



Best practices for surviving and thriving through a third-party audit

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Nearly all pharmacies and physician dispensaries will be subject to a third-party audit on an annual basis, with most experiencing an audit an average of 3.26 times per year. Traditional pharmacies lose an average of \$72,000 to audit recoveries, per audit. While physician dispensaries may average a smaller number of total claims versus traditional pharmacies, the much higher cost of each of those prescriptions means that failure to properly document claims, or failure to properly comply with an audit, can lead to even steeper financial penalties.





In the past decade I've spent consulting and coaching specialty practices and physician dispensaries, I can also attest to the fact that in addition to financial losses caused by audit recoveries, failure to understand the third-party audit process before an audit happens can also result in avoidable stress, inefficiently spent staff time, and frustration.

The good news is that whether the auditing entity is a PBM, a manufacturer REMS compliance program or a regulatory agency like the DEA, CMS, FDA or state board of pharmacy, you can set yourself up for success and help defend your practice against audit recoveries by following these key best practices before, during and after an audit.

Before an audit

The old adage “an ounce of prevention is worth a pound of cure” certainly rings true when it comes to third-party audits. Taking proactive steps, now (or better yet, before your dispensary even goes live!) to educate yourself and your staff about claims submission best practices is the best way to set yourself up for a favorable audit outcome down the road. Follow these best practice “dos and don'ts” now — before your pharmacy finds itself facing an audit.



Do educate yourself about the most likely causes for audit recoveries. Doing so will empower you to proactively protect your dispensary from making common mistakes. Most of the top reasons for monetary recovery in an audit are related to insufficient documentation, medication refill errors, and missing, invalid or incorrect information on submitted claims. For example, common causes for audit recoveries include:

- Not being able to locate a hard copy of a prescription, missing a signature for a mailed medication that requires proof of delivery; or failing to document a valid reason for changing a medication quantity.
- Filling a refill too soon, or filling unauthorized refills which are not documented.
- Failing to include key information on a claim, such as prescriber information or “as directed” instructions that allow the auditor to determine the accuracy of the day-supply.
- Inputting the incorrect day-supply information; or incorrect DAW, origin or NDC codes that are not supported by supplier invoices.



Do create thorough claims processing procedures that increase the likelihood that you'll submit all claims properly on the front end — in compliance with the unique contract requirements of every PBM with which you work. In a perfect world, best practices for claims submission should be in place prior to going live with your pharmacy or dispensary, but it's never too late to start! If you need help identifying or implementing best practices, reach out to your GPO representative to ask for assistance in developing them. Here are some common best practices to start:

- **Do maintain accurate and up-to-date patient records.** This includes keeping your practice contact information up-to-date in your NCPDP profile, and documenting all notes regarding changes in therapy, partial dispensing, or an early dispensing like vacation or lost prescriptions.



- **Do have regular discussions with your staff on the importance of submitting claims with correct information**, including patient demographics (correct birthdate, insurance-specific information); correct drug strength, dose, frequency, and NDC identifier; correct quantity, day supply and refill information, based on the directions of the prescription; prescription origin, such as — phone, escribe, fax or hard-copy; correct physician and physician's information; and correct date of service.
- **Do expect your PSAO to provide online access to all PBM contract guidelines, and to communicate with you via email regarding any major contract guideline changes.** Be sure to assign a specific staff member to review those communications, so your claims submission practices can be adjusted accordingly.



- **Do make sure to record tracking numbers on either the hard copy or on the electronic record for all mailed prescriptions.** Ask your software provider to identify the proper field to enter the data.
- **Do maintain comprehensive, written or electronic documentation** of all factors surrounding third-party claims — and ensure that documentation can be quickly accessed.
- **Do educate every member of your staff about correct claims processing procedures**, and make every staff member accountable for doing their part to submit compliant claims, every time.



