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

Tennessee Did Not Always Invoice Rebates to Manufacturers 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 to Medicaid managed-care organizations' (MCOs') enrollees.

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

How OIG Did This Audit

We reviewed physician-administered drug claims totaling $359.9 million that were paid by the MCOs between January 1, 2016, and December 31, 2019 (audit period).

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

What OIG Found

Tennessee did not always comply with Federal Medicaid requirements for invoicing manufacturers for rebates for physician-administered drugs dispensed to MCO enrollees. Tennessee did not invoice for, and collect from manufacturers, rebates totaling $18.4 million ($12.0 million Federal share) for physician-administered drugs dispensed to MCO enrollees. Of this amount, $16.8 million ($11.0 million Federal share) was for single-source and top-20 multiple-source drugs that were required to be rebated, and $1.6 million ($1.0 million Federal share) was for other multiple-source drugs that were eligible for rebates. In addition, Tennessee did not invoice for, and collect from manufacturers, $43.3 million ($28.4 million Federal share) in rebates for physician-administered drugs invoiced on crossover claims, for which beneficiaries are eligible for both Medicare and Medicaid services.

Although its policies required the collection of drug utilization data necessary to invoice for rebates on all claims, Tennessee'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 and Tennessee Comments

We recommend that Tennessee: (1) invoice for and collect manufacturers' rebates and refund to the Federal Government $11.0 million (Federal share) for single-source and top-20 multiple-source drugs; (2) work with the Centers for Medicare & Medicaid Services to determine the portion of the $1.0 million (Federal share) for other multiple-source drugs that were eligible for rebate, invoice manufacturers, and refund the Federal share; (3) strengthen internal controls for non-crossover claims to ensure that all eligible physician-administered drugs are invoiced for rebate; and (4) consider revising its methodology going forward regarding payments for crossover claims.

Tennessee generally concurred with our first three recommendations and described corrective actions. Tennessee said that it had already invoiced manufacturers for over $18.1 million and disputed $334,425 in claims. We agreed with Tennessee, removed these claims from our findings, and adjusted the amount in our first two recommendations. Tennessee did not concur with our fourth recommendation, but said that it would consider our recommendation if it adjusts its crossover claim methodology in the future.

The full report can be found at https://oig.hhs.gov/oas/reports/region7/72106096.asp.