

## Report in Brief

Date: October 2020

Report No. A-06-18-04001

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



### Why OIG Did This Audit

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, prior OIG audits found that States did not always invoice and collect all rebates due for drugs administered by physicians.

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

### How OIG Did This Audit

We reviewed claims for physician-administered drugs paid between January 2016 and December 2017.

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.

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

### What OIG Found

Massachusetts did not always comply with Federal Medicaid requirements for invoicing manufacturers for rebates for physician-administered drugs. Massachusetts did not invoice manufacturers for rebates associated with \$11.4 million (Federal share) in physician-administered drugs. Of this amount, \$10.5 million was for single-source drugs, and \$883,000 was for top-20 multiple-source drugs. Of the \$11.4 million, \$9.7 million was related to claims identified as hospital outpatient. Massachusetts did not invoice for rebates for any physician-administered drug claims identified as hospital outpatient claims. In addition, some claims identified as physician claims were not invoiced for rebates. Because Massachusetts' internal controls did not always ensure that it invoiced manufacturers to secure rebates, Massachusetts improperly claimed Federal reimbursement for these single-source drugs and top-20 multiple-source drugs.

Further, Massachusetts did not submit the utilization data necessary to secure rebates for all other physician-administered drugs. Providers submitted claims totaling \$4.2 million (Federal share) that did not have National Drug Codes (NDCs) or had invalid NDCs. Furthermore, under the Medicaid drug rebate program, claims totaling \$783,000 (Federal share), which contained NDCs, could have been eligible for rebates.

### What OIG Recommends and Massachusetts' Comments

We recommend that Massachusetts refund \$11.4 million and work with CMS to determine the proper resolution of the other claims in question. We also made procedural recommendations.

Massachusetts did not concur with all of our recommendations but stated that beginning with the October 2020 rebate cycle, it will invoice manufacturers for rebates for eligible physician-administered drugs paid through the outpatient hospital payment methodology, including eligible drugs covered by this audit, and remit the Federal share of any rebates collected. Massachusetts also issued additional guidance to providers to include NDCs in most instances when billing for physician-administered drugs.

After reviewing Massachusetts' comments, we maintain that our findings and recommendations are valid.