INDIANA PROPERLY REPORTED ADJUSTMENTS RELATED TO THE DRUG REBATE PROGRAM

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OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating divisions will make final determination on these matters.
Indiana Properly Reported Adjustments Related to the Drug Rebate Program

What OIG Found
The State agency followed its CMS-approved methodology and properly reported $8.3 million ($5.6 million Federal share) in increasing adjustments to the drug rebate program on Line 10A of the September 30, 2014, Form CMS-64. The State agency made the adjustments to correct clerical errors made on the Form CMS-64s for the quarters ending September 30, 2011, and June 30, 2013.

What OIG Recommends
This report contains no recommendations.
INTRODUCTION

WHY WE DID THIS AUDIT

On the Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program (Form CMS-64) for the quarter ended September 30, 2014, the Indiana Family and Social Services Administration’s Office of Medicaid Policy and Planning (State agency) claimed increasing adjustments on Line 10A, Adjustments Decreasing Claims For Prior Quarters: Federal Audit (Line 10A). We audited Indiana’s methodology for claiming the increasing adjustment.

OBJECTIVE

Our objective was to determine whether the State agency followed its CMS-approved methodology and properly reported increasing adjustments to the drug rebate program on Line 10A of the September 30, 2014, Form CMS-64.

BACKGROUND

Medicaid Program

The Medicaid program provides medical assistance to low-income individuals and individuals with disabilities. The Federal and State Governments jointly fund and administer the Medicaid program. At the Federal level, the Centers for Medicare & Medicaid Services (CMS) administers the program. Each State administers its Medicaid program in accordance with a CMS-approved State plan. In Indiana, the State agency administers the Medicaid program.

States use the Form CMS-64 to report actual Medicaid expenditures for each quarter. CMS uses the information on the Form CMS-64 to calculate the reimbursement due to the States for the Federal share of Medicaid expenditures. The Federal Government determines the Federal share amount that it reimburses to State Medicaid agencies based on their Federal Medical Assistance Percentages.

Medicaid Drug Rebate Program

The Medicaid drug rebate program became effective in 1991 (the Social Security Act § 1927). For a covered outpatient drug to be eligible for Federal reimbursement under the program, the drug’s manufacturer must enter into a rebate agreement administered by CMS and pay quarterly rebates to the States. Manufacturer rebates are essentially shared between the States and the Federal Government to offset the cost of prescription drugs. CMS, the States, and drug manufacturers each have specific functions under the program.

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1 States report overpayments identified by Federal audits on Line 10A of the Form CMS-64. States report the same categories of services on the Form CMS-64.9p for prior periods and identify the expenditures by fiscal year.
States report drug rebate accounts receivable data to CMS on the Medicaid Drug Rebate Schedule, which is part of the Form CMS-64.

HOW WE CONDUCTED THIS AUDIT

Our audit covered $8,282,783 ($5,575,320 Federal share) in increasing adjustments to the drug rebate program on the September 30, 2014, Form CMS-64. We analyzed supporting documentation related to the Medicaid Drug Rebate Schedule for the March 31 through September 30, 2013, Form CMS-64s and traced them to the appropriate schedule. In addition, we reviewed supporting documentation related to an internal finding from the September 30, 2011, Form CMS-64.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The Appendix contains the details of our audit scope and methodology.

RESULTS OF AUDIT

The State agency followed its CMS-approved methodology and properly reported $8,282,783 ($5,575,320 Federal share) in increasing adjustments to the drug rebate program on Line 10A of the September 30, 2014, Form CMS-64. The State agency made the adjustments to correct clerical errors made on the Form CMS-64s for the quarters ending September 30, 2011, and June 30, 2013. Accordingly, this report contains no recommendations.
APPENDIX: AUDIT SCOPE AND METHODOLOGY

SCOPE

We reviewed $8,282,783 ($5,575,320 Federal share) in increasing adjustments to the drug rebate program on the September 30, 2014, Form CMS-64.²

We limited our review of the State agency’s internal controls to those applicable to claiming drug rebates because our objective did not require an understanding of all internal controls over the Indiana Medicaid program.

We conducted our audit, which included fieldwork at the State agency, from November 2019 through February 2020.

METHODOLOGY

To accomplish our objective, we:

• reviewed applicable Federal requirements and guidance;

• interviewed CMS officials to determine whether they had investigated or acted on the increasing adjustment;

• interviewed State agency officials about the increasing adjustment;

• reviewed supporting documentation provided by the State agency for the increasing adjustment;

• determined whether the increasing adjustment was adequately supported; and

• discussed the results of our audit with State agency officials.

We provided the State agency with a draft audit report on June 4, 2020, for review. The State agency reviewed the report and informed us that it had no comments.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain

² An Audit Status Follow Up Report dated September 30, 2018, stated that the State agency returned $815,279 in Federal Financial Participation on the September 30, 2014, Form CMS-64 Line 10A. In reviewing the September 30, 2014, Form CMS-64 Line 10A, the amounts listed were on line 7A1 “Drug Rebate – National Agreement” in the amount of $8,282,783 ($5,575,320 Federal share) as an increasing adjustment, which resulted in a refund to the State that did not include the $815,279 amount.
sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.