



**Department of Legislative Services  
Office of Legislative Audits**

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**Maryland Department of Health (MDH)  
Prevention and Health Promotion Administration (PHPA)  
Office of Population Health Improvement (OPHI)  
Office of Preparedness and Response (OPR)**

Report dated April 4, 2018

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### Report Overview

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The report contained 7 findings related to PHPA, including 2 repeat findings from the prior PHPA report (current Findings 2 and 3).

#### Key Findings:

- PHPA did not ensure that all rebates from drug manufacturers were received and were accurate. OLA identified certain rebates not received.
  - PHPA did not use available resources to help verify applicant income and to identify other insurance.
  - PHPA did not adequately restrict user access to its AIDS drug assistance applicant eligibility system and did not review overrides of rejected claims, and certain premium payments.
  - PHPA did not recover pharmacy claim overpayments totaling \$425,000 identified during pharmacy audits.
  - Cash receipts were not sufficiently controlled, employees had unnecessary access to confidential patient health information, and food-processing facilities were not always inspected timely.
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## Drug Rebates (Finding 1)

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PHPA receives rebates from drug manufacturers for covered outpatient drugs dispensed to its approved clients under the Maryland AIDS Drug Assistance Program (MADAP). According to PHPA records, drug rebates received during fiscal year 2016 totaled \$52.4 million. Our audit disclosed PHPA did not ensure that all drug rebates were received and were accurate.

- PHPA did not compare the quarterly rebates received from drug manufacturers with a listing of manufacturers that were required to pay rebates. PHPA was not aware that 1 of 10 drug manufacturers tested had not submitted rebates for 6 months. Subsequently, PHPA received a \$49,300 rebate from this manufacturer for the period noted.
  - PHPA did not independently calculate the quarterly rebates due from each manufacturer. Our test of 20 rebates from 8 manufacturers disclosed all appeared to be underpaid by up to \$2 million, collectively.
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## Client Eligibility (Finding 2)

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PHPA did not use available independent resources to help verify applicant income for certain programs and to identify possible third-party insurance coverage (Repeat Finding).

- For the majority of our audit period, PHPA did not use the Maryland Automated Benefits System (MABS) to verify that new and renewal applicants submitted complete and accurate income information. Also, our test of 10 applications processed and approved after MABS use started, found 5 lacked evidence of its use by PHPA. MABS is a database of employee wage data maintained by the Department of Labor, Licensing and Regulation.
  - PHPA had no procedure to identify the existence of third-party insurance for its clients. PHPA was included in an MDH contract to search for possible third-party insurance, but as of February 2017, had not used the services of the contracted vendor because of technical issues.
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### MADAP Client Services (Findings 3 & 4)

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- PHPA did not adequately restrict user access to the MADAP system and did not review certain rejected claims and manually processed payments (**Finding 3**).
    - As of December 2016, 23 of the 31 MADAP users could enter applications and record individuals as eligible for MADAP and MADAP-Plus without any independent approval (Repeat Finding).
    - PHPA did not independently review 4,626 overrides of rejected claims totaling \$4.8 million in FY 2016, and an employee approved insurance premium payments of \$9.3 million in FY 2016 without verifying the accuracy and propriety of the amounts paid.
  - PHPA did not recover pharmacy claim overpayments totaling \$425,000 identified during two recent pharmacy claim audits (**Finding 4**). PHPA management advised that it lacked resources to follow up on the audit results.
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### Other Findings

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#### Finding 5 - Cash Receipts

PHPA lacked adequate procedures and controls over MADAP collections which, according to its records, totaled approximately \$52.7 million during FY 2016.

#### Finding 6 - Confidential Information

Numerous PHPA employees had unnecessary access to the confidential personally identifiable information (PII) and protected health information (PHI) of all patients maintained in PHPA's Sexually Transmitted Disease (STD) Patient Reporting Investigation and Surveillance Manager (PRISM) system. As of December 14, 2016, PRISM had 486,676 unique patient records with PII and PHI.

#### Finding 7 - Food Protection

PHPA did not conduct timely inspections of food-processing facilities, to ensure the facilities were complying with applicable food safety laws and regulations. In this regard, PHPA inspection records were not always accurate, precluding effective monitoring of the inspections.

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## Conclusion

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MDH should

- establish procedures to ensure all required drug rebates are received and are accurate, recalculate prior rebates received, and pursue any underpayments;
  - use MABS to verify income and identify individuals who have third-party insurance coverage;
  - eliminate improper employee MADAP capabilities;
  - independently review and approve system overrides of rejected claims and insurance premium payments;
  - take timely action to recover claim overpayments;
  - establish adequate controls over collections;
  - restrict employee access to confidential information (PII and PHI) of STD patients; and
  - ensure that food-processing inspections are conducted timely and inspection data are accurate.
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