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

# New York Claimed Unallowable Federal Reimbursement for Some Medicaid Physician-Administered Drugs

## 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, a prior OIG audit found that States did not always invoice and collect all rebates due for drugs administered by physicians.

Our objective was to determine whether New York complied with Federal Medicaid requirements for invoicing manufacturers for rebates for physician-administered drugs.

## How OIG Did This Audit

Our audit covered fee-for-service claims totaling $92.6 million (Federal share) for physician-administered drugs paid between January 2015 and December 2017.

We used the Centers for Medicare & Medicaid Services' (CMS's) Medicare Part B crosswalk and the CMS Medicaid Drug File to identify single-source and multiple-source drugs. This information is based on published drug and biological pricing data and information submitted to CMS by manufacturers. Additionally, we determined whether the Healthcare Common Procedure Coding System (HCPCS) codes were published in CMS's top-20 multiple-source drug listing. HCPCS codes are used throughout the healthcare industry to standardize coding for medical procedures, services, products, and supplies.

## What OIG Found

New York did not always comply with Federal Medicaid requirements for invoicing manufacturers for rebates for physician-administered drugs. Specifically, New York did not invoice manufacturers for rebates associated with $3.3 million (Federal share) in single-source and top-20 multiple-source physician-administered drugs. Although New York's policies and procedures require the collection of utilization data necessary to invoice for rebates on all claims, its internal controls did not always ensure that the data were used to invoice manufacturers to secure rebates.

Further, New York did not submit the drug utilization data necessary to secure rebates for claims associated with all other physician-administered drugs. These drugs were included in claims totaling $2.3 million (Federal share) that did not have drug codes and in claims totaling $714,777 (Federal share) that contained drug codes.

## What OIG Recommends and New York Comments

We recommend that New York refund to the Federal Government $3.3 million for single-source and top-20 multiple-source physician-administered drugs and work with CMS to determine the unallowable portion of the $3 million for other drug claims in question. We also made a procedural recommendation.

In written comments on our draft report, New York agreed with our recommended financial disallowance, partially agreed with our recommendation to work with CMS to determine the unallowable portion of the $3 million for other drug claims in question, and agreed with our procedural recommendation. New York said that it believes it cannot obtain the drug codes for claims that are missing these codes because of the amount of time that has elapsed since the original date of service; therefore, it cannot invoice for these claims. In addition, New York described corrective actions it has taken or planned to take to address our recommendations.

After reviewing New York's comments, we maintain that our findings and recommendations are valid and that New York should work with CMS to invoice for all physician-administered drugs eligible for rebates, including claims without drug codes.