Curbing the Cost of Compound Drug Fraud

Combat negative consequences with data analytics

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Why Compound Drug Fraud Matters

Your plan or program’s costs related to compound pharmaceuticals fraud — particularly compound opioid alternatives and clinically unproven supplements — can quickly escalate to an out-of-control level, increasing risk and effort — and endangering the health of your patients and your bottom line.

As last year’s Tricare case showed, compound drug use is skyrocketing. A Wall Street Journal analysis of Department of Defense data found that Tricare, which serves active duty and retired military personnel and their families, paid $1.75 billion for compound drugs in fiscal 2015. This is 18 times what it paid for these pharmaceuticals in 2012.

The rise in use corresponds with an alarming increase in deaths. According to Centers for Disease Control and Prevention, the death rate from overdoses involving opioids climbed 200% between 2000 and 2014. Compounded pain creams are being marketed as a “safer” alternative, exploiting the alarm over the nationwide opioid abuse epidemic.

But these negative financial and clinical consequences can be combatted. Monitoring costs and putting appropriate safeguards in place empower you to keep abuse and costs under control.

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Dr. of Compound Drug Fraud Schemes

Three factors drive typical compound drug schemes:

01 Prescriber kickbacks
To encourage physicians to write fraudulent scripts, some representatives offer kickbacks or other compensation. In a recent case, two owners of a Dallas-based marketing firm were indicted for a kickback scheme that resulted in more than $65 million in losses to TRICARE. Physicians were allegedly paid $60 for each compounded pain or scar cream and $30 for each compounded vitamin cream. The physicians usually did not have any prior relationship with the patient and wrote these prescriptions after brief telephone interviews.

02 Marketing of topical creams
Some pharmaceutical marketers are using concern over opioid pills to market creams as a “safer” alternative. However, these treatments aren’t intended as alternatives to pills for all patients — only for the small number who can’t take medication orally. Yet many marketers take to social media to promote creams and gels as a substitute to pills. Authorities are now monitoring social media to identify the sources of marketing efforts targeting military families extolling the benefits of compounded creams or attempting to entice them into bogus research studies, according to Jason Mehta, a Jacksonville, Fla., Assistant U.S. attorney involved in the Tricare case.

03 Patient inducements and inappropriate prescribing
Compound drug fraud schemes involve kickbacks not only to prescribers, but in some cases to patients to accept medically unnecessary prescriptions and ongoing refills. In the Tricare case, the nonmedical marketers allegedly paid beneficiaries $250 per month for each prescription they obtained through one of their affiliated pharmacies. These payments were disguised as “grants” for participating in a bogus medical study. In many cases, the prescriptions were prescribed remotely with no in-person examinations and filled by mail from distant pharmacies that also allegedly paid kickbacks to the marketers.
How to Use Analytics to Detect Fraud

A strong analytics approach enables you to more easily monitor, identify, and address fraud quickly and effectively, improving speed to intervention and resolution.

Data can help you closely monitor the overall amount spent on prescriptions and on compound drugs specifically, and see early indicators of potential fraud. For example, increases in drug billing, prescriptions, or payments for compound drugs may show up as a spike or as a steady increase, indicating that a fraud scheme is ramping up. The presence of kickbacks or other incentives may be signaled by a sudden rise of new top-payee pharmacies and top-volume prescribers. The appearance of the same patients across multiple compound drug prescribers may point to patient kickbacks or other inappropriate marketing schemes. Geospatial analytics show suspect patterns in the distances between prescribers, pharmacies, and patient clusters.

It’s also crucial to research every aspect of the prescription process, including:

- **Prescribers**: Verify age; specialty; disciplinary history; how long and consistently they’ve worked with compounds purportedly prescribed; proximity to patients and pharmacies; associations with multiple compounding pharmacies’ claims; and tax liens, bankruptcies, and judgments.

- **Pharmacies**: Confirm ownership, pharmacy, and pharmacist license records; compounding-license status; disciplinary histories; proximity to prescribers and patients; and associations with multiple compound prescribers.

