

## Report in Brief

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



### Why OIG Did This Review

Under the Medicaid drug rebate program, drug manufacturers enter into rebate agreements with the Federal Government and pay rebates to States. The Patient Protection and Affordable Care Act of 2010 (ACA) increased the amount of rebates that drug manufacturers are required to pay to States under this program. Amounts collected by the States that are attributable to these increased rebates—Medicaid unit rebate offset amounts (UROAs)—are applied against the amounts that the Federal Government pays to the States.

Drug manufacturers provide product and pricing information to the Centers for Medicare & Medicaid Services (CMS) for Medicaid-covered outpatient drugs. Using that data, CMS calculates the Medicaid unit rebate amount (URA) and the UROA for each drug and provides the information to State Medicaid agencies (State agencies).

Our objective was to determine whether CMS provided accurate and timely UROAs to State agencies during the period January 1, 2010, through December 31, 2014, in accordance with Federal guidance.

### How OIG Did This Review

Our audit covered 765,091 UROAs (comprising 55,658 National Drug Codes (NDCs)) that CMS provided to State agencies during our audit period. To determine whether CMS provided accurate and timely UROA data to State agencies, we reviewed drug pricing information and, where necessary, recalculated UROAs.

## CMS Did Not Always Provide Accurate Medicaid Unit Rebate Offset Amounts to State Medicaid Agencies

### What OIG Found

CMS did not always provide accurate UROAs to the State agencies during our audit period in accordance with Federal guidance. CMS did not update the quarterly UROA information that it sent to the State agencies to include changes to the UROAs when covered drugs' best prices (as reported to CMS by the manufacturers) changed but the URAs stayed the same. We identified 6,116 NDCs associated with 15,037 inaccurate UROAs that should have been updated to reflect the accurate UROA amounts in CMS's Medicaid drug rebate (MDR) system but were not. The State agencies would have used these incorrect UROA amounts to determine the Federal share of the rebates that they then reported to CMS, which would have resulted in incorrect rebate amounts being claimed.

CMS confirmed that it had a system programming issue that led to these discrepancies. Additionally, CMS did not have adequate controls in place to ensure that the UROAs sent to the State agencies matched the amounts in the MDR system. An automated data comparison between the UROA information and the amounts in the MDR system would have identified the discrepancies.

After we notified CMS that we were undertaking this review, CMS provided the State agencies with adjusted information as of the quarter ended March 31, 2016.

### What OIG Recommends and CMS Comments

We recommend that CMS conduct periodic matches that would compare the UROA information sent to State agencies to the MDR system to ensure that CMS is sending accurate rebate information.

CMS concurred with our recommendation and described actions it had taken or planned to take to implement our recommendation. Specifically, CMS said that it had implemented a process of manual checks when there are certain changes to ensure that updated UROAs are sent to State agencies. CMS added that it would update the new system to mitigate any future issues.