

## Report in Brief

Date: September 2021

Report No. A-07-17-06075

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 Colorado complied with Federal Medicaid requirements for invoicing manufacturers for rebates for physician-administered drugs dispensed to Medicaid managed-care organization (MCO) enrollees.

### How OIG Did This Audit

We reviewed claims for physician-administered drugs paid between January 1, 2012, and December 31, 2016.

We removed the physician-administered drug claims that were not eligible for rebate as part of the drug rebate program and worked with Colorado to determine the estimated rebates associated with the remaining drugs.

## Colorado Did Not Invoice Rebates to Manufacturers for Physician-Administered Drugs Dispensed to Enrollees of Medicaid Managed-Care Organizations

### What OIG Found

Colorado did not comply with Federal Medicaid requirements because it did not collect National Drug Codes (NDCs) and invoice manufacturers for rebates for physician-administered drugs dispensed to MCO enrollees. Because the information we received from Colorado lacked NDC-level detail, we identified the physician-administered drugs that would have been eligible for a drug rebate and calculated that Colorado did not invoice for, and collect from manufacturers, an estimated \$2 million (\$1 million Federal share) in rebates that were associated with these physician-administered drugs. We are recommending that Colorado work with the Centers for Medicare & Medicaid Services (CMS) to determine the total amount of claims that were eligible for rebate and the unallowable portion of these claims. Although Colorado contractually required the MCOs to obtain NDCs so that drug rebates could be invoiced, the MCOs did not obtain from the providers NDC-level detail that Colorado needed to invoice for rebates for physician-administered drugs. This occurred because Colorado did not have policies and procedures in place to ensure that the MCOs obtained sufficiently detailed data to properly rebate for physician-administered drugs.

### What OIG Recommends and Colorado Comments

We recommend that Colorado work with CMS to determine the total amount of claims that were eligible for rebates as well as the unallowable portion of the physician-administered drug claims, invoice drug manufacturers for the calculated rebates, and refund the Federal share of rebates collected for the years covered by our audit period and for years after our audit period. We also recommend that Colorado develop and implement policies and procedures to ensure that all eligible physician-administered drugs, including those dispensed to MCO enrollees, are invoiced for rebate.

Colorado agreed with both of our recommendations and described corrective actions it had taken or planned to take. Colorado said that it would work with CMS to determine the total amount of physician-administered drug encounters that were eligible for rebates but were not invoiced because of missing NDC numbers. Colorado added that it would work with the MCOs to collect the missing NDC numbers, invoice drug manufacturers, and refund the Federal share of rebates collected. For our second recommendation, Colorado stated that it would strengthen its policies and procedures to ensure that physician-administered drugs are appropriately invoiced for rebate.