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

# Nebraska Did Not Invoice Rebates to Manufacturers for Physician-Administered Drugs Dispensed to Enrollees of Medicaid Managed-Care Organizations

## 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 Nebraska complied with Federal Medicaid requirements for invoicing manufacturers for rebates for physician-administered drugs dispensed to enrollees of Medicaid managed-care organizations (MCOs).

## How OIG Did This Review

We reviewed physician-administered drug claims that were paid by the MCOs between April 1, 2010, and December 31, 2013. We identified drugs that Nebraska had not invoiced and calculated the amount of rebates that the State would have collected from manufacturers had it invoiced them for the drugs.

## What OIG Found

Before the start of our audit, Nebraska did not invoice rebate-eligible physician-administered drugs dispensed to enrollees of MCOs. Specifically, Nebraska did not invoice manufacturers for rebates totaling $1.9 million ($1.1 million Federal share). These errors occurred because Nebraska did not have established policies and procedures in place to ensure that it accurately invoiced manufacturers to collect rebates for physician-administered drugs dispensed to enrollees of MCOs.

## What OIG Recommends and Nebraska Comments

We recommend that Nebraska refund to the Federal Government $1.1 million for rebates for physician-administered drugs dispensed to enrollees of MCOs that were not invoiced to manufacturers; work with the Centers for Medicare & Medicaid Services (CMS) to determine and refund the unallowable portion of Federal reimbursement for physician-administered drugs that were not invoiced for rebates after December 31, 2013; and complete the process of developing and implementing policies and procedures to ensure that all physician-administered drugs dispensed to enrollees of MCOs and eligible for rebates are invoiced.

Nebraska disagreed with our first recommendation, concurred with our third recommendation, and, for our second recommendation, said that it would work with CMS to analyze and resolve any discrepancies. For our first recommendation, Nebraska said that historical MCO claims were identified as outstanding rebate-eligible covered outpatient drugs and were subsequently invoiced. Nebraska said that in addition, it took steps to ensure an accurate outstanding balance of rebates due on claims that had not previously been invoiced. Nebraska added that since our audit, it has invoiced for those rebates for drug claims that overlapped with our audit period.

We maintain that all of our findings and recommendations remain valid. We recognize that the drug rebate process is fluid and ongoing, and we commend Nebraska for its corrective actions. When we began our audit work, though, the claims that are included in our findings (and the associated amount in our recommended refund) had not been invoiced to the drug manufacturers to secure rebates. As part of the audit resolution process, Nebraska will have the opportunity to show CMS, the cognizant Federal agency, the portion of the amount conveyed in our first recommendation that it has already refunded.