New Mexico Did Not Bill Manufacturers for Some Rebates for Physician-Administered Drugs Dispensed to Enrollees of Medicaid Managed-Care Organizations

What OIG Found
New Mexico properly billed manufacturers for all pharmacy rebates and some rebates for physician-administered drugs. However, New Mexico did not bill for and collect from manufacturers rebates for 70,131 claim lines totaling at least $1.5 million ($1.1 million Federal share) for physician-administered drugs. In addition, the State agency did not bill for rebates for 183,859 claim lines for other physician-administered drugs that may have been eligible for rebates. These errors occurred because the State agency’s internal controls did not always ensure that it billed manufacturers to secure rebates and because the State agency did not always collect the utilization data necessary to bill the manufacturers.

What OIG Recommends and New Mexico Comments
We recommend that New Mexico (1) bill for and collect manufacturers’ rebates for the 44,790 claim lines related to single-source and top-20 multiple-source physician-administered drugs that we calculated to be at least $1.2 million ($900,971 Federal share) and refund the Federal share of rebates collected; (2) work with CMS to determine whether the 25,341 claim lines related to non-top-20 multiple-source physician-administered drugs that we calculated to be at least $226,644 ($164,793 Federal share) were eligible for rebates and, if so, determine the rebates due and, upon receipt of the rebates, refund the Federal share of rebates collected; and (3) work with CMS to determine whether the other physician-administered drugs, associated with 183,859 claim lines and rebates of at least $170,674 ($124,097 Federal share), were eligible for rebates and, if so, determine the rebates due and, upon receipt of the rebates, refund the Federal share of the rebates collected. We also made procedural recommendations.

In written comments on our draft report, New Mexico partially concurred with our findings. The State agency said that it has billed manufacturers for rebates totaling $1.6 million for claims related to our audit. The State agency disagreed that some claim lines could be billed for rebates for various reasons. The State agency additionally outlined steps it would take to address our findings and recommendations. We addressed the State agency’s comments in our final report and maintain the validity of our recommendations.