IVT Drugs: How to Control Costs and Survive Audits

BY LINDA ROACH, CONTRIBUTING WRITER
INTERVIEWING PRAVIN U. DUGEL, MD, AND JOY WOODKE, COE, OCS

The same intravitreal medications that can work wonders for patients with vitreoretinal disorders have moved inventory control to a top spot on the list of practice management essentials. Keeping drugs like Lucentis (ranibizumab), Eylea (aflibercept), and Jetrea (ocriplasmin) on hand involves a degree of financial risk, said Pravin U. Dugel, MD, the managing partner of a nine-physician vitreoretinal practice in Phoenix.

"These are very high-cost drugs that are also very fragile. At about $2,000 per single-use vial, if you lose track of one vial, or if it expires, that is a lot of money to lose," said Dr. Dugel.

Yet, during an AAOE webinar last fall, Dr. Dugel and co-instructor Joy Woodke, COE, OCS, found that 15 percent of the participants lacked any inventory controls for these drugs.

Why You Need Inventory Control

Survive an audit. In a time of an increasing number of Medicare audits, meticulous inventory records are a practice's best defense, said Ms. Woodke, who is a vitreoretinal practice administrator in Eugene, Ore. "In ophthalmic practices, we know we have a target on our backs from the auditors. You need to be able to show what medications have come in, what was used, what was billed for, and what was discarded—and the numbers should balance with one another."

Know when to order more. Daily inspection of the inventory records will tell the staff member in charge of ordering injectables how much to buy and when to reorder. "We want to make sure we have enough in stock on days when the physicians are doing injections. But we also don't want to have excessive inventory on hand," she said.

Avoid errors, protect profitability. If practice costs aren't managed proactively, it is possible for a practice to be quite busy giving intravitreal injections yet be in worse financial health than when laser treatment and surgery were the only therapies available for retinal diseases, according to a 2011 study that Dr. Dugel coauthored.[1] "Just because you're busier, that doesn't mean you're doing better," he said.

Consequently, a strong system of inventory control—plus regular vigilance against coding and billing errors—is necessary to spare the practice from costly surprises, he and Ms. Woodke said. "If you're [inadvertently] billing for Avastin instead of Eylea, that could be $1,800 or $1,900 lost each time," she explained. (Medicare allows $60 to $70 for an off-label injection of Avastin [bevacizumab], compared with 106 percent of the average selling price of the more expensive Eylea or Lucentis, she said.)

Tracking Your Inventory

Inventory logs, according to Dr. Dugel and Ms. Woodke, should keep track of:

- Dates on which medication was ordered
- Quantity ordered
- Quantity received
- Returns and credits
- Quantity used
- Total count on specific dates
- Lot numbers
- Expiration dates
- Amount wasted

Patient logs, according to Ms. Woodke, should list the following for each injection:

- Name of patient injected
- Date and location of service
- ID used
- Drug name
- Drug dosage
- Lot number of drug
- Expiration date
- Invoice number

7 Elements of Inventory Control

Does your inventory control include the following components?

1. An inventory log. Logs can be kept in various forms: handwritten;

typed into a Microsoft Excel or accounting software spreadsheet; or generated automatically by bar coding the drugs and scanning them as they are used. "Once you get to higher utilization of these drugs, it becomes more challenging to take the minimalist approach," Ms. Woodke said.

Bar coding is the method that Dr. Dugel said his practice uses. "Every unit of medication is given a bar code when it arrives, and the system tracks and bills for it. We have found it to be an effective way to manage our inventory," he said.

Your inventory log should track certain facts (see "Tracking Your Inventory") and every entry also should be initialed or signed by the staff member making it, said Ms. Woodke.

2. Regular balancing. Crucially, the practice manager can head off problems by balancing the inventory numbers daily, weekly, or monthly, depending on the practice's volume, Ms. Woodke said. On the chosen date, the number of units on hand should be equal to the balance forward from the previous accounting period, plus the supplies received since then, minus the units used in the period, she said.

