

## Report in Brief

Date: May 2019

Report No. A-02-16-01012

U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES  
**OFFICE OF INSPECTOR GENERAL**



### Why OIG Did This Review

For a covered outpatient drug to be eligible for Federal reimbursement under the Medicaid program's drug rebate requirements, manufacturers must pay rebates to the States for the drugs. However, a prior OIG review found that States did not always invoice and collect all rebates due for drugs administered by physicians.

Our objective was to determine whether New Jersey complied with Federal Medicaid requirements for invoicing manufacturers for rebates for physician-administered drugs.

### How OIG Did This Review

Our review covered fee-for-service claims for physician-administered drugs paid between January 2014 and December 2016.

We used the Centers for Medicare & Medicaid Services' (CMS's) Medicare Part B crosswalk and the CMS Medicaid Drug File to identify single-source and multiple-source drugs. Additionally, we determined whether the Healthcare Common Procedure Coding System codes were published in CMS's top-20 multiple-source drug listing.

## New Jersey Claimed Unallowable Federal Reimbursement for Some Medicaid Physician-Administered Drugs

### What OIG Found

New Jersey did not always comply with Federal Medicaid requirements for invoicing manufacturers for rebates for physician-administered drugs. Specifically, New Jersey did not invoice manufacturers for rebates associated with \$8.1 million (Federal share) in single-source and top-20 multiple-source physician-administered drugs. Because New Jersey's internal controls did not always ensure that it invoiced manufacturers to secure rebates, New Jersey improperly claimed Federal reimbursement for these single-source drugs and top-20 multiple-source drugs.

Further, New Jersey did not submit the drug utilization data necessary to secure rebates for other physician-administered drugs. These drugs were included in claims totaling \$7,889 (Federal share) that did not have drug codes and in claims totaling \$1.1 million (Federal share) that contained drug codes.

### What OIG Recommends and New Jersey's Comments

We recommend that New Jersey refund to the Federal Government \$8.1 million for single-source and top-20 multiple-source physician-administered drugs and work with CMS to determine the unallowable portion of the \$1.1 million for other drug claims in question. We also made procedural recommendations.

In written comments on our draft report, New Jersey partially concurred with our financial disallowance, concurred with our remaining recommendations, and described corrective actions it planned to take.

Regarding our financial disallowance, New Jersey agreed that it should have invoiced manufacturers for rebates for physician-administered drugs but disagreed with the amount of our recommended refund. After reviewing New Jersey's comments, we maintain that our findings and recommendations are valid. New Jersey stated it will work with CMS to determine the amount owed to the Federal Government.