

Report in Brief

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



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

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

How OIG Did This Audit

We reviewed claims for physician-administered drugs paid between January 2016 and December 2019.

We used the Centers for Medicare & Medicaid Services's (CMS's) Medicare Part B crosswalk and the CMS Medicaid Drug File to identify single-source and multiple-source drugs. Additionally, we determined whether the Healthcare Common Procedure Coding System codes were published in CMS's top-20 multiple-source drug listing.

North Carolina Did Not Always Invoice Rebates to Manufacturers for Physician-Administered Drugs

What OIG Found

North Carolina did not always comply with Federal Medicaid requirements for invoicing manufacturers for rebates for physician-administered drugs. North Carolina did not invoice for, and collect from manufacturers, rebates associated with \$3.1 million (Federal share) in physician-administered drugs. Of this amount, \$2.3 million (Federal share) was for single-source drugs and \$734,000 (Federal share) was for top-20 multiple-source drugs. Further, we were unable to determine whether, in some cases, North Carolina was required to invoice for rebates for other multiple-source physician-administered drug claims. North Carolina did not invoice the manufacturers for rebates associated with claims totaling \$685,000 (Federal share) for these multiple-source drugs.

What OIG Recommends and North Carolina Comments

We recommend that North Carolina refund to the Federal Government \$2.3 million (Federal share) for claims for single-source physician-administered drugs and \$734,000 (Federal share) for claims for top-20 multiple-source physician-administered drugs. We also recommend that North Carolina work with CMS to determine the unallowable portion of \$685,000 (Federal share) for other claims for multiple-source physician-administered drugs that may have been ineligible for Federal reimbursement, refund that amount, and consider invoicing drug manufacturers for rebates for these drugs if CMS determines that the drug claims are allowable. In addition, we recommend that North Carolina work with CMS to determine and refund the unallowable portion of Federal reimbursement for physician-administered drugs that were not invoiced for rebates after December 31, 2019, and strengthen its internal controls to ensure that all physician-administered drugs eligible for rebates are invoiced.

North Carolina agreed with all of our recommendations and described corrective actions that it had taken or planned to take. Specifically, North Carolina said that it would work with CMS to determine the amount, method, and timing of the refund, or pursue invoicing drug manufacturers for amounts determined to be allowable. North Carolina also said that it would review all physician-administered drug claims beginning January 1, 2020, through the present, and would work with CMS to determine any unallowable reimbursement and potential refund. Further, North Carolina said that it had reviewed procedures surrounding the physician-administered drug rebate process and would implement controls to mitigate the risks we identified.