



Office of the
Medicaid Inspector
General

FRANK T. WALSH, JR.
Acting Medicaid Inspector General

Audit of Claims for Pharmacy Services

**Final Audit Report
Audit #: 21-5432**

**Duane Reade #239
Provider ID #: 01981882
NPI #: 1114943313**



Office of the
Medicaid Inspector
General

KATHY HOCHUL
Governor

FRANK T. WALSH, JR.
Acting Medicaid Inspector General

October 13, 2021

[REDACTED]
Duane Reade #239
721 9th Avenue
New York, New York 10019-7256

Re: Final Audit Report
Audit #: 21-5432
Provider ID #: 01981882

Dear Provider:

This is the Office of the Medicaid Inspector General's (OMIG) Final Audit Report for Duane Reade #239 (Provider).

In accordance with Sections 30, 31 and 32 of the New York State Public Health Law, and Title 18 of the Official Compilation of the Codes, Rules and Regulations of the State of New York (NYCRR) Parts 504 and 517, OMIG performed an audit of pharmacy services billed that did not meet required standards and regulatory limits or the information claimed was not true, accurate, and complete. This audit included claims for pharmacy services with dates of service beginning January 1, 2016 through December 31, 2020. The attached Final Audit Report represents the final determination on the issues found during OMIG's audit.

The Provider's October 6, 2021 response to the Draft Audit Report dated September 22, 2021 stated that the Provider is in agreement with the Draft Audit Report findings. As a result, the overpayments identified in this Final Audit Report remain unchanged from those cited in the Draft Audit Report. The total amount due is \$2,945.11, including interest to date.

To obtain the password for the enclosed disc, please email [REDACTED]. If you have any questions or comments concerning this report, please contact [REDACTED] or through email at [REDACTED]. Please refer to audit number 21-5432 in all correspondence.

[REDACTED]
Division of Medicaid Audit
Office of the Medicaid Inspector General

[REDACTED]
Exhibits
Certified Mail #: 7015-0640-0002-9036-7251
Return Receipt Requested

Table of Contents

Background	1
Objective	1
Audit Scope	1
Regulations of General Application	2
Audit Findings	4
Repayment Options	6
Hearing Rights	7
Contact Information	8
Remittance Advice	
Exhibits:	
A. Original Prescription for a Controlled Substance Filled Beyond Allowed Timeframe	
B. Provider Response	

Background, Objective, and Audit Scope

Background

The New York State Department of Health (DOH) is the single state agency responsible for the administration of the Medicaid program. As part of its responsibility as an independent entity within DOH, the Office of the Medicaid Inspector General (OMIG) conducts audits and reviews of various providers of Medicaid reimbursable services, equipment and supplies. These audits and reviews are directed at assessing provider compliance with applicable laws, regulations, rules and policies of the Medicaid program as set forth in New York Public Health Law, New York Social Services Law, the regulations of DOH (Titles 10 and 18 of the New York Codes Rules and Regulations), the regulations of the Office of Mental Hygiene (Title 14 of the New York Codes Rules and Regulations), the regulations of the Education Department (Title 8 of the New York Codes Rules and Regulations), DOH's Medicaid Provider Manuals and *Medicaid Update* publications.

Pharmacy is a professional practice, which includes a number of activities that are necessary for the provision of drugs for patients as ordered by persons authorized under State law to prescribe drugs. Pharmacies are licensed and currently registered by the New York State Board of Pharmacy, Department of Education. The pharmacy must comply with all applicable provisions of State Law including Article 137 of the Education Law, Articles 1 and 33 of the Public Health Law, and the *Pharmacy Guide to Practice* (Pharmacy Handbook) issued by the Department of Education. The specific standards and criteria for pharmacies are outlined in Title 10 NYCRR Part 80 and Sections 85.20-22 and Title 18 NYCRR Section 505.3. The *NYS Medicaid Program Pharmacy Manual Policy Guidelines* and *NYS eMedNY Billing Guidelines Pharmacy* also provide program guidance for claiming Medicaid reimbursement for pharmacy services.

