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

Alabama Did Not Always Invoice Rebates to Manufacturers for Pharmacy and Physician-Administered Drugs

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 pharmacies and physicians.

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

How OIG Did This Audit

Our audit covered pharmacy and physician-administered drug claims that Alabama paid between January 1, 2016, and December 31, 2019.

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

What OIG Found

Alabama did not always comply with Federal Medicaid requirements for invoicing manufacturers for rebates for pharmacy and physician-administered drugs. Alabama did not invoice for, and collect from manufacturers, rebates associated with $21 million ($14.9 million Federal share) in single-source and $62,043 ($43,981 Federal share) in top-20 multiple-source physician-administered drug claims. Further, we were unable to determine whether, in some cases, Alabama was required to invoice for rebates for other multiple-source physician-administered drug claims. Alabama did not invoice the manufacturers for rebates associated with the claims totaling $410,454 ($290,455 Federal share) for these multiple-source drugs. Lastly, the OIG identified $6,568 ($4,719 Federal share) in single-source and $219,220 ($157,395 Federal share) in multiple-source pharmacy drug claims where Alabama did not collect a rebate from manufacturers.

What OIG Recommends and Alabama Comments

We recommend that Alabama refund to the Federal Government $14.9 million (Federal share) for claims for single-source physician-administered drugs and $43,981 (Federal share) for claims for top-20 multiple-source physician-administered drugs. We also recommend that Alabama work with CMS to determine and refund the unallowable portion of $290,455 (Federal share) for other claims for multiple-source physician-administered drugs that may have been ineligible for Federal reimbursement and consider invoicing drug manufacturers for rebates for those drug claims that CMS determines are allowable. Additionally, we recommend that Alabama complete the process for rebating pharmacy drugs totaling $6,568 ($4,719 Federal share) for single-source and $219,220 ($157,395 Federal share) for multiple-source drugs that it had not previously collected a rebate on or refund the Federal share. We also made two additional recommendations.

Alabama did not concur with our first four recommendations. However, they responded that they will be invoicing for, and collecting from manufacturers, rebates associated with the claims associated with each of the first four recommendations. They will be invoicing for these on the next available rebate cycle and plan to pay the Federal share on any rebate received. Alabama also responded that they would ensure rebate eligible physician-administered drugs are invoiced for rebates after December 31, 2019, and strengthen their internal controls.

The full report can be found at https://oig.hhs.gov/oas/reports/region4/42108090.asp.