



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Ohio Medicaid Program

*Review of Medicaid Reimbursements Made to
Modern Pharmacy Consultants, Inc.*

A Compliance Review by the

**Fraud, Waste and Abuse
Prevention Division**



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Rob Shulman, Executive Director
NCS Healthcare of Ohio, Inc.
34300 Lakeland Blvd.
Eastlake, Ohio 44095

Re: Medicaid review of Modern Pharmacy Consultants - Provider #0641032

Dear Mr. Shulman:

We have completed our review of selected pharmacy services rendered to Medicaid recipients by Modern Pharmacy Consultants, Inc. for the period October 1, 1999 through June 30, 2001. We identified \$57,897.23 in findings, which we understand have been repaid to the Ohio Department of Job and Family Services. Your prompt response to our audit results is appreciated.

As a matter of courtesy, a copy of this report is being sent to the Ohio Department of Job and Family Services and the Ohio Attorney General. If you have any questions, please feel free to contact Johnnie L. Butts, Jr., Chief, Fraud, Waste and Abuse Prevention Division, at (614) 466-3212.

Yours truly,

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

October 1, 2002

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ABBREVIATIONS

CMS	Center for Medicare and Medicaid Services (formerly known as HCFA)
CPT	Physician’s Current Procedural Terminology
FWAP	Fraud, Waste and Abuse Prevention (Division of)
HCFA	Health Care Financing Administration (now known as CMS)
HCPCS	HCFA Common Procedure Coding System
MMIS	Medicaid Management Information System
OAC	Ohio Administrative Code
ODJFS	Ohio Department of Job and Family Services
ORC	Ohio Revised Code
OTP	Other Third Party
POS	Point of Sale Pharmacy Benefit Program
RA	Remittance Advice
SSA	Social Security Administration
TCN	Transaction Control Number

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SUMMARY OF RESULTS

The Auditor of State performed a review of Modern Pharmacy Consultants, Inc., Provider #0641032, doing business at 34300 Lakeland Blvd., Eastlake, Ohio 44095. We identified \$57,897.23 in findings that are subject to recovery. The findings are recoverable as they resulted from duplicate claims for reimbursement and claims for services rendered to Medicaid recipients subsequent to the date of death, neither of which are reimbursable under the Ohio Administrative Code (OAC).

BACKGROUND

The Auditor of State, working in cooperation with the Ohio Department of Job and Family Services (ODJFS), performs reviews to assess Medicaid providers' compliance with federal and state regulations for reimbursement of Medicaid claims. A Provider renders medical, dental, laboratory, or other services to Medicaid recipients.

Medicaid was established in 1965 under the authority of Title XIX of the Social Security Act and is a federal/state financed program which provides assistance to low income persons, families with dependent children, the aged, the blind, and the disabled. ODJFS administers the Medicaid program. The rules and regulations that providers must follow are issued by ODJFS in the form of an Ohio Medicaid Provider Handbook.

ODJFS' Medicaid Provider Handbook, General Information, Section II, Subsection (B), Chapter 3334, (OAC Section 5101:3-1-01), states in part, "Medical necessity" is the fundamental concept underlying the Medicaid program. A physician must render or authorize medical services within the scope of their licensure and based on their professional judgement of those services needed by an individual. "Medically necessary services" are services which are necessary for the diagnosis or treatment of disease, illness, or injury and meet accepted standards of medical practice.

Pharmacy benefit services are among those reimbursed by the Medicaid program when delivered by eligible providers to eligible recipients. Requirements for providers of pharmacy services are covered in the "First Health Pharmacy Provider Manual for the Ohio Department of Job and Family Services." First Health operates the point of sale (POS) program for ODJFS. All pharmacy services that are reimbursed by Medicaid must be prescribed by a physician and the dispensing pharmacy must retain adequate documentation in their files available upon request for inspection.

Pursuant to the Ohio Medicaid Provider Handbook, Chapter 3334, Section IV, Subsection (B), and OAC Section 5101:3-1-172,(E), providers are required to "Maintain all records necessary and in such form so as to fully disclose the extent of services provided and significant business transactions. The provider will maintain such records for a period of six years form the date of receipt of payment or until any initiated audit is completed, whichever is longer."

In addition, rule 5101:3-1-29 (C) of the OAC states: "In all instances of fraud and abuse, any amount in excess of that legitimately due to the provider will be recouped by the department through its surveillance and utilization review section, the state auditor, or the office of the attorney general.

"Abuse" is defined in rule 5101:3-1-29 (B) as "...those provider practices that are inconsistent with professional standards of care; medical necessity; or sound fiscal, business, or medical practices; and result in an unnecessary cost to the medicaid program."