OMIG performed an audit of pharmacy services for controlled substance prescriptions filled beyond 30 days after prescriber initiation.

Objective

The objective of this audit was to assess the Provider's adherence to applicable laws, regulations, rules and policies governing the New York State Medicaid program and to:

- recover paid claims that the original controlled substance prescription order was filled more than 30 days after it was initiated by the prescriber

Audit Scope

The audit identified instances where pharmacy services claims were billed that did not meet required standards and regulatory limits for claims paid to the Provider by Medicaid for payment dates included in the period beginning January 1, 2016 and ending December 31, 2020.

Regulations of General Application

Each audit finding is supported by relevant regulations, policy statements and manuals. In addition, the audit findings in this audit are supported by regulations of general application to the Medicaid program. These regulations are provided below.

"By enrolling the provider agrees: (a) to prepare and to maintain contemporaneous records demonstrating its right to receive payment . . . and to keep for a period of six years from the date the care, services or supplies were furnished, all records necessary to disclose the nature and extent of services furnished and all information regarding claims for payment submitted by, or on behalf of, the provider . . . (e) to submit claims for payment only for services actually furnished and which were medically necessary or otherwise authorized under the Social Services Law when furnished and which were provided to eligible persons; (f) to submit claims on officially authorized claim forms in the manner specified by the department in conformance with the standards and procedures for claims submission; . . . (h) that the information provided in relation to any claim for payment shall be true, accurate and complete; and (i) to comply with the rules, regulations and official directives of the department."

18 NYCRR Section 504.3

"Fee-for-service providers. (1) All providers . . . must prepare and maintain contemporaneous records demonstrating their right to receive payment under the medical assistance program. All records necessary to disclose the nature and extent of services furnished and the medical necessity therefor . . . must be kept by the provider for a period of six years from the date the care, services or supplies were furnished or billed, whichever is later. (2) All information regarding claims for payment submitted by or on behalf of the provider is subject to audit for a period of six years from the date the care, services or supplies were furnished or billed, whichever is later, and must be furnished, upon request, to the department . . . for audit and review."

18 NYCRR Section 517.3(b)

"All bills for medical care, services and supplies shall contain: (1) patient name, case number and date of service; (2) itemization of the volume and specific types of care, services and supplies provided (including for a physician, his final diagnosis, and for drugs, the prescription filled); (3) the unit price and total cost of the care, services and supplies provided; . . . and (8) a dated certification by the provider that the care, services and supplies itemized have in fact been furnished; that the amounts listed are due and owing; . . . that such records as are necessary to disclose fully the extent of care, services and supplies provided to individuals under the New York State Medicaid program will be kept for a period of not less than six years from the date of payment; . . . and that the provider understands that payment and satisfaction of this claim will be from Federal, State and local public funds and that he or she may be prosecuted under applicable Federal and State laws for any false claims, statements or documents, or concealment of a material fact provided...."

18 NYCRR Section 540.7(a)(1)-(3) and (8)

"An overpayment includes any amount not authorized to be paid under the medical assistance program, whether paid as the result of inaccurate or improper cost reporting, improper claiming, unacceptable practices, fraud, abuse or mistake."

18 NYCRR Section 518.1(c)

"Vendor payments for medical care and other items of medical assistance shall not be made unless such care or other items of assistance have been furnished on the basis of the appropriate authorization prescribed by the rules of the board and regulations of the department."

18 NYCRR Section 540.1

“The department may require repayment from the person submitting an incorrect or improper claim, or the person causing such claim to be submitted, or the person receiving payment for the claim.”

18 NYCRR Section 518.3(a)

“The department may require repayment for inappropriate, improper, unnecessary or excessive care, services or supplies from the person furnishing them, or the person under whose supervision they were furnished, or the person causing them to be furnished....”

18 NYCRR Section 518.3(b)

“Medical care, services or supplies ordered or prescribed will be considered excessive or not medically necessary unless the medical basis and specific need for them are fully and properly documented in the client’s medical record.”

