Report in Brief
Date: June 2021
Report No. A-06-16-00001

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

New Mexico Did Not Bill Manufacturers for Some Rebates for Physician-Administered Drugs Dispensed to Enrollees of Medicaid Managed-Care Organizations

Why OIG Did This Audit

For a covered outpatient drug to be eligible for Federal Medicaid reimbursement, the manufacturer must enter into a rebate agreement administered by the Centers for Medicare & Medicaid Services (CMS) and pay quarterly rebates to the States. Previous OIG audits 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 New Mexico complied with Federal Medicaid requirements for billing manufacturers for rebates for drugs dispensed to MCO enrollees.

How OIG Did This Audit

We reviewed physician-administered drug claims that were paid by the MCOs from March 23, 2010, through December 31, 2014 (audit period). We identified drugs that had not been billed by New Mexico and worked with New Mexico to calculate the amount of rebates that would have been collected from manufacturers had it billed them for the drugs.

What OIG Found

New Mexico properly billed manufacturers for all pharmacy rebates and some rebates for physician-administered drugs. However, New Mexico did not bill for and collect from manufacturers rebates for 70,131 claim lines totaling at least $1.5 million ($1.1 million Federal share) for physician-administered drugs. In addition, the State agency did not bill for rebates for 183,859 claim lines for other physician-administered drugs that may have been eligible for rebates. These errors occurred because the State agency's internal controls did not always ensure that it billed manufacturers to secure rebates and because the State agency did not always collect the utilization data necessary to bill the manufacturers.

What OIG Recommends and New Mexico Comments

We recommend that New Mexico (1) bill for and collect manufacturers' rebates for the 44,790 claim lines related to single-source and top-20 multiple-source physician-administered drugs that we calculated to be at least $1.2 million ($900,971 Federal share) and refund the Federal share of rebates collected; (2) work with CMS to determine whether the 25,341 claim lines related to non-top-20 multiple-source physician-administered drugs that we calculated to be at least $226,644 ($164,793 Federal share) were eligible for rebates and, if so, determine the rebates due and, upon receipt of the rebates, refund the Federal share of rebates collected; and (3) work with CMS to determine whether the other physician-administered drugs, associated with 183,859 claim lines and rebates of at least $170,674 ($124,097 Federal share), were eligible for rebates and, if so, determine the rebates due and, upon receipt of the rebates, refund the Federal share of the rebates collected. We also made procedural recommendations.

In written comments on our draft report, New Mexico partially concurred with our findings. The State agency said that it has billed manufacturers for rebates totaling $1.6 million for claims related to our audit. The State agency disagreed that some claim lines could be billed for rebates for various reasons. The State agency additionally outlined steps it would take to address our findings and recommendations. We addressed the State agency's comments in our final report and maintain the validity of our recommendations.

The full report can be found at https://oig.hhs.gov/oas/reports/region6/61600001.asp.