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

Minnesota 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 reimbursement under the Medicaid program's drug rebate requirements, manufacturers must pay rebates to the States for the drugs. 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 Minnesota 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 for Minnesota's MCOs from January through December 2016.

We identified MCO drug utilization data for drugs that were not billed for rebates and used drug files from the Centers for Medicare & Medicaid Services (CMS) to determine which drugs were eligible or may have been eligible for rebates. For these drugs, we calculated the rebate amount that Minnesota could have collected if it had billed these drugs for rebates.

What OIG Found

Minnesota did not fully comply with Federal Medicaid requirements for billing manufacturers for rebates for drugs dispensed to MCO enrollees. Minnesota did not bill for and collect manufacturers' rebates that we calculated to be $6.1 million (Federal share). Specifically, it did not bill for and collect manufacturers' rebates that we calculated to be (1) $5.9 million (Federal share) for pharmacy drugs and for single-source and top-20 multiple-source physician-administered drugs that were eligible for rebates and (2) $173,780 (Federal share) for physician-administered drugs that may have been eligible for rebates. Minnesota did not always bill for and collect manufacturers' rebates because Minnesota and its contractor did not identify all of the rebate-eligible drugs in the utilization data submitted by the MCOs.

What OIG Recommends and Minnesota Comments

We recommend that Minnesota (1) bill for and collect manufacturers' rebates for pharmacy drugs and for single-source and top-20 multiple-source physician-administered drugs that we calculated to be $5.9 million (Federal share) and refund the Federal Government and (2) work with CMS to determine whether the non-top-20 multiple-source physician-administered drugs were eligible for rebates that we calculated to be $173,780 (Federal share) and, if so, upon receipt of the rebates, refund the Federal share. We also make a recommendation related to pharmacy and physician-administered drugs that were not billed for rebates after our audit period and a procedural recommendation to ensure that all rebate-eligible drugs are properly identified and billed for rebate.

In written comments on our draft report, Minnesota agreed with our recommendations and said that all of the claims identified in the first two recommendations were put through the rebate process and Minnesota will return the Federal share of rebate payments. In addition, Minnesota described actions it has taken or plans to take to address our remaining recommendations.