Region IX
Office of Audit Services
50 United Nations Plaza, Room 171
San Francisco, CA 94102

June 27, 2003

Report Number A-10-03-00005

Ms. Lynn Read, Administrator
Oregon Department of Human Services
Office of Medical Assistance Programs
500 Summer Street NE, E49
Salem, OR 97301-1079

Dear Ms. Read:

Enclosed are two copies of the Department of Health and Human Services (HHS), Office of Inspector General, Office of Audit Services' (OAS) report entitled, "Audit of the Medicaid Drug Rebate Program in Oregon."

Final determination as to actions taken on all matters reported will be made by the HHS action official named on page 2. We request that you respond to the HHS action official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

In accordance with the principles of the Freedom of Information Act (5 U.S.C. 552, as amended by Public Law 104-231), OIG, OAS reports issued to the Department's grantees and contractors are made available to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act which the Department chooses to exercise. (See 45 CFR Part 5.) As such, within 10 business days after the final report is issued, it will be posted on the Internet at *http://oig.hhs.gov.*

To facilitate identification, please refer to report number A-10-03-00005 in all correspondence relating to this report. If you have any questions or need additional information, please contact Doug Preussler at (415) 437-8309 or Juliet Lo at (415) 437-8350.

Sincerely,

Lori A. Ahlstrand
Regional Inspector General
for Audit Services

Direct Reply to HHS Action Official:

Ms. Linda A. Ruiz
Centers for Medicare and Medicaid Services
Regional Administrator, Region X
2201 Sixth Avenue, MS-40
Seattle, WA 98121

Enclosures – As stated

Department of Health and Human Services

OFFICE OF INSPECTOR GENERAL

AUDIT OF THE MEDICAID DRUG REBATE PROGRAM IN OREGON

JUNE 2003
A-10-03-00005

Office of Inspector General

http://oig.hhs.gov

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Department of Health and Human Services

OFFICE OF
INSPECTOR GENERAL

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Notices

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OAS FINDINGS AND OPINIONS

The designation of financial or management practices as questionable or a recommendation for the disallowance of costs incurred or claimed, as well as other conclusions and recommendations in this report, represent the findings and opinions of the HHS/OIG/OAS. Authorized officials of the HHS divisions will make final determination on these matters.

Region IX
Office of Audit Services
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San Francisco, CA 94102

June 27, 2003

Report Number A-10-03-00005

Ms. Lynn Read, Administrator
Oregon Department of Human Services
Office of Medical Assistance Programs
500 Summer Street NE, E49
Salem, Oregon 97301-1079

Dear Ms. Read:

This report provides you with the results of our "Audit of the Medicaid Drug Rebate Program in Oregon." The Medicaid drug rebate program was established to allow Medicaid to receive pricing benefits commensurate with its position as a high-volume purchaser of prescription drugs.

EXECUTIVE SUMMARY

OBJECTIVE

The objective of our review was to evaluate whether the State of Oregon (the State) had established adequate accountability and internal controls over the Medicaid drug rebate program.

SUMMARY OF FINDINGS

The State had not established adequate policies, procedures, and internal controls over the Medicaid drug rebate program as required by federal rules and regulations. As a result, the State did not properly report drug rebate information to the Centers for Medicare and Medicaid Services (CMS) nor adequately establish policies, procedures, and internal controls to account for drug rebate program transactions. We identified weaknesses in the following areas:

- **Quarterly Reporting** – The State overstated by $10.2 million the June 30, 2002 balance of uncollected rebates reported to CMS. This occurred because the State reported as of the date the invoices were generated rather than the required reporting date. Also, the State did not reconcile the reported uncollected rebate balance to the supporting receivable account.

- **Accounts Receivable System** – The State did not maintain a general ledger accounts receivable control account nor a sufficiently detailed subsidiary accounts receivable system to provide adequate accountability over its drug rebate activity.

- **Rebate Collections** – The State did not have formal written policies and procedures regarding rebate collections. In addition, the State did not properly segregate duties within and between the rebate collection and accounting functions.

- **Interest Accrual and Collection** – The State did not properly calculate simple interest due on disputed, late, and unpaid rebate amounts. Instead, the State used a compound interest rate. Also, the State did not verify the accuracy of interest payments received.

- **Dispute Resolution** – The State had not used the state hearing process to resolve long-standing disputes with manufacturers regarding drug rebates as suggested by CMS.

