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AUDIT AND ADVISORY SERVICES

Pharmacy Billing
Project #15-036

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University of California
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Audit and Advisory Services

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SUBJECT: Pharmacy Billing

As a planned internal audit for Fiscal year 2015, Audit and Advisory Services ("AAS") conducted a review of pharmacy billing. Our services were performed in accordance with the applicable International Standards for the Professional Practice of Internal Auditing as prescribed by the Institute of Internal Auditors (the "IIA Standards").

Our review was completed and the preliminary draft report was provided to department management in June 2015. Management provided us with their final comments and responses to our observations in July 2015. The observations and corrective actions have been discussed and agreed upon with department management and it is management's responsibility to implement the corrective actions stated in the report. In accordance with the University of California audit policy, AAS will periodically follow up to confirm that the agreed upon management corrective actions are completed within the dates specified in the final report.

This report is intended solely for the information and internal use of UCSF management and the Ethics, Compliance and Audit Board, and is not intended to be and should not be used by any other person or entity.

Sincerely,

Irene McGlynn
Director
UCSF Audit and Advisory Services

EXECUTIVE SUMMARY

I. BACKGROUND

As a planned audit for Fiscal Year 2015, Audit and Advisory Services (AAS) conducted a validation of pharmacy billing against Medi-Cal requirements for outpatient services and an assessment of monitoring procedures in place for charging and billing of pharmaceutical drugs.

Pharmaceutical billing for Medi-Cal was turned off at UCSF in August 2013 following the identification of inconsistencies and inaccuracies in the billing data. After the creation and implementation of a Pharmacy Revenue Improvement Project, Medi-Cal billing for charges from APeX Willow system was turned back on effective September 1, 2014. Compliant billing for Medi-Cal requires submitting the National Drug Code (NDC) on claims paired with the appropriate Healthcare Common Procedure Code (HCPC) for the service and unit quantity drug provided. The NDC submitted to Medi-Cal must be the actual NDC number on the package or container from which the medication was administered. Providers should not bill for one manufacturer's product and dispense another as this may considered to be a fraudulent billing practice.

Additionally, as UCSF participates in the Federal 340B drug rebate program, a UD modifier needs to be included on Medi-Cal claims to identify a 340B purchased drug and prevent the State claiming duplicate discounts from the manufacturers. Non-compliant claims and incorrect billing practices generate erroneous payments and skew utilization information, which may trigger an audit review of provider claims.

Billing for pharmaceuticals requires coordination by multiple groups at UCSF, including Pharmacy Finance, Reimbursement Services, IT APeX Willow Team (Willow Team), and Patient Financial Services (PFS). Pharmacy Finance maintains procurement pricing information, monitors charges and billing revenue data as well as denials. Willow Team maintains the stock list for pharmaceuticals, including NDC information, and produces the charges summary report monthly for review for missing HCPCs or quantity information.

There were 58,195 drug charges totaling $18.55 million sent on primary claims to all Medi-Cal plans for dates of service between September 1, 2014 and March 23, 2015.[1]

II. AUDIT PURPOSE AND SCOPE

The purpose of this review was to validate that controls are in place to ensure accurate and compliant outpatient Medi-Cal billing and assess the monitoring procedures for ensuring complete and accurate billing of pharmaceutical drugs.

The scope of the review covered transactions and activities for September 2014 to March 2015 at UCSF outpatient departments.

Procedures performed as part of the review included reviewing operational and monitoring procedures for pharmaceutical billing, validating billing processes for Medi-Cal plans, and validating accuracy of claims sent to Medi-Cal. For more detailed steps, please refer to Appendix A.

Work performed was limited to the specific activities and procedures described above and in Appendix A. As such, this report is not intended to, nor can it be relied upon to provide an assessment of compliance beyond those areas specifically reviewed. Fieldwork was completed in May 2015.

[1] Data was provided by PFS for primary claims submitted to Medi-Cal, CCS, and Managed Medi-Cal plans for outpatient claims with revenue codes 25X and 63X.

III. SUMMARY

Based on work performed, considerable improvements have been made in maintaining updated pricing information, ensuring appropriate NDCs and HCPCs are included on claims, and creating monitoring processes to review for incorrect or missing information. AAS provided input and feedback to management on processes implemented during the course of the review. It is important that effective monitoring with clear accountability is in place to ensure that the process improvements and tools implemented are sustained.

