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

Vermont Did Not Always Invoice Rebates to Manufacturers for 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, a prior OIG review found that States did not always invoice and collect all rebates due for drugs administered by physicians.

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

How OIG Did This Audit

We reviewed claims for physician-administered drugs paid between January 2013 and December 2017.

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. Additionally, we determined whether the Healthcare Common Procedure Coding System codes were published in CMS's top-20 multiple-source drug listing.

What OIG Found

Vermont did not always comply with Federal Medicaid requirements for invoicing manufacturers for rebates for physician-administered drugs. Vermont did not invoice for, and collect from manufacturers, rebates associated with $483,458 (Federal share) in physician-administered drugs. Of this amount, $357,706 (Federal share) was for single-source drugs and $47,389 (Federal share) was for top-20 multiple-source drugs. Further, we were unable to determine whether, in some cases, Vermont was required to invoice for rebates for other multiple-source physician-administered drug claims. Vermont did not invoice the manufacturers for rebates associated with claims totaling $78,363 (Federal share) for these multi-source drugs.

What OIG Recommends and Vermont's Comments

We recommend that Vermont refund to the Federal Government $357,706 (Federal share) for claims for single-source physician-administered drugs and $47,389 (Federal share) for claims for top-20 multiple-source physician-administered drugs. We also recommend that Vermont work with CMS to determine the unallowable portion of $78,363 (Federal share) for other claims for multiple-source physician-administered drugs that may have been ineligible for Federal reimbursement, refund that amount, and consider invoicing drug manufacturers for rebates for these drugs if CMS determines that the drug claims are allowable. In addition, we recommend that Vermont work with CMS to determine and refund the unallowable portion of Federal reimbursement for physician-administered drugs that were not invoiced for rebates after December 31, 2017, and strengthen its internal controls to ensure that all physician-administered drugs eligible for rebates are invoiced.

Vermont concurred with all of our findings and recommendations and described corrective actions that it planned to take to address them. Vermont described three main areas involving missed rebates and estimated that it would complete its corrective action plan for two of those areas before May 2021. Vermont said that the third area involved issues with National Drug Codes (NDCs) and added that it had already identified and remedied these issues in 2018 so that all claims with a date of service of January 1, 2019, or later were being denied payment unless a valid NDC was present.