RECOMMENDATIONS

We recommend that the State establish policies, procedures, and internal controls to:

- Report drug rebate activity to CMS by calendar quarter, as required, and reconcile the ending balance of uncollected rebates to the receivable account.

- Create a general ledger accounts receivable control account and a sufficiently detailed subsidiary accounts receivable system.

- Address rebate collections and provide for the proper segregation of duties within and between the rebate collection and accounting functions.

- Calculate simple interest on disputed, late, and unpaid rebate payments, and verify the accuracy of interest payments received.

- Make use of the state hearing mechanism to resolve long-standing disputes with manufacturers, when appropriate.

STATE COMMENTS

In written comments to our draft report, the State disagreed with our finding that it did not have formal written policies and procedures for rebate collections. The State generally concurred with the remaining findings and recommendations. The complete text of the State's comments is included as an appendix to this report.

OIG RESPONSE

We have revised the report finding to more accurately describe the written policies and procedures the State had in place regarding drug rebate collections.

INTRODUCTION

BACKGROUND

On November 5, 1990, Congress enacted the Omnibus Budget Reconciliation Act of 1990 legislation (OBRA '90), which established the Medicaid drug rebate program that became effective January 1, 1991. The Medicaid drug rebate program was established to allow Medicaid to receive pricing benefits commensurate with its position as a high-volume purchaser of prescription drugs. Responsibility for the rebate program was shared among the drug manufacturers, CMS, and participating states. Throughout the program, CMS issued memoranda to state agencies and manufacturers to provide guidance on numerous issues related to the Medicaid drug rebate program.

The OBRA '90 required a drug manufacturer to enter into, and have in effect, a rebate agreement with CMS in order to have its products covered under the Medicaid program. After a rebate agreement was signed, the manufacturer was required to submit to CMS a listing of all covered outpatient drugs, including the average manufacturer price and best price information for each drug. Approximately 550 pharmaceutical companies participated in the program.

Based on the information received from the manufacturers, CMS calculated and provided the unit rebate amount (URA) for each covered drug to states quarterly on a computer tape. However, the CMS tape may have contained a $0 URA if the pricing information was not provided timely by a manufacturer or if the computed URA had a 50 percent variance from the previous quarter. In instances of $0 URAs, states were instructed to invoice the units and the manufacturers were required to calculate the URAs and remit the appropriate amounts to the state. In addition, the manufacturers could change any URA based on updated pricing information, and submit this information to states.

Each state was required to maintain, by manufacturer, the number of units dispensed for each covered drug. That number was applied to the URA to determine the actual rebate amount due from each manufacturer. States were required to provide drug utilization data to the manufacturers and CMS on a quarterly basis. Approximately 56,000 National Drug Codes (NDC) were covered under the Medicaid drug rebate program.

From the date an invoice was postmarked, each manufacturer had 38 days to remit the drug rebate amount owed to the state. The manufacturers were to provide the state with a Reconciliation of State Invoice detailing its rebate payment by NDC. A manufacturer could dispute utilization data it believed to be erroneous, but was required to pay the undisputed portion of the rebate by the due date. If the manufacturer and the state could not, in good faith, resolve the discrepancy, the manufacturer was required to provide written notification of the dispute to the state by the due date. The manufacturer was required to calculate and remit interest for disputed rebates when settlement was made in favor of the state. If the state and manufacturer were not able to resolve the discrepancy within 60 days, the state was required to make available a hearing mechanism under the state's Medicaid program for the manufacturer to resolve the dispute. Before resorting to the state hearing mechanism, states had the option to

attend Dispute Resolution Project meetings sponsored by CMS to resolve disputes with those manufacturers who attended.

States were required to report, on a quarterly basis, rebate collections on the CMS 64.9R report. Specifically, states were required to report rebates invoiced in the current quarter, adjustments and rebates received during the current quarter, and uncollected rebate balances for the current and prior quarters. The CMS 64.9R report was part of the CMS 64 report, which summarized actual Medicaid expenditures for each quarter and was used by CMS to reimburse the federal share of these expenditures.

The State reported (1) an average of $12.8 million in billings and $12.2 million in collections per quarter during the 1-year period ending June 30, 2002, and (2) $19.8 million as the outstanding receivable balance as of June 30, 2002. According to its accounting records, the State's outstanding receivable balance as of June 30, 2002 was $9.6 million. Of this amount, $4.8 million had been outstanding for 90 days or longer.

