Report in Brief
Date: September 2023
Report No. A-04-22-07102

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

Kentucky Did Not Always Invoice Manufacturers for Rebates for Physician-Administered Drugs Dispensed to Enrollees of Medicaid Managed-Care Organizations

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 Kentucky complied with Federal Medicaid requirements for invoicing manufacturers for rebates for physician-administered drugs dispensed to managed-care organization (MCO) enrollees.

How OIG Did This Audit

We reviewed claims for physician-administered drugs paid between January 1, 2019, and December 31, 2020.

We removed the physician-administered drug claims that were not eligible for rebate as part of the drug rebate program and worked with Kentucky to calculate the amounts of rebates that were associated with the remaining drugs and that were not invoiced.

What OIG Found

Kentucky did not always comply with Federal Medicaid requirements for invoicing manufacturers for rebates for physician-administered drugs dispensed to MCO enrollees. Kentucky did not file invoices for and collect from manufacturers, rebates totaling $21.6 million ($15.5 million Federal share) for physician-administered drugs dispensed to MCO enrollees. Of this amount, $15.6 million ($11.2 million Federal share) was for drugs that were required to be rebated. In addition, Kentucky did not invoice for rebates associated with $6.0 million ($4.3 million Federal share) in other multiple-source physician-administered drugs that were eligible for rebates.

Although Kentucky's managed care contracts with its MCOs required the collection of drug utilization data necessary to invoice for rebates on all claims, Kentucky's internal controls did not always ensure that the data were used to invoice manufacturers and collect rebates for physician-administered drugs dispensed to enrollees of MCOs.

What OIG Recommends

We recommend that Kentucky: (1) files invoices for and collect from manufacturers rebates totaling $15,611,770 ($11,209,642 Federal share) for single-source and top-20 multiple-source physician-administered drugs and refund the Federal share of rebates collected; (2) work with CMS to determine whether the other claims for multiple-source physician-administered drugs, totaling $5,967,128 ($4,281,678 Federal share), were eligible for rebate and, if so, determine the rebates due and, upon receipt of the rebates, refund the Federal share of the rebates collected; (3) strengthen its internal controls to ensure that all eligible physician-administered drugs are invoiced for rebate; and (4) ensure that all physician-administered drugs eligible for rebates after our audit period are processed for rebates.

In written comments on our draft report, Kentucky concurred with our findings and recommendations and described actions that it had taken to address them.