PURPOSE SCOPE AND METHODOLOGY

The purpose of this review was to determine whether the Provider's claims for reimbursement of Medicaid covered pharmacy services were in compliance with regulations and to calculate the amount of any overpayment resulting from non-compliance.

We informed the Provider by letter they had been selected for a compliance review. An Entrance Conference was held on January 4, 2002, with Rob Shulman, Executive Director, Larry Clark, Chief Pharmacist and Renee Coffman, Manager of Computer Operations.

We utilized ODJFS' Ohio Medicaid Provider Handbook and the OAC as guidance in determining the extent of services and applicable reimbursement rates. We obtained the provider's claims history from ODJFS' Medicaid Management Information System (MMIS), which lists services billed to and paid by Medicaid. This computerized claims data includes patient name, place of service, date of service, and type of procedure/service. These healthcare procedures and services are codified using one or more of the following digit coding systems:

- Current Procedural Terminology (CPT)¹,
- Center for Medicare and Medicaid Service's² (CMS) Common Procedural Coding System (HCPCS), and
- ODJFS' local level codes.

The scope of our review was limited to claims for which the Provider was paid by Medicaid during the period October 1, 1999 though June 30, 2001. During this period, the Provider was reimbursed \$33,766,159.98 for 1,024,392 pharmacy services. We used computer programs to analyze the Provider's paid claims history for that audit period. We specifically tested for the following conditions:

¹The CPT is published by the American Medical Association (AMA) for the purpose of providing a uniform language to describe medical services.

²The Center for Medicare and Medicaid Services (formerly known as HCFA) has federal oversight of the Medicaid program.

- “deceased recipient” payments - payments made for services received subsequent to the date of death;
- “duplicate payments” – payments made more than once for the same service on the same date to the same recipient;
- compliance with third-party billing requirements pursuant to OAC 5101:3-1-08 (B) that stipulates Medicaid is the payer of last resort and providers are expected to take reasonable measure to ascertain any third-party payer resource from the recipient, file a claim with the liable party, document the liable third-party information and report it to ODJFS;
- compliance with the Provider requirement to keep such records as are necessary to establish medical necessity and fully disclose the basis for the type, extent and level of the services provided to Medicaid eligibles and to document significant business transactions;
- compliance with OAC 5101:3-1-198 that stipulates that Medicaid payment for covered services constitutes payment-in-full and may not be construed as partial payment when the reimbursed amount is less than the provider’s charge; and
- compliance with processing of credits to ODJFS pursuant to OAC 5101:3-9-06 for returned or unused prescriptions including starter-pack and unit dosage medications.

We reviewed three random statistical samples of the Provider’s records, which were used to support the Medicaid claims paid by ODJFS. These samples were comprised of 85 transaction control numbers (TCN). The TCN is the unique claim identifier used to bill for a prescription service rendered to a Medicaid recipient.

- The first sample of 30 TCNs was obtained from a population of 10,439 services that contained an identified other third-party (OTP) payer.
- The second sample of 30 TCNs was obtained from a population of 669,641 services identified as a refilled prescription.
- The third sample of 25 TCNs was obtained from 1,953 services containing potentially duplicate payments.

These claims represented a population of 682,033 pharmacy services. In addition, we reviewed 762 claims identified as services rendered to a Medicaid recipient subsequent to the date of death. We examined the amounts reimbursed by ODJFS and conducted an on-site review of pharmacy records.

Work performed on this audit was done in accordance with government auditing standards. Detailed below are the results of this review.

FINDINGS

Following a review of the sample documentation at the Provider’s location, and that which was subsequently provided, we found no material deficiencies in the billing for refilled prescriptions or the reporting of OTP payer information. However, based on information supplied by the Provider, we identified findings for reimbursed services to deceased recipients and

for duplicate payments. Our total findings were \$57,897.23, and included \$22,743.03 for services paid for deceased recipients and \$35,154.20 for duplicate payments. A discussion of each deficiency follows.

Deceased Recipients

According to Section 5101:3-1-198(E) of the Ohio Administrative Code, overpayments, duplicate payments, or payments for services not rendered are recoverable by the department at the time of discovery. Because services cannot be rendered to deceased persons, any payments for such services should be repaid to ODJFS.