The Oregon drug rebate program was established January 1, 1991. In November 1993, the Oregon Department of Human Services (DHS) contracted with First Health Services Corporation (FH) to prepare and mail the invoices to manufacturers, manage dispute resolution procedures, and administer new policies and procedures. The DHS performed all the other functions of the drug rebate program, such as the receipt of rebate checks, deposit of funds, posting of payments to the general and subsidiary ledgers, and preparation of the quarterly CMS 64 report.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

The objective of our review was to evaluate whether the State had established adequate accountability and internal controls over the Medicaid drug rebate program.

Scope

We focused our audit on the current policies, procedures, and internal controls established by DHS and FH for the Medicaid drug rebate program. We also reviewed accounts receivable information related to prior periods and interviewed DHS and FH staff to gain an understanding of how the Medicaid drug rebate program had operated since the State contracted with FH in November 1993.

Methodology

Our audit was performed in accordance with generally accepted government auditing standards. To accomplish our objective, we interviewed the DHS and FH officials to determine the policies, procedures and internal controls that existed with regard to the Medicaid drug rebate program. We also interviewed the individuals who performed functions related to the drug rebate program, including gathering information on their roles in the invoicing, collection, and dispute resolution processes. In addition, we reviewed the drug rebate accounts receivable balance reported in the

State subsidiary ledger system and compared the data to the CMS 64.9R report for June 30, 2002.

Our fieldwork was conducted during the period January through April 2003, and included site visits to DHS and FH offices in Salem, Oregon.

FINDINGS AND RECOMMENDATIONS

We found that the State had not established adequate policies, procedures, and internal controls over the Medicaid drug rebate program as required by federal rules and regulations. As a result, the State did not properly report drug rebate information to CMS nor adequately establish policies, procedures, and internal controls to account for drug rebate program transactions. We identified weaknesses in the following areas:

- Quarterly Reporting
- Accounts Receivable System
- Rebate Collections
- Interest Accrual and Collection
- Dispute Resolution

QUARTERLY REPORTING

The State overstated by $10.2 million the June 30, 2002 balance of uncollected rebates reported to CMS. The balance was overstated because the State used the date the invoices were generated rather than the required reporting date to report drug rebate information. For the June 30, 2002 quarter, the date the invoices were generated was May 21, 2002, resulting in a reported uncollected rebate balance of $19.8 million. However, according to the State subsidiary accounts receivable, the June 30, 2002 uncollected rebate balance was $9.6 million.

In addition, the State did not reconcile the reported balance to the supporting receivable account and could not assure the accuracy of the balance reported on the CMS 64.9R report. For the June 30, 2002 quarter, the State made adjustments in the CMS 64.9R report to reconcile to the ending balance as of the invoice generation date of May 21, 2002.

ACCOUNTS RECEIVABLE SYSTEM

The State did not maintain a general ledger accounts receivable control account nor maintain its subsidiary accounts receivable system at a sufficiently detailed level to accurately account for drug rebate activity. The State general ledger system, the Relational State Accounting Reporting System (R*STARS), only maintained drug rebate collections in the aggregate. The State's subsidiary accounts receivable system, the Medicaid Management Information System (MMIS), tracked drug rebate activity by quarter and year for each labeler number but did not track activity by NDC.

For the complex drug rebate program, rebates were calculated quarterly by CMS for approximately 56,000 NDCs. The complexity was increased by $0 URAs and URA adjustments.

The quarterly URA tapes provided by CMS contained many $0 URAs. In those instances, the State was instructed to prepare an invoice for the manufacturer to calculate the URA and remit the appropriate rebate to the State. As a result of $0 URAs, the original invoiced amount recorded as a receivable was understated and should have been adjusted when the manufacturer remitted payment.

Additionally, because of updated pricing information, manufacturers were required by CMS to adjust URAs for updated pricing information. Adjustments in URAs were common and, if not posted or otherwise accounted for by the State, the receivable balance was inaccurate.

Since the State did not maintain a general ledger accounts receivable control account nor a sufficiently detailed subsidiary accounts receivable system, the State could not reconcile the amount of uncollected rebates between the two systems, R*STARS and MMIS, nor adequately account for the complex NDC-level transactions that made up the drug rebate program.

