

Report in Brief

Date: November 2017
Report No. A-05-16-00013

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 Ohio complied with Federal Medicaid requirements for invoicing manufacturers for rebates for physician-administered drugs.

How OIG Did This Review

Our review covered physician-administered drug claims paid by Ohio between January 1, 2012, and December 31, 2014.

We used the Centers for Medicare & Medicaid Services' (CMS) Medicare Part B crosswalk to identify, if possible, the National Drug Codes (NDCs) associated with each Healthcare Common Procedure Coding System (HCPCS) code listed on claims from providers. We then used the CMS Medicaid Drug File to determine whether the identified NDCs were classified as single-source drugs or multiple-source drugs. Additionally, we determined whether the HCPCS codes were published in CMS's top-20 multiple-source drug listing.

Ohio Claimed Unallowable Federal Reimbursement for Some Medicaid Physician-Administered Drugs

What OIG Found

Ohio did not always comply with Federal Medicaid requirements for invoicing manufacturers for rebates for physician-administered drugs. Ohio did not invoice manufacturers for rebates associated with \$3.6 million (\$2.3 million Federal share) in single-source and top-20 multiple-source physician-administered drugs. Because Ohio's internal controls did not always ensure that it invoiced manufacturers to secure rebates, the State agency improperly claimed Federal reimbursement for these single-source drugs and top-20 multiple-source drugs.

Further, Ohio agency did not submit the drug utilization data necessary to secure rebates for other physician-administered drugs. These drugs were included in claims totaling \$6.2 million (\$4.0 million Federal share) that did not have NDCs and in claims totaling \$195,526 (\$128,057 Federal share) that contained NDCs.

In addition, Ohio invoiced manufacturers for rebates associated with \$30.5 million (\$20.0 million Federal share) in physician-administered drugs after the completion of our fieldwork.

What OIG Recommends and Ohio's Comments

We recommend that Ohio refund to the Federal Government \$2.3 million (Federal share) for claims for single-source physician-administered drugs and for top-20 multiple-source physician-administered drugs that were ineligible for Federal reimbursement; work with CMS to determine the unallowable portion of \$4.0 million (Federal share) and \$128,057 (Federal share) for other claims for covered outpatient physician-administered drugs that were not invoiced for rebates and refund that amount; work with CMS to ensure that rebates associated with physician-administered drug claims totaling \$20.0 million (Federal share) that were invoiced after the completion of our fieldwork are appropriately reported to the Medicaid program; work with CMS to determine and refund the unallowable portion of Federal reimbursement for physician-administered drugs that were not invoiced for rebates after December 31, 2014; and strengthen its internal controls to ensure that all physician-administered drugs eligible for rebates are invoiced.

In written comments on our draft report, Ohio partially concurred with our first, second, and fifth recommendations; did not concur with part of our third recommendation; concurred with the other recommendations, and described corrective actions that it had taken or planned to take.