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

New York Did Not Bill Manufacturers for Some Rebates for Drugs Dispensed to Enrollees of Medicaid Managed-Care Organizations

Why OIG Did This Audit

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 audits 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 York complied with Federal Medicaid requirements for billing manufacturers for rebates for drugs dispensed to MCO enrollees.

How OIG Did This Audit

We reviewed drug utilization data for both pharmacy and physician-administered drugs dispensed to enrollees of New York Medicaid MCOs from January 2015 through December 2017.

We identified 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 York could have collected if it had billed these drugs for rebates.

What OIG Found

New York did not fully comply with Federal Medicaid requirements for billing manufacturers for rebates for drugs dispensed to MCO enrollees. Specifically, New York did not bill for and collect from manufacturers estimated rebates of more than $10.8 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 York did not bill for estimated rebates of $7.8 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 York did not bill for estimated rebates of $3 million (Federal share) for other pharmacy and physician-administered drugs. Although its policies and procedures require the collection of drug utilization data necessary to invoice for rebates on all claims, New York's internal controls did not always ensure that the data were used to invoice manufacturers to secure rebates.

What OIG Recommends and New York Comments

We recommend that New York (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 $7.8 million (Federal share); (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 $3 million (Federal share) of rebates collected; and (3) strengthen its internal controls to ensure that all pharmacy and physician-administered drugs eligible for rebates are invoiced.

In written comments on our draft report, New York partially agreed with our recommended refund, agreed with our second and third recommendations, and described corrective actions it has taken or planned to take to address them. New York also provided corrected figures for calculating rebates for several drugs as well as information related to rebates it already collected and for drug claims not eligible for reimbursement. After reviewing New York's comments and the additional data provided, we revised our findings and related recommendations accordingly. We maintain that our findings and recommendations, as revised, are valid.