3. Documentation of discards. In some cases, drug vials contain more medication than needed for a single injection, and staff members should document carefully what happens to the leftovers, Ms. Woodke said.

If there is ever an audit, the auditors will want to verify that any residual drug in these vials was discarded, rather than inappropriately used for a second injection and billed separately.

4. A patient log. You need a centralized patient log to document certain facts about each injection of the drug(s) that you are tracking, said Ms. Woodke. In clinics with practice management or electronic health record systems, this information ideally would be tagged, for automatic extraction into an on-demand, printable patient log, she added.

She prefers to begin a new patient log monthly, to prevent any inventory or billing problems from going unnoticed for an extended period.

Audit Tip

"If an auditor comes in and wants to confirm that all the Lucentis that you purchased in a specific month equals the amount of Lucentis that you billed, you'll want to have that information readily available," said Ms. Woodke. You should therefore store the invoices for drugs by month, and keep them with the patient log that shows who received the injections.

The patient log can be particularly helpful for finding instances of inaccurate billing and reimbursement, which commonly can be caused by claims that contained an error in the J code, drug name, dosage, place of service, date of service, or patient name, she said. "We've heard of audits where there have been challenges to practices that billed for Lucentis when the patient received lower-cost Avastin." Equally important, the reverse can be the case, resulting in underpayments and lost revenue for the practice.

5. Proper storage, and stock rotation. "Expensive injectables should be stored at the correct refrigerated or, in the case of Jetrea, frozen temperatures, and the stock must be rotated to prevent any units from expiring," said Dr. Dugel. Ms. Woodke suggests having at least two drug-storage refrigerators, in case one of them fails, and equipping each with an external temperature monitor and/or alarm.

6. Locked storage. To guard against thefts, costly drugs should be kept in a secure area, with access limited to certain staff, Ms. Woodke said.

7. Checks and double checks. She advises practice managers to do regular self-audits of the numbers in accounting reports and inventory logs, looking for anomalies. This is particularly important if the practice has no bar-coding system to reconcile the purchase, use, and reimbursement status of each unit of a drug.

For instance: Run a report on how much money the practice received for injections over a certain period, and compare it against a report showing how much the practice paid for the vials used. "If you're not showing a profit, you need to look for billing errors, patient bills that should go to collections, and insurance companies paying you less than they should," Ms. Woodke said. "You want to find these errors and correct them right away. The key is to make sure that you're not just looking at one aspect of the controls. You should be analyzing the process from beginning to end."

The Bottom Line

In 2010, Medicare paid nearly $2 billion in combined Part B costs for intravitreal injection therapy with Lucentis and Avastin.[2] And by 2012, total Part B payments to ophthalmologists had reached $5.6 billion, the second highest for any specialty. In this financial environment, practices that use high-cost intravitreal drugs need good inventory controls, Ms. Woodke said.

"What we're finding currently with the auditors is that they're looking closely at the medications," she said. "They're checking to make sure that the medications we purchase are the medications that we actually bill for, that the charting is accurate, and the medication dosage that we document is the medication purchased." ■

1 Dugel PU, Tong KB. *Ophthalmology.* 2011;118(1):203-208.e3.
2 HHS Office of the Inspector General. Report OEI-03-10-00360. Published April 20, 2012. https://oig.hhs.gov/oei/reports/oei-03-10-00360.asp. Accessed June 7, 2014.

Pravin U. Dugel, MD, *is the managing partner at Retinal Consultants of Arizona in Phoenix, and a clinical associate professor of ophthalmology in the University of Southern California's Keck School of Medicine. Financial disclosure: Consultant for Abbott Medical Optics, Alcon, Allergan, Annidis, ArcticDx, Genentech, MacuSight, NeoVista, Novartis, Ophthotech, Ora, Regeneron, and ThromboGenics. He has equity interest in Annidis, ArcticDx, MacuSight, Ophthotech, and NeoVista.*
Joy Woodke, COE, OCS, *is practice administrator at Oregon Eye Consultants in Eugene, Ore. She chairs the AAOE Electronic Health Record committee. Financial disclosure: None.*