

Report in Brief

Date: September 2017
Report No. A-09-16-02028

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



Why OIG Did This Review

Previous OIG reviews found that States did not always bill and collect all rebates due for drugs administered by physicians to enrollees of Medicaid managed-care organizations (MCOs).

Our objective was to determine whether Washington State complied with Federal Medicaid requirements for billing manufacturers for rebates for drugs dispensed to MCO enrollees.

How OIG Did This Review

We reviewed drug utilization data for both pharmacy and physician-administered drugs for Washington's 10 MCOs from April 2010 through December 2013.

We identified MCO drug utilization data for drugs that were billed for rebates and tested the rebates billed by selecting 29 National Drug Codes (NDCs) associated with 19 manufacturers and reviewing supporting documentation. We also identified MCO drug utilization data for drugs that were not billed for rebates and determined which drugs were eligible or may have been eligible for rebates. For both pharmacy and physician-administered drugs that were not billed for rebates, we calculated the amount of rebates that Washington could have collected if it had billed these drugs for rebates.

Washington State Did Not Bill Manufacturers for Some Rebates for Drugs Dispensed to Enrollees of Medicaid Managed-Care Organizations

What OIG Found

When Washington billed manufacturers for rebates for pharmacy and physician-administered drugs, it did so correctly. However, Washington did not bill for and collect from manufacturers rebates of \$34.1 million (\$17 million Federal share). For drugs that were eligible for rebates, Washington did not bill for rebates of \$14.2 million (Federal share) for pharmacy drugs and \$2.4 million (Federal share) for single-source and top-20 multiple-source physician-administered drugs. For drugs that may have been eligible for rebates, Washington did not bill for rebates of \$395,746 (Federal share) for non-top-20 multiple-source physician-administered drugs with NDCs. In addition, Washington did not bill for rebates for 17,140 claim lines for other physician-administered drugs. Because there was insufficient information to determine the amount of any rebates that may have been due, we set aside these claim lines for resolution by the Centers for Medicare & Medicaid Services (CMS).

What OIG Recommends and Washington Comments

We recommend that Washington (1) bill for and collect from manufacturers rebates for pharmacy drugs and refund \$14.2 million (Federal share); (2) bill for and collect from manufacturers rebates for single-source and top-20 multiple-source physician-administered drugs and refund \$2.4 million (Federal share); (3) work with CMS to determine whether the non-top-20 multiple-source physician-administered drugs were eligible for rebates and, if so, upon receipt of the rebates, refund \$395,746 (Federal share) of the rebates collected; and (4) work with CMS to determine the amount of any rebates due for the 17,140 claim lines that we set aside and refund the Federal share of rebates collected. We also make a recommendation related to pharmacy and physician-administered drugs that were not billed for rebates after our audit period and a procedural recommendation to improve oversight of the processes for determining drug rebate eligibility.

Washington concurred with all of our recommendations and provided information on actions that it had taken or planned to take to address our recommendations.