



## ADVISORY NO. 505

### **TOPIC: SENTRIX PHARMACY FILES FOR BANKRUPTCY PROTECTION; RESPONDING TO COMPOUND PHARMACY BILLS**

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On July 19, 2017, Sentrix Pharmacy & Discount, LLC filed for Chapter 11 bankruptcy protection in the Southern District of Florida, Case No. 17-19073-RBR. At this moment, the automatic stay under 11 U.S.C. §362 is in effect until further notice. Under Chapter 11, a corporation must propose a plan for continuing operations to pay off creditors. At this time, all legal actions and proceedings must halt pending further clarification from the Bankruptcy Court.

FOL has consulted with Division staff and confirmed that carriers should continue to process any bills received, and issue EOBs (reductions and denials) as usual. Carriers should also file Responses to any pending DWC-60s (Request for Medical Fee Dispute Resolution). Until further notice, no other requests for action or determinations should be filed in Sentrix disputes.

There are hundreds of Sentrix medical fee disputes now pending at the Division of Workers' Compensation and the State Office of Administrative Hearings. Sentrix is a Florida-based compounding pharmacy that has inserted itself into numerous clinics and doctor's offices around the country (not just in Texas) mostly to facilitate the prescription of several "transdermal creams," each priced between about \$2,000 and \$11,000 per month.

This bankruptcy filing is only in the name of Sentrix Pharmacy & Discount, LLC. It remains to be seen if the parent company (Vividus, LLC) or another subsidiary under another name will pick up where Sentrix left off, or when the Court will allow Sentrix to move forward in a reorganized form.

While many carriers are denying these prescriptions based only on lack of preauthorization, FOL has advised these prescriptions are also subject to retrospective medical necessity and relatedness review—and, where supported by utilization review, that *all* defenses should be raised to these bills. See also FOL Advisory 502, June 13, 2016. A retrospective medical necessity denial will likely succeed.

Unfortunately, the Division has been of the opinion that preauthorization for these compounds (containing only "Y" drugs from the ODG) is not required under current Rules. But, compound pharmacy practices have become a significant national issue for regulators, third-party payers

and patients. In response to these issues, the Commissioner has recently proposed changes to Rules 134.500, 134.530 and 134.540 which will require preauthorization for compound drugs in both the network and non-network context. The comment period closed July 7, 2017. [See informal working draft at <http://www.tdi.texas.gov/wc/rules/drafts.html>. The Division's memo for the proposed changes: <http://www.tdi.texas.gov/wc/rules/documents/drcompnd0616m.pdf> ].

Those proposed rule changes, if adopted, will still take some time to become effective. Meanwhile, the lack of preauthorization defense is still viable, but it should not be the only defense raised on the EOB. Carriers are strongly urged to *also* retrospectively review any such bills for medical necessity and relatedness to the compensable injury.

FOL advises carriers and self-insureds to continue to be diligent in raising all the proper defenses to compound-drug prescriptions. Please contact Steve Tipton, [smt1@fol.com](mailto:smt1@fol.com) if you have questions or wish to report possible patterns of compound-drug prescription abuse.