Report in Brief
Date: April 2019
Report No. A-05-17-00038

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

Indiana Claimed Unallowable Federal Reimbursement for Some Medicaid Physician-Administered Drugs

Why OIG Did This Review

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 reviews found that States did not always invoice and collect all rebates due for drugs administered by physicians.

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

How OIG Did This Review

Our review covered physician-administered drug claims that were paid by Indiana for the period October 1, 2015, through September 30, 2017.

We used the Centers for Medicare & Medicaid Services (CMS) Medicaid Drug File to determine whether each National Drug Code (NDC) listed on the claims was classified as a single-source drug or a multiple-source drug. If the NDC was not listed on the claim, we used CMS's Medicare Part B crosswalk to identify, if possible, the NDC associated with each Healthcare Common Procedure Coding System (HCPCS) code listed on the claims from providers. Additionally, we determined whether the NDC or HCPCS codes were published in CMS's top-20 multiple-source drug listing.

What OIG Found

Indiana did not always comply with Federal Medicaid requirements for invoicing manufacturers for rebates for physician-administered drugs. Indiana did not invoice manufacturers for rebates associated with $710,420 (Federal share) in physician-administered drugs. Of this amount, $695,070 was for single-source drugs, and $15,350 was for top-20 multiple-source drugs. Because Indiana's internal controls did not always ensure that it invoiced manufacturers to secure rebates, Indiana improperly claimed Federal reimbursement for these single-source drugs and top-20 multiple-source drugs.

Further, Indiana did not submit the drug utilization data necessary to secure rebates for other physician-administered drugs totaling $142,339 (Federal share). Of this amount, $135,661 was for claims that did not have NDCs and $6,678 was for claims that contained NDCs.

What OIG Recommends and Indiana Comments

We recommend that Indiana refund $710,420 and work with CMS to determine the proper resolution of the $142,339 for the other drug claims in question.

We also made procedural recommendations.

In written comments on our draft report, the State agency partially agreed with our first three recommendations, agreed with our other two recommendations, and described corrective actions that it had taken or planned to take. These corrective actions include a plan to return the Federal share of additional rebate funds as they are received and a description of additional controls that have been or will be implemented to ensure that all eligible claims are invoiced for rebates.

After reviewing the State agency's comments and additional information it provided, we modified some of our findings and the associated recommendations for this final report. We maintain that the remaining findings and recommendations are valid. As of the date we issued our draft report, the reported claims had not been invoiced to the drug manufacturers to secure rebates. Federal requirements essentially preclude Federal reimbursement for such claims if they are not invoiced to the manufacturers for rebate.