Opportunities for improvement exist in the areas of assigning accountability for monitoring procedures, finalizing and operationalizing procedures developed during the improvement project, providing feedback to departments on erroneous drug charge submissions, validating data integrity, and reducing redundant efforts.

The specific observations from this review are listed below.

Billing Accuracy

- Quantities charged did not always match amounts ordered, dispensed, or administered;
- Users of Dispense Prep do not always include all components;
- Charges may not always be supported by the correct medication record;
- There is no formal process for reviewing and determining when application of the UD modifier is required.

Monitoring Procedures

- Monitoring procedures have not been finalized and accountability has not been assigned for some areas;
- Communication and collaboration between all areas responsible for pharmaceutical billing needs improvement;
- Pharmacy does not have an overarching policy for billing pharmaceutical charges;
- Feedback is not being provided consistently to departments who are creating drug charging errors.

Additionally, during the course of this review, potential opportunities for improvement were noted for enhanced process efficiency. Standardizing Unit of Measure across the continuum of ordering, administering, and charging would reduce the likelihood of quantity errors being introduced. Additionally, certain potential errors may be sent to multiple work queues, leading to duplication of effort in correcting the charge.

IV. OBSERVATIONS AND MANAGEMENT CORRECTIVE ACTIONS

A. Billing Accuracy

No.	Observation	Risk/Effect	Recommendation	MCA
1	***Quantities charged did not always match amounts ordered, dispensed, or administered.*** Two of 42 drug charges reviewed had charged quantities that did not match administration, dispensing, or order documentation. The first instance showed an administration quantity of double the charge quantity, caused by a manual entry override. The second instance had a dispensed amount that was double the ordered, administered, and charged amounts. While the discrepancies were not caused due to a system error, monitoring should be performed to review for potential manual errors.	Errors in billing quantities may result in under/ overpayments and non-compliant billing.	A report or work queue should be developed to show mismatches between quantities ordered, administered, dispensed, and charged so that Pharmacy can review for potential billing errors.	By September 30, 2015, Pharmacy will submit an APeX service ticket to build a charge edit work queue to review and monitor potential errors for mismatches between quantities ordered, administered, dispensed and charged.
2	***Users of Dispense Prep do not always include all components in a compounded drug.*** Six of 17 drug charges with multiple components did not have all components included when using Dispense Prep. When multiple vials or units were used to make up the full ordered amount, we found that not all ingredients and quantities were separately included in Dispense Prep. Instead the total administered amount is listed for one ingredient, and the others are not listed. Dispense Prep is a functionality in APeX that allows pharmacists to include all components used in a compounded drug by scanning the individual components and entering the amount of that component used. The amount entered for the component should not exceed the total size of the component.	Medi-Cal NDC reporting requirements state that all NDCs must be included on a claim. If all components are not listed in Dispense Prep, the billing claim may not have all necessary NDCs to be compliant.	Pharmacy should remind all users of Dispense Prep to include scans of all components used in a mixture and a section on scanning multiple vials into Dispense Prep should be included on the job aid.	By August 31, 2015, Pharmacy will update the Dispense Prep job aid to include scanning of multiple components and provide training to pharmacists.
3	***Charges may not always be supported by the correct medication record.*** For some recurring treatments, drugs may be issued from the pharmacy prior to the treatment date; however, drugs cannot be administered for a	If charges are not supported by correct medication records,	Pharmacy should reiterate to pharmacy techs and pharmacists the need to include date of	a) Pharmacy has communicated to pharmacists the need to include dates of service on

