pharmacy point of sale (POS) coding edit changes include: 1) Kit Billing Errors (quantity limits on Copaxone and Pegasys kits), 2) Lovenox (maximum daily limits), (3) Inhaler Quantity Limits (glucocorticoid and anticholinergic inhalers), (4) Medroxyprogesterone Injection Quantity Limits, 5) POS Edits for Charges >\$5,000, 6) Dose Consolidation, and 7) POS Edits for Part B Claims."
	5	The Office of Vermont Health Access (now the department DVHA] and MedMetrics Health Partners should review the data related to specific pharmacies in the data results that we provided to them to determine if on-site pharmacy audits are warranted for those establishments identified as exhibiting higher-than-expected error rates or other patterns suggestive of fraud or abuse. OVHA should also consider reviewing this data with the State's Medicaid Fraud and Residential Abuse Unit (MFRAU) to determine if specific investigations are warranted.	12/31/2010	Partially Implemented (no date given)	DVHA performs desk audits and occasionally hires outside contractors to perform onsite audits of select pharmacies whose error rates or patterns of billing necessitate a more comprehensive review. Last fiscal year DVHA performed two onsite audits. Additionally, the DVHA Program Integrity Unit (PIU) and the Medicaid Fraud and Residential Abuse Unit (MFRAU) meet regularly to discuss potential referrals to the MFRAU identified through PIU's data mining activities.
	6	The Office of Vermont Health Access (now the department DVHA] should employ data mining of pharmacy claims as an ongoing tool for post-payment review.	12/31/2010	Implemented (no date given)	The Department of Vermont Health Access reported that it hired a contractor to perform post-payment analyses of Medicaid pharmacy payments to determine whether it has made improper payments. DVHA is still in the process of investigating some of the results of the contractor's analyses, but it reported that \$360,000 in improper payments have been identified of which it has recouped about half.