



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF COMMUNITY HEALTH

JAMES K. HAVEMAN
DIRECTOR

May 23, 2013

Mr. Doug Ringler
Office of Internal Audit Services
Office of the State Budget
George W. Romney Building
111 South Capitol, 6th Floor
Lansing, Michigan 48913

Dear Mr. Ringler:

In accordance with the State of Michigan, Financial Management Guide, Part VII, attached are the preliminary summary table identifying our responses and corrective action plans to address recommendations contained within the Office of the Auditor General's Performance Audit of the Medical Services Administration, Medicaid Pharmacy Services

Questions regarding the summary table or corrective action plans should be directed to me at (517) 373-1508 or Myersp3@michigan.gov.

Sincerely,

Signature Redacted

Pam Myers, Director
DCH Office of Audit

Enclosure

Cc: Office of the Auditor General
House Fiscal Agency
Senate Fiscal Agency
Executive Office
DCH, James K. Haveman
DCH, Timothy Becker
DCH, Karla Ruest

House Appropriations Committee
House Standing Committee
Senate Appropriations Committee
Senate Standing Committee
DCH, Nick Lyon
DCH, Steve Fitton

PERFORMANCE AUDIT OF THE
MEDICAID PHARMACY SERVICES

DEPARTMENT OF COMMUNITY HEALTH

May 2013

AUDIT RESPONSE

Approved: Timothy J. Becker
Timothy Becker, Senior Deputy Director
Department of Community Health, Operations Administration

Date: 05/08/2013



AUDIT REPORT SUMMARY

DEPARTMENT: Community Health
AUDIT PERIOD: October 1, 2009 through June 30, 2012
REPORT DATED: January 17, 2013

DISPOSITION OF AUDIT RECOMMENDATIONS

<u>CITATIONS COMPLIED WITH</u>	<u>CITATIONS TO BE COMPLIED WITH</u>	<u>CITATIONS DCH DID NOT AGREE WITH</u>
Finding 1		
	Finding 2 July 31, 2013	
	Finding 3 July 31, 2013	
	Finding 4 June 30, 2013	

**Audit Response
Performance Audit
Medicaid Pharmacy Services
Department of Community Health
October 1, 2009 through June 30, 2012**

Recommendation 1: Medicaid Recovery for Medicare Eligible Prescriptions

OAG recommended that DCH identify and recover Medicaid pharmaceutical drug payments made on behalf of beneficiaries who were Medicare eligible.

Response:

DCH has completed the testing for the transmission of electronic files to LI NET. The first production file was submitted on April 10, 2013 and DCH anticipates a response back from our first billing file in 30-60 days after sending the file. This is the customary amount of time it takes to get billing responses from payers.

Recommendation 2: Payments for Pharmaceutical Drugs Prescribed by Sanctioned Service Providers

OAG recommended that DCH ensure that it notifies the PBM when a provider is sanctioned and ensure that the PBM implements sufficient controls to prevent payments to pharmacies for pharmaceutical drugs prescribed by sanctioned providers.

OAG recommended that DCH seek repayment from the pharmacy providers or the PBM for the payments made for pharmaceutical drugs prescribed by sanctioned Medicaid service providers.

Response:

part a: As a result of internal workgroup meetings, DCH streamlined the current Sanctioned Provider notification in December 2012 to a web-based process to further improve the timely production of updates to its comprehensive provider sanctions/exclusions listing.

Pharmacy Services modified their procedure to review web-based sanction list on a weekly basis. The Division also receives e-mail notification from Provider Enrollment when changes/updates are made to a Provider record regarding a sanction.

DCH also continues work toward its commitment to CMS to restrict referring providers to only those enrolled in Medicaid during 2013. Once promulgated, this policy will allow DCH to provide its PBM a prescriber reference file of CHAMPS active/enrolled prescribers. As a result, prescriptions written by sanctioned/excluded providers will automatically deny at Point-of-Sale once the sanctioned/excluded prescriber's enrollment is inactivated in CHAMPS. DCH expects completion of this in July 2013.

part b: The PBM is streamlining its Sanctioned Prescriber coding to minimize risk of the manual errors responsible for the payment of the 163 claims identified. DCH expects completion of this in July 2013.

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After the vendor updates their editing to exclude sanctioned providers, DCH performs queries to verify that claims did not process beyond the date of sanction. In the event that payments were made for dates of service that occurred after the date of sanction, a referral is made to the Office of Inspector General for follow-up.

part c: DCH reviewed the effected claims and have determined that it is not cost effective to pursue recoupment.

DCH notified its PBM vendor in December of a forthcoming written request for repayment of funds for claims verified, written by a sanctioned prescriber, and processed as a result of the system coding delinquency. The vendor mailed the second notification on May 1, 2013 to the providers involved advising them of the prescriber sanction on the date of service. Once outreach is completed DCH will finalize and the PBM will process the amount of necessary repayment/reversals. DCH expects completion by June 30, 2013.

Recommendation 3: Payments for Pharmaceutical Drugs Prescribed by Deceased Service Providers

OAG recommended that DCH ensure that it notifies the PBM of deceased service providers.

Response:

On a weekly basis, DCH is monitoring the Data Warehouse for any providers that have a newly obtained business status of "deceased." We then create a Change Control Memo to be sent to our PBM. Our PBM performs the "deceased prescriber update" which sets the provider in the POS System to "deceased" with the start date equal to the date shown in the Data Warehouse, thus preventing claims to be paid from deceased prescribers. The second step in this internal control procedure is the monitoring for claims that were paid post-deceased start date and refer to Program Integrity if found.

DCH is continuing to work toward its commitment to CMS to restrict referring providers to only those enrolled in Medicaid during 2013. Once promulgated, this policy will allow DCH to provide its PBM a prescriber reference file of CHAMPS active/enrolled prescribers. As a result, prescriptions written after a prescriber's date of death will automatically deny at Point-of-Sale once the deceased prescriber's enrollment is inactivated in CHAMPS. DCH expects completion of this in July 2013.

Recommendation 4: Monitoring of Drug Manufacturer Rebates

OAG recommended that DCH improve its monitoring of the PBM's calculation, invoicing, and tracking of drug manufacturer rebates.

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Response:

part a: DCH is increasing Pharmacy Management Division staff resources in June 2013.

DCH will thoroughly investigate the rebate validation variance within the physician administered injectables claims for the quarters in question and implement corrective actions, if appropriate. DCH expects completion of this in June 2013.

part b: DCH is increasing Pharmacy Management Division staff resources in June 2013

DCH will implement its internal control procedure to validate MCO rebate invoicing. DCH expects completion of this in June 2013.