18 NYCRR Section 518.3(b)

Audit Findings

OMIG issued a Draft Audit Report to the Provider on September 22, 2021 that identified \$2,775.42 in Medicaid overpayments. The Provider's October 6, 2021 response (Exhibit B) to the Draft Audit Report dated September 22, 2021 stated that the Provider is in agreement with the Draft Audit Report findings. As a result, the total overpayment of \$2,945.11 remains unchanged from the overpayment cited in the Draft Audit Report.

OMIG identified the following findings:

Original Prescription for a Controlled Substance Filled Beyond Allowed Timeframe

Pharmacists; dispensing schedule II substances and certain other controlled substances . . .
“(a) A licensed, registered pharmacist, or a pharmacy intern acting in conformity with the provisions of section 6806 of the Education Law and regulations thereunder in a registered pharmacy, may, in good faith and in the course of his/her professional practice, sell and dispense to an ultimate user schedule II controlled substances or those schedule III or schedule IV controlled substances listed in section 80.67(a) of this Part, provided they are dispensed pursuant to an official New York State prescription, an out-of-state prescription or an electronic prescription delivered within 30 days of the date such prescription was signed by the authorized practitioner or an oral prescription where permitted.” *10 NYCRR Section 80.73(a)*

Pharmacists; dispensing schedule III, IV and V controlled substances . . . “(a) Except as provided in sections 80.67 and 80.73 of this Part, a licensed, registered pharmacist, or a pharmacy intern acting in conformity with the provisions of section 6808 of the Education Law and regulations thereunder, in a registered pharmacy may, in good faith and in the course of his professional practice, dispense to an ultimate user, controlled substances in schedule III, IV or V provided they are dispensed pursuant to a prescription presented within 30 days of the date such prescription was signed by an authorized practitioner.” *10 NYCRR Section 80.74(a)*

“For controlled substances, a pharmacist may not fill an original prescription more than thirty (30) days after it has been initiated by the prescriber.”

*NYS Medicaid Program Pharmacy Manual Policy Guidelines
Versions 2013-1 through 2019-1, Section I*

“Enter the original date on which the prescription/order was written as it appears on the prescription/order note signed by the prescribing/ordering provider. . . .”

NYS eMedNY Billing Guidelines, Pharmacy, Version 2013-01 through 2020-09, Section 2.4.1

Exhibit A is a list of claims that were improperly billed to Medicaid, because the controlled substance prescription was filled more than 30 days after it was initiated by the prescriber. These resulted in overpayments in the amount of \$2,775.42.

In accordance with 18 NYCRR Section 518.4, interest may be collected on any overpayments identified in this audit and will accrue at the current rate from the date of the overpayment. Interest on the overpayments identified in this Final Audit Report was calculated from the date of each overpayment through the date of the Draft Audit Report, using the Federal Reserve Prime Rate. For the overpayments identified in this audit, OMIG has determined that accrued interest of \$169.69 (Exhibit A) is now owed.

Based on this determination, the total amount due to DOH, as defined in 18 NYCRR Section 518.1, is \$2,945.11 (Exhibit A), including interest to date.

Do not submit claim voids or adjustments in response to this Final Audit Report. Repayment instructions are outlined on the next page.

Repayment Options

In accordance with 18 NYCRR Part 518, which regulates the collection of overpayments, your repayment options are described below.

Option #1: Make a full payment by check, money order, or OMIG's Online Payment Portal within 20 days of the date of the Final Audit Report.

- The check should be made payable to the New York State Department of Health, should include the audit number on the memo line, and be mailed with the attached remittance advice to:

New York State Office of the Medicaid Inspector General
Bureau of Collections Management
800 North Pearl Street
Albany, New York 12204
Phone #: [REDACTED]
Fax #: [REDACTED]
Email: [REDACTED]

- If you elect to pay electronically through OMIG's Online Payment Portal, please visit [REDACTED] or contact OMIG's Bureau of Collections Management by telephone or email, at the above number or address.

