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

New Jersey Did Not Bill Manufacturers for Tens of Millions of Dollars in Rebates for Drugs Dispensed to Enrollees of Medicaid Managed-Care Organizations

Why OIG Did This Review

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 reviews 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 Jersey complied with Federal Medicaid requirements for billing manufacturers for rebates for drugs dispensed to MCO enrollees.

How OIG Did This Review

We reviewed drug utilization data for both pharmacy and physician-administered drugs for New Jersey's MCOs from January 1, 2014, through December 31, 2016.

We identified MCO drug utilization data for drugs billed for rebates and tested the rebates billed by selecting 29 National Drug Codes (NDCs) associated with 22 manufacturers and reviewed supporting documentation. We also identified these data for pharmacy and physician-administered drugs that were not billed for rebates and determined which drugs were eligible or may have been eligible for rebates. For these drugs, we estimated the amount of rebates that New Jersey could have collected if it had billed these drugs for rebates.

What OIG Found

New Jersey did not fully comply with Federal Medicaid requirements for billing manufacturers for rebates for drugs dispensed to MCO enrollees. Specifically, New Jersey did not bill for and collect from manufacturers estimated rebates of $75.5 million (Federal share) for pharmacy and physician-administered drugs that were eligible or may have been eligible for rebates for our audit period. For drugs that were eligible for rebates, New Jersey did not bill for estimated rebates of $28.1 million (Federal share) for single-source and top-20 multiple-source pharmacy and physician-administered drugs. For drugs that may have been eligible for rebates, New Jersey did not bill for estimated rebates of $47.4 million (Federal share) for other pharmacy and physician-administered drugs. New Jersey did not always bill for and collect from manufacturers rebates because it did not have a system edit to ensure that NDCs were submitted for physician-administered drugs before January 1, 2015. Even after New Jersey implemented the edit on January 1, 2015, this edit did not ensure that NDCs or valid NDCs were captured for all physician-administered drugs.

Additionally, using data for our audit period, we estimated that the State agency did not bill for and collect $119.6 million (Federal share) in drug rebates from manufacturers for the nearly 4-year period before our audit period.

What OIG Recommends and New Jersey Comments

We recommend that New Jersey (1) bill for and collect from manufacturers rebates for single-source and top-20 multiple-source pharmacy and physician-administered drugs and refund the estimated $28.1 million (Federal share); and (2) work with CMS to determine whether the other pharmacy and physician-administered drugs were eligible for rebates and, if so, upon receipt of the rebates, refund up to an estimated $47.4 million (Federal share) for our audit period and $119.6 million (Federal share) for the nearly 4-year period before our audit period. We also made procedural recommendations.

In written comments on our draft report, New Jersey concurred with our findings, agreed with our recommendations, and described corrective actions it had taken or planned to take to address them.