During our review of services provided to Medicaid recipients subsequent to the date of death, we found 762 TCNs for Modern Pharmacy Consultants, Inc. These TCNs were for pharmacy services provided to 142 unique recipients residing in nursing facilities under contract to the Provider. The Provider explained that pharmacy services are sometimes inadvertently billed for deceased recipients because of delays in learning from nursing facilities that the recipients are deceased. The Provider explained that when this happens, they attempt to reverse any erroneous payments through the Point of Sale system. After reviewing the TCNs we questioned, the Provider produced documentation verifying that they had previously received a credit adjustment for 31 of the claims totaling \$748.42 and concurred that a balance of \$22,743.03 was due.

Duplicate Payments

Section 5101:3-1-198 (E) of the Ohio Administrative Code, which is cited above, also requires the recovery of any duplicate payments. We defined duplicate payments as payments for the same service to the same person on the same day.

During our analysis of payments made to Modern Pharmacy Consultants, we identified 1,953 TCNs totaling \$70,800.25 that were associated with potential duplicate payments. These TCNs were for pharmacy services provided to 624 unique recipients residing in nursing facilities under contract to the Provider. The Provider said their internal audits had already identified a significant number of duplicate payments, and they submitted documentation verifying that on August 31, 2000 they had repaid \$298,586.02 to ODJFS and on June 7, 2001 they had repaid another \$493,601.76. The second payment covered approximately 112,725 TCNs occurring from April 1999 through January 2000. Because of the potential overlap with TCNs identified by our analysis, and in lieu of reviewing a sample of 25 claims, we expanded our review to determine if any of the 1,953 TCNs from our analysis were among those already refunded to ODJFS.

After reviewing the documentation submitted by the Provider, we found 39 potential duplicate TCNs from our analysis that overlapped with the Provider's internal audit period. However, after analyzing a randomly selected sample of 10 TCNs from these 39 records, we did not find any that

had already been identified by the Provider's internal audit. The Provider confirmed for us that their audit efforts were in response to medications returned from nursing homes due to the death or discharge of the recipient. We therefore concluded that there was no replication of audit findings between Modern Pharmacy Consultants and our analysis.

We subsequently performed another analysis of the Provider's paid claims history through March 31, 2002 and identified two (2) claims from our 1,953 TCNs that had been credit adjusted (repaid). After applying all adjustments, there were 1,951 TCNs totaling \$70,777.91 in paid services related to potential duplicate payments. Using the date billed, we divided these TCNs into the original paid claim and the subsequent claim for each service. A total of 959 TCNs representing \$35,154.20 were identified as original claims, while the remaining 992 TCNs representing \$35,623.71 were identified as the subsequent *and potentially duplicate* claims.

Currently, there is a special review of these potential duplicate claims under way by ODJFS and the POS vendor. To date, the POS vendor has reviewed 11 duplicate transactions from Modern Pharmacy. In all 11 transactions, the Provider had submitted a void transaction for the original claim through the POS system. Subsequently, the Provider submitted a new claim for the service and was paid by ODJFS. However, because the intervening void appears not to have been processed, two payments were made for the same service. The POS vendor and ODJFS are currently trying to determine if there was a problem in transmission between the POS system and ODJFS, or if there was some problem in processing the transmitted void.

Based on the results of the POS vendor's review and learning that the Provider had attempted to void the original claim; our findings are based on using the original payment as the duplicate payment. Therefore, the findings for this category were adjusted to \$35,154.20.

PROVIDER'S RESPONSE

A draft report was mailed to the Provider on August 9, 2002, to afford an opportunity to provide additional documentation or otherwise respond in writing. In a response addressed to the Ohio Department of Job and Family Services, the Provider enclosed a check for the full amount of the audit findings (\$57,897.23). The Provider's response also discussed difficulties faced by institutional pharmacies in receiving notifications of Medicaid patients' deaths, and in processing certain transactions through the Department's POS system.

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APPENDIX I

**Table 1: Summary of Analysis for Modern Pharmacy Consultants, Inc.
For the period October 1, 1999 to June 30, 2001**

Description	Audit Period October 1, 1999 - June 30, 2001
Total Medicaid Pharmacy Services Paid	\$33,766,159.98
Number of Pharmacy Services	1,024,392
Type of Examination	A complete listing of deceased recipients were used along with an examination of the internal control mechanisms used to prevent erroneous billings. Three pilot samples of duplicate payments, refilled prescriptions and other third party coverage were used in this examination.
Overpayments for Deceased Recipients	\$22,743.03
Overpayments for Refilled Prescriptions	\$0.00
Overpayments for Other Third Party Payer	\$0.00
Overpayments for Duplicate Payments	\$35,154.20
Total Overpayments/Projected Recovery	\$57,897.23

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MODERN PHARMACY CONSULTANTS

LAKE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 1, 2002**