

Report in Brief

Date: July 2020

Report No. A-09-19-02001

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

Our objective was to determine whether Alaska complied with Federal Medicaid requirements for billing manufacturers for rebates for pharmacy and physician-administered drugs.

How OIG Did This Audit

Our audit covered \$222 million (Federal share) in pharmacy and physician-administered drug claims that Alaska paid for 2016 and 2017. After removing claims for drugs that were ineligible for rebates or billed for rebates, we reviewed the claims not billed for rebates. For claims with National Drug Codes (NDCs), we used the Centers for Medicare & Medicaid Services (CMS) Medicaid Drug File to determine whether those NDCs were single-source or multiple-source drugs. We identified the top 20 multiple-source drugs by matching the Healthcare Common Procedure Coding System (HCPCS) code on each claim to the HCPCS code on the top-20 listing. We identified the remaining multiple-source drugs as other physician-administered drugs. For claims without valid NDCs, we identified these as other physician-administered drugs that could have been eligible for rebates.

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

What OIG Found

Alaska generally complied with Federal Medicaid requirements for billing manufacturers for rebates for pharmacy drugs. However, it did not comply with requirements for billing manufacturers for rebates for some physician-administered drugs. Specifically, Alaska did not bill for and collect from manufacturers rebates associated with about \$1 million (Federal share) in claims for physician-administered drugs. Of this amount, \$939,361 was for single-source drugs, and \$73,892 was for top-20 multiple-source drugs. Because Alaska's internal controls did not always ensure that it billed manufacturers to secure rebates, Alaska improperly claimed Federal reimbursement for these single-source drugs and top-20 multiple-source drugs.

In addition, Alaska did not submit the drug utilization data necessary to secure rebates for other physician-administered drugs that did not have valid NDCs, totaling \$3,615 (Federal share). Furthermore, claims totaling \$185,066 (Federal share), which contained NDCs, could have been eligible for rebates. Accordingly, we set aside these amounts for CMS resolution.

What OIG Recommends and Alaska Comments

We recommend that Alaska: (1) refund to the Federal Government \$939,361 (Federal share) for claims for single-source physician-administered drugs; (2) refund to the Federal Government \$73,892 (Federal share) for claims for top-20 multiple-source drugs; (3) work with CMS to determine the unallowable portion of \$188,681 (Federal share) for claims for other physician-administered drugs that did not have valid NDCs or could have been eligible for rebates, and make the appropriate refunds; (4) work with CMS to determine and refund the unallowable portion of Federal reimbursement for physician-administered drugs that were not billed for rebates after December 31, 2017; and (5) strengthen its internal controls to ensure that it bills manufacturers for rebates for all physician-administered drugs that are eligible for rebates.

Alaska concurred with the finding related to our first recommendation and partially concurred with the findings related to our second and third recommendations. Alaska provided information on actions it planned to take that would address our last two recommendations. Regarding our second finding, we maintain that Alaska should have billed manufacturers for rebates for top-20 multiple-source drugs. Regarding our third finding, we continue to recommend that Alaska work with CMS to resolve the Federal share amount.