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*Auditing for a Better Oregon*

June 19, 2002

Bob Mink, Director  
Department of Human Services  
500 Summer Street NE, E15  
Salem, OR 97302-1097

Dear Mr. Mink:

During our audit of institutional pharmacy costs, we noted the following issues that pertain to the Office of Medical Assistance Programs (OMAP) and Services to People with Disabilities (SPD). Because these issues were not directly related to the objectives of that audit, we did not include them in that report. We believe these additional issues warrant your attention.

### ***Pill Splitting***

Many drugs available in tablet form can be split to create more than one dose from a single pill. Drugs designed to be split come pre-scored from the manufacturer. Pill splitting could lower the cost per dose for some drugs by up to 50 percent. Our understanding is that OMAP has previously considered a policy requiring or suggesting pill splitting. While such a policy may not be appropriate in an institutional setting, we believe that implementing such a policy in other fee-for-service settings could save as much as \$3.4 million annually.

As an example, the OMAP reimbursement for a 10 milligram Paxil is currently \$2.36 (87 percent of the AWP of \$2.71), whereas the reimbursement for a 20 milligram Paxil is \$2.45. The price, therefore, for each 10 milligram dose would be \$1.23 if the 20 milligram pill was split, for a savings of \$1.13 per dose. We estimated a cost savings of \$485,744 if all 10 milligram doses of Paxil paid in fiscal year 2001 had come from splitting 20 milligram pills.

Pill splitting may pose medical risks to patients and litigation risks to the department depending on the specifics of the requirement. The following facts should be considered in creating any policy promoting or requiring pill splitting:

- An unscored tablet may not split correctly, resulting in the patient receiving an unintended dosage of the drug.
- Requiring a pharmacist to split pills for the patient may not be legal.

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Management Letter No. 410-2002-06-01

- There may be reductions in the effectiveness of split pills.
- Patients and doctors have sued organizations that require pill splitting.

**We recommend** that OMAP work with health professionals, including the Board of Pharmacy, and legal professionals to identify any instances where suggested or mandated pill splitting may be appropriate. Further, OMAP should develop the comprehensive policies and procedures necessary to implement a program of this type.

#### ***Accurate and Updated Provider Guides***

The department should ensure that its provider guides are up-to-date and readily available. Providers depend on the department for reliable guidance. We noted the following problems.

- Neither the October 1, 2001 *Pharmaceutical Services Billing and Procedures Guide* nor the two subsequent revisions that were available online in June 2002 had been updated to reflect the reduction in acquisition cost reimbursement effective October 1, 2001.
- The *Medicaid Nursing Facility Services Provider Guide and Audit Manual* was not available on SDSD's web page in November 2001 because it was being updated. As of June 2002, the guide was still not available online. Further, program staff could not provide us with information on an expected availability date.
- Two data elements listed as "required" in the department's pharmaceutical services guide are apparently not being used.

It is incumbent on the department to provide accurate and timely information to providers. A failure to update information on reimbursement rates could put the state and department at financial risk. Further, requiring unnecessary information adds cost and possibly confusion to both providers and the department.

**We recommend** that the department improve its processes to ensure that guides are appropriately revised in a timely manner to reflect major changes such as reimbursement rate changes. The most current version of a guide should be available at all times. Further, guides should reflect actual procedures employed by the department. That is, if certain items (reports or data elements) are not being used, they should not be required.

#### ***Drugs Supplied by Nursing Homes***

The data file used by OMAP's contractor (First Health) to process drug claims may not accurately identify items that should be supplied to nursing homes. Without accurate identification, OMAP may reimburse pharmacies for drugs or other products that should be billed to nursing homes.

In the First Health system, a “Y” flag in the nursing home field indicates drugs and other products that are provided as part of the basic nursing home daily rate. While reviewing claims for nutritional supplements, we noted that in fiscal year 2001 \$785,000 was paid for items produced by a manufacturer specializing in this area. We question whether the flag for these and other products, such as some over-the-counter medications, supplies and bandages that should be supplied by nursing homes, is correctly set and being appropriately reimbursed.

Our understanding is that the nursing home flag was set for all products when the pharmacy program was first implemented. First Data Bank provides the drug-pricing file and was provided with the criteria for setting the flag. First Data Bank is responsible for entering the appropriate value for the flag for all new drugs. OMAP personnel review new drugs for many factors before they are added to the drug file. We did not find that periodic comprehensive reviews are completed.

**We recommend** that OMAP assess current procedures necessary to ensure that a proper criterion is applied to all drugs and related products. Procedures could include such things as periodic reviews of pertinent data fields and coding in the drug file, and reviews of a random sample of drugs and related products (based on national drug code) that had claims in a prior period. Further, OMAP should consider the actions necessary to correct any missing or incorrect codes identified, and communicate these changes to First Health, SPD, and the pharmacies.

#### ***Data Elements Updated in MMIS***

The nursing home institutional pharmacy provider data elements contained in the MMIS should be maintained, or they should be purged from the system. Nursing home provider enrollment screens include a field identifying the pharmacy providing services to a nursing home. The pharmacy provider guide includes a requirement that when there is a change in the pharmacy provider for a nursing home, OMAP should be notified and an OMAP 3063 (Nursing Facility Dispensing Statement) filed by the 15<sup>th</sup> of the month prior to the beginning of service.

We found that while this information is included in MMIS when a new nursing home provider number is set up, the information is not updated and, in many cases, is now outdated and unreliable. Neither SPD/SDSD nor OMAP staff acknowledged responsibility for updating the information on the MMIS nursing home provider screen.

**We recommend** that data in the MMIS system be maintained. There should be a clear assignment of responsibility for updating information in the system. Data determined to be unnecessary should be purged from the system.

#### ***Documenting Assignment of Rates***

Prior to October 1, 2001, there were four different levels for pharmacy dispensing fee reimbursements. The highest level included those dispensing in a true or modified unit dose system. This should have included virtually all institutional pharmacies. We found that in 2001, of

the 23 institutional pharmacies, as identified by OMAP, only eight were receiving the highest rate of \$4.28, while 15 were receiving the lowest rate of \$3.91.

In October 2001 when dispensing fees were lowered and reduced to two levels, new rates were assigned without requiring documentation. We found that 13 of the 23 institutional pharmacies were assigned the dispensing fee rate that was to be paid to those pharmacies operating with a true or modified unit dose dispensing system. We did not find appropriate documentation in provider enrollment files to support the new rate assignments.

Further, we found indications that institutional pharmacies consider accepting the lower rates a trade-off that exempts them from the requirement to process drug returns.

**We recommend** that the department document the method for assigning rates. Further, OMAP should assess the drug return policy and consider rewriting it to clarify circumstances under which drug returns are required.

***Brand Medically Necessary***

When a drug is prescribed and it is noted that the brand of drug as prescribed is medically necessary, the cost to the department is usually higher than if a generic equivalent could be used. Because OMAP makes reimbursement with information supplied by pharmacies, its staff members should be alert to the risk that a pharmacy could incorrectly indicate that a doctor prescribed a particular drug as brand medically necessary, thereby inflating its reimbursement.

We analyzed brand medically necessary claims and found that several pharmacies had unusually high levels of these claims. We referred one of these pharmacies to the Department of Justice Medicaid Fraud Unit for investigation.

**We recommend** that the department monitor pharmacy claims for identification of these unusual patterns.

Should you have any questions concerning these issues, please feel free to call Darcy Johnson or me at (503) 986-2255.

Sincerely,  
OREGON AUDITS DIVISION

Charles A. Hibner, CPA  
Deputy Director

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