Option #2: Enter into a repayment agreement with OMIG. If your repayment terms exceed 90 days from the date of the Final Audit Report, recoveries of amounts due are subject to interest charges at the prime rate plus 2%. OMIG's acceptance of a repayment agreement is based on your repaying the Medicaid overpayment as agreed. OMIG will adjust the rate of recovery, or require payment in full, if your unpaid balance is not being repaid as agreed. If you wish to enter into a repayment agreement, please contact the Bureau of Collections Management within 20 days, by telephone or email, as provided above.

Should you fail to select a payment option above within 20 days of the date of this Report, OMIG will initiate recoupment by withholding all or a part of your payments otherwise payable, in accordance with 18 NYCRR 518.6. Additionally, OMIG reserves the right to use any remedy allowed by law to collect the amount due. Pursuant to the State Finance Law Section 18(5), a collection fee equal to twenty two percent (22%) of the amount due, including interest, may be added to the amount owed.

Hearing Rights

The Provider has the right to challenge this action and determination by requesting an administrative hearing within sixty (60) days of the date of this notice.

If the Provider wishes to request a hearing, the request must be submitted in writing within sixty (60) days of the date of this notice to:

General Counsel
Office of Counsel
New York State Office of the Medicaid Inspector General
800 North Pearl Street
Albany, NY 12204

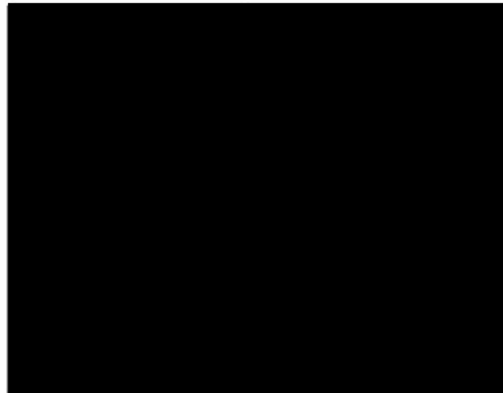
Questions regarding the request for a hearing should be directed to Office of Counsel, at [REDACTED]

In accordance with 18 NYCRR Section 519.18(a), "The issues and documentation considered at the hearing are limited to issues directly relating to the final determination. An appellant may not raise issues regarding the methodology used to determine any rate of payment or fee, nor raise any new matter not considered by the department upon submission of objections to a draft audit or notice of proposed agency action."

If a hearing is held, the Provider may have a person represent it or the Provider may represent itself. If the Provider chooses to be represented by someone other than an attorney, the Provider must supply along with its hearing request a signed authorization permitting that person to represent the Provider at the hearing; the Provider may call witnesses and present documentary evidence on its behalf.

For a full listing of hearing rights please see 18 NYCRR Part 519.

Contact Information



Office Address:

New York State
Office of the Medicaid Inspector General
Division of Medicaid Audit
259 Monroe Ave, Suite 312
Rochester, NY 14607

Mission

The mission of the Office of the Medicaid Inspector General is to enhance the integrity of the New York State Medicaid program by preventing and detecting fraudulent, abusive, and wasteful practices within the Medicaid program and recovering improperly expended Medicaid funds while promoting high quality patient care.

Vision

To be the national leader in promoting and protecting the integrity of the Medicaid program.



Office of the
Medicaid Inspector
General

REMITTANCE ADVICE

██████████
Duane Reade #239
721 9th Avenue
New York, New York 10019-7256

Provider ID #: 01981882

Audit #: 21-5432

Amount Due: \$2,945.11

Audit Type

☐ Managed Care
☒ Fee-for-Service
☐ Rate

Checklist

1. To ensure proper credit, please enclose this form with your check.
2. Make checks payable to: New York State Department of Health.
3. Record the audit number on your check.
4. Mail the check to:

New York State Office of the Medicaid Inspector General
Bureau of Collections Management
800 North Pearl Street
Albany, New York 12204
Phone #: ██████████
Fax #: ██████████
Email: ██████████

If you elect to pay electronically through OMIG's Online Payment Portal, please visit ██████████ or contact OMIG's Bureau of Collections Management by telephone or email, at the above number or address.