REBATE COLLECTIONS

The State had formal written policies and procedures for rebate collections for the FH contract employees but did not have formal written policies and procedures for State employees to follow in the receipt and posting of rebate collections. Informal written procedures describing the process were maintained, but the procedures were never adopted by the State.

In addition, the State did not properly segregate duties for rebate collections and accounting for drug rebates in the general and subsidiary ledger systems. Only one individual was involved in the handling of mail containing drug rebate checks. Also, this individual (1) restrictively endorsed the checks, (2) prepared the checks for deposit, (3) prepared copies of the checks and accompanying documentation for distribution and (4) posted rebate collections to the general and subsidiary ledger systems. The lack of segregation of duties within and between the rebate collection and accounting functions increased the potential risk for fraud, waste, and abuse of drug rebate program funds.

INTEREST ACCRUAL AND COLLECTION

The State did not have adequate controls in place to accurately account for interest on disputed, late, and unpaid rebate payments nor to ensure that interest collections received from manufacturers were accurate.

According to the rebate agreement between the manufacturers and CMS, as stipulated by Section 1927 of the Social Security Act (the Act), manufacturers were required to pay interest on disputed, late, and unpaid rebates. Section V, paragraph (b) of the rebate agreement states:

> *(b) If the Manufacturer in good faith believes the State Medicaid Agency's Medicaid Utilization Information is erroneous, the Manufacturer shall pay the State Medicaid*

> *Agency that portion of the rebate amount claimed which is not disputed within the required due date in II (b). The balance due, if any, plus a reasonable rate of interest as set forth in section 1903(d)(5) of the Act, will be paid or credited by the Manufacturer or the State by the due date of the next quarterly payment in II(b) after resolution of the dispute.*

According to the CMS Medicaid Drug Rebate Program Release (Program Release) #29 to the State Medicaid Directors, interest must be collected and could not be disregarded as part of the dispute resolution process by either the manufacturer or the state. The calculation of interest, as set forth in section 1903(d)(5) of the Act and Program Release #29 to the State Medicaid Directors, involved applying simple interest to the average yield of the weekly 90-day Treasury bill auction rates during the period in which interest was charged. In addition, Program Release #65 to the State Medicaid Directors stated that it was the manufacturers' responsibility to calculate and pay interest for applicable rebate invoices and the state's responsibility to track collections and report those amounts to CMS.

The State's MMIS subsidiary system calculated and posted the interest due quarterly on its labeler accounts receivable on disputed, late, and unpaid rebates. However, the interest calculation used by the State was based on a compound rather than a simple interest formula. The FH had the responsibility for managing dispute resolutions and monitoring outstanding rebate balances, including interest, for the State. However, FH contended that it was the manufacturers' responsibility to calculate and pay the interest owed and, therefore, did not verify that the interest payments received were accurate. Since the State did not calculate interest due using the appropriate simple interest formula nor verify that the interest voluntarily paid by the manufacturers was accurate, there was no assurance that the State collected all of the interest owed on disputed, late, and unpaid rebates.

DISPUTE RESOLUTION

The State did not utilize the state hearing mechanism to resolve long-standing disputes with manufacturers. The drug rebate agreement between CMS and manufacturers required the state and manufacturers to use their best efforts to resolve rebate discrepancies within 60 days of receipt of a dispute notification. However, in the event that the state and manufacturer were unable to resolve the discrepancy, CMS required the state to make available to the manufacturer the state hearing mechanism under the Medicaid Program. The CMS issued Program Release #44 to the State Medicaid Directors which indicated that CMS believed that the state hearing process was the appropriate mechanism for both the manufacturers and states to resolve disputes. The FH, which was responsible for the dispute resolution process for the State, had not utilized the state hearing mechanism as it believed the manufacturers would eventually pay on disputed rebates.

Instead of using the state hearing mechanism, FH contacted the manufacturers directly and used Dispute Resolution Project meetings sponsored by CMS to resolve disputes with those manufacturers who attended. However, manufacturers were not required to attend the meetings.

As of June 30, 2002, the State had $3.2 million of uncollected drug rebates for balances from 1991 through 2000. Of this amount, $1.1 million were for balances from 1991 through 1995. We believe that the state hearing mechanism is an appropriate method to resolve these long-standing disputes and increase rebate collections.

