

## Report in Brief

Date: February 2018

Report No. A-06-16-00018

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

### How OIG Did This Review

We reviewed claims for physician-administered drugs paid between July 2012 and June 2015.

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.

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

### What OIG Found

Arkansas did not always comply with Federal Medicaid requirements for invoicing manufacturers for rebates for physician-administered drugs. Arkansas did not invoice manufacturers for rebates associated with \$9.9 million (Federal share) in physician-administered drugs. Of this amount, \$8.5 million was for single-source drugs, and \$1.4 million was for top-20 multiple-source drugs. Because Arkansas' internal controls did not always ensure that it invoiced manufacturers to secure rebates, Arkansas improperly claimed Federal reimbursement for these single-source drugs and top-20 multiple-source drugs.

Further, Arkansas did not submit the utilization data necessary to secure rebates for all other physician-administered drug claims totaling \$1.4 million (Federal share).

### What OIG Recommends and Arkansas Comments

We recommend to Arkansas that it refund \$9.9 million and work with CMS to determine the proper resolution of the \$1.4 million for the other drug claims in question.

We also made procedural recommendations.

In written comments on our draft report, Arkansas concurred with our recommendation to determine the proper resolution of \$1.4 million for other drug claims and concurred with our procedural recommendations. However, Arkansas did not concur that it should refund the Federal share of \$9.9 million in physician-administered drugs that were ineligible for Federal reimbursement because it anticipated that all rebate-eligible drug units would be invoiced "so no Federal funds will need to be refunded to CMS."

After reviewing Arkansas' comments, we maintain that all of our findings and recommendations remain valid. As of the date we issued our draft report, the claims that are included in our findings' amounts had not been invoiced to the drug manufacturers to secure rebates. Federal requirements essentially preclude Federal reimbursement for such claims if they are not invoiced to the manufacturers for rebate.