

Report in Brief

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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 Hawaii 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 Hawaii's five MCOs from April 2010 through September 2012.

We identified MCO drug utilization data for drugs that were billed for rebates and tested the rebates billed by selecting 24 National Drug Codes (NDCs) associated with 18 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 Hawaii could have collected if it had billed these drugs for rebates.

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

What OIG Found

When Hawaii billed manufacturers for rebates for pharmacy and physician-administered drugs, it did so correctly. However, Hawaii did not bill for and collect from manufacturers rebates of \$18.8 million (\$9.7 million Federal share). For drugs that were eligible for rebates, Hawaii did not bill for rebates of \$8 million (Federal share) for pharmacy drugs and \$1.6 million (Federal share) for single-source and top-20 multiple-source physician-administered drugs. For drugs that may have been eligible for rebates, Hawaii did not bill for rebates of \$57,783 (Federal share) for non-top-20 multiple-source physician-administered drugs with NDCs. In addition, Hawaii did not bill for rebates for 122,436 claim lines for other physician-administered drugs. Hawaii did not provide us sufficient drug utilization data to determine whether these drugs were eligible for rebates and the amount of any rebates that may have been due.

What OIG Recommends and Hawaii Comments

We recommend that Hawaii (1) bill for and collect from manufacturers rebates for pharmacy drugs and refund \$8 million (Federal share); (2) bill for and collect from manufacturers rebates for single-source and top-20 multiple-source physician-administered drugs and refund \$1.6 million (Federal share); (3) work with the Centers for Medicare & Medicaid Services (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 up to \$57,783 (Federal share) of rebates collected; (4) work with CMS to determine whether the other physician-administered drugs were eligible for rebates and, if so, determine the rebates due and upon receipt of the rebates refund the Federal share of rebates collected; (5) determine which physician-administered drugs were not billed for rebates after our audit period, determine the rebates due, and upon receipt of the rebates refund the Federal share of the rebates collected; and (6) improve oversight of the processes for rebate billing and collection to ensure that MCOs submit valid and complete drug utilization data for pharmacy and physician-administered drugs dispensed to MCO enrollees.

Hawaii concurred with the findings related to our first, fifth, and sixth recommendations and partially concurred with the findings related to our second, third, and fourth recommendations. We maintain that all of our recommendations are valid.