- **Don't submit claim response codes that are incorrect, simply to push a claim through.** Doing so leads to automatic recoveries on any audit.
- **Don't collect a copay from a patient until the entire prescription is dispensed.** Contract terms for many PBMs prevent pharmacies from doing so.
- **Don't wait until you're audited to educate yourself about how to successfully challenge an audit discrepancy finding** — do so now, so you're prepared.

During an audit

Creating and strictly adhering to best practices for claims submissions can help reduce the likelihood that your practice will be audited —, but chances are, even the most compliant practices will face an audit at some point. Audits can be conducted via email, phone or regular mail —, and can also be conducted on-site at your practice, sometimes with advance notice, but sometimes without.



Regardless of the type of audit your practice faces, following these best practices while the audit is occurring can help increase the likelihood of a favorable outcome:

- **Do immediately assign a staff member to follow through on all aspect of the audit, until it's fully completed.** Make sure that person writes down or otherwise records all respond-by dates, to create accountability. Your audit lead should also request contact information for the auditor, in case your practice needs to clarify a request or ask for more information on a contested claim. This person should also be responsible for keeping a record of all documentation sent to the auditor.
- **Do consider asking your PSAO or GPO account representative to review any audit notification**, and to help develop a plan for your practice to review any relevant documents to support an accurate audit response.



- **Do make sure that you share accurate information with the auditor in the specific format they request.** If they request information to be mailed back, make sure it is by certified, return receipt USPS or other verified delivery carrier. If they request an email response, request a delivery confirmation on the email server. If they request information by fax, print a copy of the delivery confirmation.
- **Do provide all information requested by the auditor and do be pleasant and polite.** Everyone appreciates a positive and professional response.
- **Do NOT provide any additional information to the auditor, beyond the specific data he or she requests.** And remember, auditors are only entitled to information that is relevant to their own covered patients.
- **Do NOT share original documentation with the auditor, doing so violates state laws.** Make copies instead.

Follow these additional best practices for in-person audits:



- **Do have all documentation requested by the auditor available on the day of the audit.** This includes hard copies, signature logs and supporting documentation. Ask prescribing physicians to help complete any missing documentation.
- **Do request identification, such as a business card and proper ID, from the auditor, upon their arrival.** Also Do keep a record of all information the auditor requests.
- **Do give the auditor a quiet place with power and bathroom access.** This area should be located away from the area of pharmacy operations.
- **Do limit your interactions with the auditor, to only the communications and conversations that are absolutely necessary.** As noted earlier, assign a specific staff member to answer the auditor's questions and provide related information. This will help ensure that accurate information is shared for the audit, and that a record can be kept of all information shared.
- **Do request a post-audit recap,** and make sure you provide any missing information, if possible, prior to the auditor's departure.
- **Do ask the auditor to provide a timeline within which you should expect to receive your audit findings.** Request a contact name and number to follow up with in case you don't receive your audit findings within that timeframe.



After an audit

After an audit, you should receive an official response from the auditing agency —, but remember that you are under no obligation to automatically accept the accuracy of those findings. Following these post-audit best practices can help ensure that you complete the audit process with the same high level of accountability and attention to detail with which you started it.



- **Do note and comply with the method and timeframe required by the auditor for any rebuttal of findings.** Failing to refute audit findings within specified timeframes usually means forfeiting the right to refute the findings at all.
- **Do make sure to challenge findings with supporting information.** This may include non-pharmacy sources like the physician EMR. Enlist help or request additional documentation from the provider; nursing, lab or diagnostics group; billing, patient assistance or other department to support any claims discrepancy.



- **Do be willing to accept small claim recovery amounts so you can focus on large claim recoveries.** However, also be willing to contest any finding if you believe you have proof to support the claim.
- **Do keep a record of all audit recoveries,** and do your best to identify the claims submission or other errors that led to the recovery —, so you can make the necessary procedural adjustments to reduce the likelihood that the same errors will be made again.



Third-party audits may be an unavoidable reality for pharmacies and physician dispensaries. However, preparation, employee training, good recordkeeping, professionalism and accountability are key to surviving a third-party audit and securing the optimal result for your practice.

Contact us for expert help with site of care dispensing.



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