12-202 Centricity Drug Catalog Pricing and Maintenance

Strategic Area: Patient Care
Risk Type: Financial, Operational
Audit Manager: Mary Ann Waterman

Overview:

The MD Anderson institutional Charge Description Master (CDM) is a database that holds key pricing and coding elements needed to meet compliance requirements and to assure proper reimbursement for services provided.

The CDM is maintained by Clinical Revenue and Reimbursement. Due to the unique nature of pharmaceutical pricing, drug information and pricing are maintained by Pharmacy Informatics in the Centricity drug catalog. Pricing updates to the drug catalog are based on national pricing determinations provided by MediSpan, a leading provider of drug information. The MediSpan updates are used to add new drugs to the catalog, but a process has been developed to manually build new drugs into the drug catalog if the need arises.

Pharmacy gross revenues represent a large portion of total institutional revenue and were approximately $1.4 billion for FY2011. A Sarbanes-Oxley (S-Ox) review of pharmacy pricing performed by Financial Controls identified five super primary controls related to drug catalog maintenance.   We reviewed processes related to each super primary control and determined that only three of the five super primary controls impacted pricing accuracy and timeliness. The three pricing related control areas, which included MediSpan pricing updates, management change analysis summaries, and manually built drugs, were tested and validated.

Audit Results Summary:

In FY12, MediSpan monthly pricing updates were processed in accordance with departmental policy. Pricing updates were complete, appropriately reviewed and approved by Pharmacy Management, and applied timely to the drug catalog. Change management notification forms were completed for each update in compliance with institutional policy. The process used for adding manually built drugs into the Centricity drug catalog is designed to ensure segregation of duties.

Two areas for control enhancement were identified during our review. Manually built drug procedures could be improved by ensuring an audit trail is maintained and including management review and authorization in the process. Maintaining an approved list of drugs with non-standard pricing structures would support the process to identify drugs that should be excluded from the monthly pricing updates.

Management Summary Response:

Pharmacy management agreed to improve their existing process for updating certain drug prices in order to maintain adequate audit trails and ensure pricing updates are accurate.

Number of Recommendations to be Monitored by UT System: 0

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Objective, Scope and Methodology:

Our objective was to validate controls are in place and effectively implemented to ensure pricing update accuracy and timeliness. Our scope was limited to review of the five super primary controls, identified by Financial Controls, related to drug catalog pricing and maintenance for fiscal year 2012.

Audit work included, but was not limited to:

- Review of Financial Controls Department Sarbanes-Oxley Narrative and Risk/Control Matrix
- Review of the Pharmacy Informatics Operations Manual guidance related to MediSpan updates
- Review of institutional policy ADM0331, Operational Change Management Policy
- Interviews with key personnel in Pharmacy Informatics to ensure our understanding of pricing update processes
- Review of Clinical Revenue and Reimbursement (CRR) processes and documentation related to regulatory updates and quarterly audits
- Analysis of procedures used to process monthly MediSpan pricing updates
- Testing of fiscal year 2012 monthly pricing updates for completeness, accuracy, timeliness, and inclusion of a completed and approved change management notification form.
- Review of documentation for manually built drugs
- Analysis of the process used for building, reviewing, and applying manually built drugs to the Centricity drug catalog

Our review was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing.*

The courtesy and cooperation extended by Pharmacy Informatics personnel is sincerely appreciated.

Sherri Magnus

Sherri Magnus, CPA, CIA, CFE, CRMA
Vice President & Chief Audit Officer, *ad interim*
September 4, 2012

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We reviewed documentation for all twelve MediSpan updates that occurred in FY 2012. We found that Pharmacy Informatics has developed and improved the control environment through adherence to internal and institutional policy, regular research and data analysis to validate pricing updates, and incorporating segregation of duties into their drug catalog maintenance procedures.

Observation 1
Management Oversight of Manually Built Drugs

For new drugs, not yet in the drug catalog or included in the MediSpan updates, the drug record must be manually built, reviewed, and loaded into Centricity. The drug record is built using a standard template in the test environment by a Pharmacy Informatics staff member. A second staff member reviews the template for accuracy and completeness before applying it to the Centricity drug catalog in the production environment; however there is no management oversight of this process. Screen shots of the templates and reviewer information is maintained by the department and provides evidence of segregation of duties. However, we were unable to validate the build initiator in the test environment for twenty-three of thirty manually built drugs added in FY2012. The test environment does not maintain a complete audit trail for manually built records.

Recommendation:
Pharmacy Informatics Management should enhance the manual build process to ensure an audit trail is available and includes management oversight and approval. Any new procedures should be documented.

Management's Action Plan:
Responsible EVP: Thomas W. Burke, M.D.
Owner: Wes Vanderhoofven
Due Date: November 30, 2012

Management agrees with the recommendation. Process changes will be implemented and documented to ensure an audit trail and management oversight of manual build drugs in Centricity. To ensure an audit trail, manual build drugs will be entered into the production system in an inactive status. A second staff member will verify the accuracy of the build information, and activate the drug in the production system which will maintain an electronic audit trail in Centricity and provide evidence of segregation of duties. To ensure management oversight and approval, manual build drug templates will be reviewed and approved by management for use by Pharmacy Informatics staff.

Observation 2
Drugs with Non-Standard Pricing Structures

Drugs with non-standard pricing structure (chargeable units of measure that differ from the manufacturer's standard unit) are often included in the MediSpan updates. These drugs must be manually processed to ensure the accurate price is applied to the Centricity drug catalog. Pharmacy Informatics appropriately developed a process to control the pricing updates for this group of non-standard drugs. During the course of this review we noted there is no documented/approved list of non-standard drugs to use as a procedural checklist. If a drug is inadvertently updated to the MediSpan price, the risk of overcharging a patient is increased.

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Recommendation:
Pharmacy Informatics Management should create a list of the drugs with non-standard pricing structures, review and update it periodically as needed, to ensure the listed drugs are excluded from automatic MediSpan pricing updates.

Management's Action Plan:
Responsible EVP: Thomas W. Burke, M.D.
Owner: Wes Vanderhoofven
Due Date: November 30, 2012

Management agrees with the recommendation. A list of drugs with non-standard pricing will be developed and periodically reviewed. This document will be maintained as a reference document and procedural checklist for Pharmacy Informatics personnel for drugs that are to be excluded from the automatic MediSpan pricing updates.

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