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.

The full report can be found at https://oig.hhs.gov/oas/reports/region7/71706075.asp.