- **Patients**: Check for the same prescriber and patient names, including multiple family members, in claim data from multiple pharmacies. Compare medical and pharmacy claims to determine whether compound prescriptions are consistent with patients’ medical histories.
Increased Demand, Increased Costs

Here’s a look at compound pharmaceuticals by the numbers:

- **56% increase in Medicare Part D spending on compound pharmaceuticals in 2015 alone.**
- **281% increase in Medicare beneficiaries receiving compound pharmaceuticals since 2006.**
- **3,466% increase in Medicare spending on topical creams and gels since 2006.**
- **$211.65 billion increase in federal workers’ compensation plan spending on compound pharmaceuticals since 2011.**

**Drugs:** Determine whether some compound prescriptions are in fact for vitamin or nutritional supplements, steroids, cosmetic skin creams or controlled substances such as ketamine. Evaluate if over-the-counter alternatives are readily available, the prescribed substance is investigational/experimental or clinically ineffective, and whether the existing coverage policy excludes the drugs.

**Recent cases:** Review previous government and other plan actions to see if they involve any of the same prescribers, pharmacies, or pharmacy owners in your system.

**State and federal government:**
Know whether your state laws provide a basis for kickback-related prosecutions, and consult the U.S. Drug Enforcement Administration if you identify and quantify the volume of controlled substances among the compounded scripts.

When monitoring and researching to uncover irregularities, don’t hesitate to investigate suspicious behavior further. Prioritize targets and open comprehensive investigations or internal clinical claim reviews. Create a comprehensive collection of patterns and incidents — including chart notes, interviews, claims histories, and analytics — to prove your case. And, involve law enforcement as needed.

This approach speeds discovery. This is crucial because look-back period capitations and statutes of limitations can hamper prosecutors from bringing charges.

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How to Collaborate With Pharmacy Benefit Managers to Reduce Fraud and Abuse

Another key component in combatting fraud and abuse is having active partnerships with pharmacy benefit managers (PBMs). Too many plans and programs have an “out of sight, out of mind” mentality toward PBMs, which creates a blind spot in monitoring and detecting fraud.

Here are four ways to collaborate with your PBM to curb compounded drug fraud:

01 Request timely compounded-use data on pharmacies, prescribers, patients, and drugs in a format that you can easily integrate and use.

02 Review their compounded oversight and control policies — including coverage and ingredient exclusions, dollar limits, refill limits, and prior authorization — and adopt them as appropriate.

03 Ask the PBM for a detailed exposition of its anti-fraud functions — not simply pharmacy audits and claim reversals, but actual proactive fraud detection (data mining, predictive analytics), investigation, and referral activity on your behalf.

04 Educate patients on the relatively narrow clinical scope of compounded drugs and the potential risks associated with off-label and non-FDA-approved formulations, accepting prescription drugs without a physician examination, and/or the dangers of accepting cash or other inducements from drug marketers, prescribers or pharmacies.

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Conclusion

Even after the discovery of unprecedented losses from compound drug fraud schemes, opportunities exist for unscrupulous individuals — patient recruiters, drug marketers, physicians, and pharmacists — to make huge profits from programs and plans that still have not adequately protected themselves against these illicit schemes.

To control costs and protect patients affected by the compound pharmaceuticals fraud phenomenon, plan and program administrators must pay closer attention and proactively apply strong data analytics, investigation techniques, and partnerships to the prescriptions side of benefit offerings.

William Mahon

William Mahon is widely recognized as one of the United States’ leading authorities on healthcare fraud and a sought-after speaker to a wide variety of audiences. He helps health plans and other medical claim payers to assess their relative vulnerability to fraud and abuse and to increase the effectiveness of existing anti-fraud functions or to establish appropriate and effective anti-fraud functions. Mahon established an independent consulting practice in 2004, following a 13-year tenure as executive director and later president/CEO of the National Health Care Anti-Fraud Association. He graduated from Fairfield University with a Bachelor of Arts in politics.

Jean Lyon

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She graduated from the University of Wisconsin-Oshkosh with a Bachelor of Science in nursing and from the University of Wisconsin-Milwaukee with a Master of Science in health care management.

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