No.	Observation	Risk/Effect	Recommendation	MCA
	date of service if they are dispensed after that date. In one of the seven dialysis drug samples reviewed, an incorrect medication record for later encounters was attached to the charge for the date of service. Additionally, two other dates of service for this patient had incorrect medication records attached, causing drugs for two dates of service not being charged. Although the case in question went through the work queue for reviewing dialysis medications, the charge was still attached to an incorrect medication record.	inappropriate billing may occur or not all charges may be sent.	service when preparing drugs that are charged on dispense so that the charge is attached appropriately. Additionally, when the Pharmacy Finance staff review the dialysis medication work queue, they should validate the date of service from the order against the date of administration in Ascend to ensure they are matching the charges appropriately. Work queue edits to be updated to include charges for review where there is no dispense date for an order prior to or on the date of the first service.	the dispense record, and is continuing to reiterate the requirement. b) By August 31, 2015, the work queue procedures for Pharmacy will be updated to include validating the date of service on the order to the date of service in Ascend when matching charges. c) By September 30, 2015, Pharmacy will update the dialysis medication work queue edits to identify instances when there is no dispense date prior to the first date of service for the charge.
4	***There is no formal process for reviewing and determining when application of the UD modifier is required.*** The UD modifier is used to indicate that a drug was purchased at 340B price. While UD modifiers were attached to standard Medi-Cal and some county plans' claims, for billing plans that have contracted rates and do not require 340B pricing, such as Medi-Cal Managed Care plans, or billing plans for secondary claims, UCSF was not applying UD modifiers.	Medi-Cal may seek rebates for drugs from the manufacturer if no UD modifier is applied, leading to duplicate	Pharmacy should monitor the publications from HHS and Medi-Cal to ensure continuing compliance with Medi-Cal requirements.	By January 31, 2016, Pharmacy will have put in place a formal process to review exceptions to the use of the UD modifier for Medi-Cal charges.

No.	Observation	Risk/Effect	Recommendation	MCA
	The need to include UD modifiers on all primary claims submitted to Medi-Cal plans, including those that do not receive 340B pricing, was identified by Compliance during the course of this review, and has been put into practice by PFS. At this time, there has not been clear guidance from Medi-Cal on UD modifiers for secondary claims. Additionally, we noted that there is no formal process in place to monitor developments in the 340B program changes and determination of the application of the UD modifier.	discounts.	Additionally, Pharmacy should develop a process to review the list of exceptions to the UD modifier at least annually with PFS and Compliance.	

B. Monitoring Procedures

No.	Observation	Risk/Effect	Recommendation	MCA
1	***Procedures have not all been finalized for monitoring and accountability has not been assigned for some areas.*** In reviewing the monitoring procedures and reports created by the Pharmacy Revenue Improvement Workgroup, there are several instances of data requirements still being reviewed, reports needing to be created, analysis of reports needed, and communications of data to be determined. Additionally, it was noted that the parties accountable were not always aware of their assigned responsibility for reviewing the reports or work queues or accountability had not been finalized. It is acknowledged that the monitoring procedures have been recently developed, and there may be confusion over how often to monitor and by whom. Pharmacy Finance may also need to review how the monitoring is resourced to ensure that it is done regularly and thoroughly. Documentation of procedures should be completed so that the improvements identified by the Pharmacy Revenue Improvement Project workgroup can be operationalized and sustained.	If work queues and reports are not monitored effectively, errors may not be caught. Additionally, unclear procedures may lead to improvement efforts not being maintained and ineffective work queue review.	The Pharmacy Revenue Improvement Workgroup should update and finalize the monitoring procedures and obtain sign offs from all individuals assigned accountability. Training should be done for staff assigned to work queues on the new or updated procedures. Additionally, Pharmacy should assess the resources needed to fulfill the monitoring on a consistent basis.	a) By October 31, 2015, Pharmacy will finalize the monitoring procedures and provide training to staff on the updated procedures. b) By October 31, 2015, Pharmacy will perform an assessment of the resources needed to effect the monitoring on an ongoing basis. (See MCA B.2.b)

