

2008 Fact Sheet:

Fiscal integrity and pharmacy audits

THE BACKGROUND

In 2007, Washington pharmacists approached legislators and the Department of Social and Health Services (DSHS) with a series of concerns about pharmacy audits and payment review processes. The concerns in part were precipitated in part by a series of Third Party Liability (TPL) pharmacy overpayment notices tied to Medicaid billing errors. That situation no doubt encouraged the idea of legislation to restrict the state's ability to monitor provider payments. But the consequences of those changes would also endanger the Medicaid program's fiscal integrity and impair its ability to project provider overpayments that resulted from incorrect billings. The most serious threat of this legislation was that it had the potential to create a special status for a single provider type, with all provider groups ultimately demanding the same exemptions. Finally, these audit restrictions do not comport with federal standards and would leave the state out of compliance with federal fiscal integrity requirements.

PHARMACY FOCUS GROUP

DSHS representatives and pharmacists were able to avoid a statutory change with discussions that led to the formation of a Pharmacy Focus Group by the Health and Recovery Services Administration (HRSA) and the WSPA. While the Focus Group has accomplished its purpose in the past year, HRSA and the WSPA are now following up the leads identified by group discussions:

- The Focus Group's meetings provided a regular forum to discuss the concerns of pharmacists. The Focus Group also provided a venue to devise provider education efforts that could be implemented to avoid common billing mistakes.
- A major success of the workgroup was finding that some pharmacy billing software was automatically assigning "Other Coverage Codes" to billings inappropriately -- allowing incorrect billings to proceed and leading ultimately to recoveries that could have been prevented by matching their software to the HRSA billing instructions. With the help of WSPA, the Medicaid program was able to alert pharmacies to this problem and help prevent future overbillings in these areas.
- As a result of Focus Group discussions, DSHS is reviewing the possibility of decreasing a pharmacy's access to some of the "Other Coverage Codes" that allow them to bill Medicaid rather than the client's primary insurer. Six pharmacies are participating with DSHS to review this proposed edit, and once that research is finished, DSHS will work with the Pharmacy Point of Sale (POS) vendor to implement the change.
- DSHS is in the process of enhancing a Pharmacy Point of Sale system (POS) feature that will return specific information to better inform pharmacies when other insurance is present (i.e., BIN/Processor Control Number information in the TPL Reject message). The current message only returns a four-digit code to the pharmacy, forcing it to search for the control number that will identify the transaction. Implementation of this change is timed to coincide with the expanded capabilities of the new ProviderOne payer system in December 2008.
- DSHS is also researching a feature of the Medicare drug benefit billing system that improves coordination of benefits with other insurers through standard transactions that allow the POS system to automatically transfer information to another payer system. If feasible, adding the enhanced transaction to Medicaid's claims processing would also help streamline the process of submitting claims.