RECOMMENDATIONS

We recommend that the State establish policies, procedures, and internal controls to:

- Report drug rebate activity to CMS by calendar quarter, as required, and reconcile the ending balance of uncollected rebates to the receivable account.

- Create a general ledger accounts receivable control account and a sufficiently detailed subsidiary accounts receivable system.

- Address rebate collections and provide for the proper segregation of duties within and between the rebate collection and accounting functions.

- Calculate simple interest on disputed, late, and unpaid rebate payments, and verify the accuracy of interest payments received.

- Make use of the state hearing mechanism to resolve long-standing disputes with manufacturers, when appropriate.

STATE COMMENTS

In written response to our draft report, the State concurred with our findings and recommendations regarding quarterly reporting and interest accrual and collection. The State generally concurred with our findings and recommendations regarding the accounts receivable system and dispute resolution. The State disagreed with part of our findings and recommendations regarding rebate collections.

The State indicated that it agreed with our findings regarding the accounts receivable system. However, it indicated that, instead of establishing a general ledger accounts receivable control account as recommended in our report, the State would reflect an estimated accounts receivable amount on the State's books at each fiscal year end. This amount would reconcile to the subsidiary ledger balance. The State agreed with the finding on creating a sufficiently detailed accounts receivable system.

The State generally concurred with our findings and recommendations regarding dispute resolution. However, the State indicated that it believed that much of the $3.2 million outstanding rebate balance from 1991-2000 was related to manufacturer rate adjustments. It further stated that it would review these outstanding balances to determine whether any disputes should utilize the state hearing mechanism.

The State disagreed with part of our findings regarding rebate collections. The State indicated that it had formal written policies and procedures over rebate collections. The State concurred with our findings and recommendations regarding segregation of duties and agreed to review its rebate collections and accounting functions to determine where it could further segregate functions or implement compensating controls.

OIG RESPONSE

We believe that the State's proposed solution to our accounts receivable system finding meets the intent of our recommendation to establish a general ledger receivable control account. We commend the State for planning to review outstanding balances in dispute.

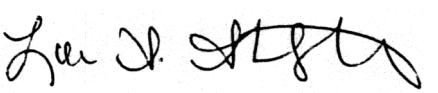
We agree that the State had formal written policies and procedures in place for the contract employees regarding rebate collections. However, the State did not have formal written policies and procedures for its own employees to follow for the receipt and posting of rebate collections. We have revised the finding to reflect this information.

* * * *

In accordance with the principles of the Freedom of Information Act (5 U.S.C. 552, as amended by Public Law 104-231), OIG, OAS reports issued to the Department's grantees and contractors are made available to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act which the Department chooses to exercise. (See 45 CFR, part 5.)

To facilitate identification, please refer to report number A-10-03-00005 in all correspondence relating to this report.

Sincerely,



Lori A. Ahlstrand
Regional Inspector General
for Audit Services

Enclosure

APPENDIX □

Oregon
Theodore R. Kulongoski, Governor

Department of Human Services
Office of the Director
500 Summer St. NE, E15
Salem,OR 97301-1097
503-945-5944
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June 6, 2003

Ms. Lori A. Ahlstrand
Regional Inspector General for Audit Services
Office of Inspector General
U.S. Department of Health and Human Services, Region IX
Office of Audit Services
50 United Nations Plaza
San Francisco, CA 94102

RE: Report Number A-10-03-00005

Dear Ms. Ahlstrand:

Enclosed please find our response to the draft audit report entitled "Audit of the Medicaid Drug Rebate Program in Oregon". The response document is formatted in the order the findings and recommendations are listed in the draft report.

Thank you for the opportunity to comment on the draft report and provide information about the Oregon Medicaid Drug Rebate Program. Please contact Thomas Drawbaugh, Pharmacy Program Manager, Office of Medical Assistance Programs, 503-945-6492 if you have additional questions.

Sincerely,

Jean I. Thorne
Director

C: Lynn Read, Administrator, Office of Medical Assistance Programs
Cynthia Scheick, Acting Chief Audit Officer

Enclosure

Ms. Lori A. Ahlstrand
June 6, 2003
Enclosure Page 1 of 3

Audit of the Medicaid Drug Rebate Program in Oregon

The Oregon Department of Human Services, Office of Medical Assistance Programs contracts with a Pharmacy Benefit Administrator, First Health, to perform rebate processing and resolution of disputes. First Health converted to a new program, First Rebate, on April 1, 2003. This new rebate program addresses many of the issues raised by the OIG. The following includes the findings and recommendations detailed in the draft report, followed by our response.