No.	Observation	Risk/Effect	Recommendation	MCA
2	***Communication and collaboration between all areas responsible for pharmaceutical billing needs improvement.*** Although Pharmacy Finance has been assigned to review the majority of the monitoring reports, the issues identified may span multiple departments or areas and require additional review or action to be addressed. Exchanges via e-mail have been occurring, but may not be sufficient to identify and address process or system issues.	Without a sustained collaborative effort from all groups involved in pharmaceutical billing, repeated errors may occur and underlying issues may not be identified or resolved.	Regular status meetings should be set up to include PFS, CDM, Pharmacy, and Willow to review complex issues and error trends requiring input from multiple areas.	a) The current weekly Revenue Improvements Workgroup meetings will change to a Medication Charge Monitoring Task Force with contributors/ attendees to discuss drug charges and billing issues. b) By October 31, 2015, Pharmacy will identify appropriate internal or external analytical skills resource to effect the monitoring on an ongoing basis.
3	***Pharmacy does not have an overarching policy for billing pharmaceutical charges***. While detailed procedures have been produced on monitoring and maintenance of data activities Pharmacy does not have a high-level charging and revenue policy that ties the procedures together and provides overall direction on expectations and accountabilities. UCSF Policy 1.01.23 Department-Specific Policies and Procedures states that departments should develop policies and procedures that represent current statements of departmental operations, and outline specific procedures to be followed and the responsibilities assigned to various staff levels to improve operations and communication across departments and with employees.	Without a clear policy providing direction for pharmaceutical billing, expectations and goals may not be met.	Pharmacy should develop a policy outlining the expectations, responsible parties, and actions needed for compliant and appropriate pharmaceutical billing.	Pharmacy will draft a charge and revenue reconciliation policy and seek input from the workgroup established with participants from Willow and CDM Teams. The Policy is expected to be completed by October 31, 2015.

No.	Observation	Risk/Effect	Recommendation	MCA
4	***Feedback is not being provided consistently to departments who are creating errors.*** When errors are identified in drug charges, the Pharmacy, Willow, or PFS groups correct them so that the charges can be sent or written off. However, errors may not be communicated back to the originating departments or clinics, and therefore may reoccur. Additionally, feedback should be provided to UCSF Health leadership to increase awareness of the revenue impact and risk involved with current processes, such as EAP charging.	Errors may reoccur, leading to additional effort required to re-submit correct charges.	Analysis of errors should be done regularly, and repeated errors should be communicated to the originating departments to address.	By October 31, 2015, Revenue Integrity Team will develop a process to identify trends and communicate issues and impact with departments. Additonally, there will be regular reporting to the Executive Director of Faculty Practice Office of the revenue impact of erroneous charging.

V. OPPORTUNITIES FOR IMPROVEMENTS

No.	Observation	Risk/Effect	Recommendation
1	***Standardizing Unit of Measure across the continuum of ordering, administering, and charging would reduce the likelihood of quantity errors being introduced.*** Calculations are required to be performed when the physician order is in a different unit of measure than that contained in the NDC. This may cause unit of measure differences between quantity administered, dispensed, and charged. Additionally, the unit of measure for the HCPC code billed may be different as well. The information needed to perform calculations to translate between order dose, NDC unit of measure, and HCPC quantity is entered when creating the drug record (ERX) in Willow. The calculations are then performed in APeX and Cirius (the claim scrubbing program used by PFS); however, if there is an error in the initial set-up of the drugs, such as unit of measure, it may lead to incorrect billing that is not caught by any work queue or report.	Errors in quantity calculations may lead to incorrect billing quantities resulting in under/overpayments and non-compliant billing.	Pharmacy should review the standard drug dosage quantities built into the Willow system and determine if there is a systematic way of updating the formulary unit of measures to be consistent. A work plan for this effort will be developed by March 31, 2016.
2	***Certain potential errors may be sent to multiple work queues, leading to duplication of effort in correcting the charge.***	Efforts may be spent resolving an error that has	As part of finalizing the work queue monitoring procedures, Pharmacy will

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	Service date outside of the encounter dates is listed as going to router review workqueue 2799, which is worked by Pharmacy Finance, and charge review workqueue 50, which is worked by Hospital Billing. This may lead to one error being worked by two groups, which is unnecessary duplication of effort.	already been fixed by another group.	review the work queues for redundancies and streamline accordingly, – see MCA B.1.a.

APPENDIX A

To conduct our review the following procedures were performed for the areas in scope:

- Reviewed Medi-Cal billing regulations;
- Reviewed UC and UCSF charging policies;
- Reviewed prior reviews completed on 340B pricing and charging;
- Reviewed monitoring and maintenance procedures created by the Pharmacy Improvement Project;
- Interviewed key department personnel from Pharmacy, PFS, Willow, and the Pharmacy Improvement Project;
- Reviewed samples of drug charges billed to Medi-Cal plans and tested for accuracy and compliance;
- Assessed process controls to determine if errors would be caught by current processes; and
- Validated monitoring processes documented for the Pharmacy Improvement Process are being performed.