Quarterly Reporting - The State overstated by $10.2 million the June 30, 2002 balance of uncollected rebates reported to CMS. This occurred because the State reported as of the date the invoices were generated rather than the required reporting date. Also, the State did not reconcile the reported uncollected rebate balance to the supporting receivable account.

Recommendation: Report drug rebate activity to CMS by calendar quarter, as required, and reconcile the ending balance of uncollected rebates to the receivable account.

Response: We agree with this recommendation and have changed our reporting information. First Health will be providing DHS information on a calendar quarterly cycle rather than an invoice cycle beginning with the June 30, 2003 report.

Accounts Receivable System - The State did not maintain a general ledger accounts receivable control account nor a sufficiently detailed subsidiary accounts receivable system to provide adequate accountability over its drug rebate activity.

Recommendation: Create a general ledger accounts receivable control account and a sufficiently detailed subsidiary accounts receivable system.

Response: We partially agree with this recommendation. We will reflect an estimated accounts receivable amount on the State's books at the end of each fiscal year, for financial reporting only, that will balance with the detailed subsidiary maintained by First Health. The subsidiary maintained by First Health is our detailed subsidiary account and their conversion to the First Rebate program allows information to be posted at the NDC level as suggested in the draft report. We will

Audit of the Medicaid Drug Rebate Program in Oregon

review drug rebate activity during the year to ensure accountability over the drug rebate program.

Rebate Collections - The State did not have formal written policies and procedures regarding rebate collections. In addition, the State did not properly segregate duties within and between the rebate collection and accounting functions.

Recommendation: Address rebate collections and provide for the proper segregation of duties within and between the rebate collection and accounting functions.

Response: We disagree with the finding regarding policies and procedures. Our contracted Pharmacy Benefit Administrator, First Health, has an in-house policy and procedure manual on rebate collections, which DHS also maintains copies of.

We agree to review our receipting procedures to see where they can be strengthened. We do not currently have enough staff to segregate each duty as recommended. We are therefore relying on compensating controls to mitigate the risks caused by having the same person prepare the deposit as well as make the accounting entries. These controls are to have an independent person verify the deposits, and we require two people to open the mail together and restrictively endorse each check.

Interest Accrual and Collection - The state did not properly calculate simple interest due on disputed, late, and unpaid rebate amounts. Instead, the State used a compound interest rate. Also, the State did not verify the accuracy of interest payments received.

Recommendation: Calculate simple interest on disputed, late, and unpaid rebate payments, and verify the accuracy of interest payments received.

Response: We agree with this recommendation. We have been charging compound interest on the rebate accounts, however the First Rebate program will calculate and charge simple interest beginning with the 2003-1 invoices. We will review all previous interest charges to determine the accuracy of

Audit of the Medicaid Drug Rebate Program in Oregon

amounts paid to the Department using the simple interest method and will report and settle adjustments as appropriate.

Dispute Resolution - The State had not used the state hearing process to resolve long-standing disputes with manufacturers regarding drug rebates as suggested by CMS.

Recommendation: Make use of the state hearing mechanism to resolve long-standing disputes with manufacturers.

Response: The report states that as of June 1, 2003 the state had $3.2 million of uncollected drug rebates for 1991-2000. We believe that much of the outstanding dispute is due to errors from manufacturers rate adjustments for current and previous quarters. If the manufacturer does not send these rate reductions to CMS, the adjustments leave a balance owed on the books that is not adjusted from the account. CMS allows manufacturers to do rate adjustments without time limitations. These adjustments appear as outstanding balances on the CMS 64 reports. This will continue to be uncontrollable until CMS puts time limits on these adjustments.

We will be reviewing the outstanding balances with First Health to determine the remaining amounts in dispute and if any disputes should utilize the state hearing process. Best Practices Under the Medicaid Drug Rebate Program, section VII-23-24, from The Health Care Financing Administration distributed in December 1999 outlines states may use the hearing process when all other avenues have been tried and failed. We will continue to work with these manufacturers and First Health to find resolution to these balances. We will also be consulting with the Oregon Department of Justice to determine if the hearing process for rebate dispute resolution can be added to the First Health Agreement.