

## Report in Brief

Date: August 2022

Report No. A-07-21-07003

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



### 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 South Carolina 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 2016 and December 2019.

We used the Centers for Medicare & Medicaid Services's (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.

## South Carolina Did Not Always Invoice Rebates to Manufacturers for Physician-Administered Drugs

### What OIG Found

South Carolina did not always comply with Federal Medicaid requirements for invoicing manufacturers for rebates for physician-administered drugs. South Carolina did not invoice for, and collect from manufacturers, rebates associated with \$14.5 million (Federal share) in physician-administered drugs. Of this amount, \$14.3 million (Federal share) was for single-source drugs and \$242,000 (Federal share) was for top-20 multiple-source drugs. Further, we were unable to determine whether, in some cases, South Carolina was required to invoice for rebates for other multiple-source physician-administered drug claims. South Carolina did not invoice the manufacturers for rebates associated with claims totaling \$1.3 million (Federal share) for these multiple-source drugs.

### What OIG Recommends and South Carolina Comments

We recommend that South Carolina refund to the Federal Government \$14.3 million (Federal share) for claims for single-source physician-administered drugs and \$242,000 (Federal share) for claims for top-20 multiple-source physician-administered drugs. We also recommend that South Carolina work with CMS to determine the unallowable portion of \$1.3 million (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 South Carolina 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, 2019, and continue to review and strengthen its internal controls to ensure that all physician-administered drugs eligible for rebates are invoiced.

South Carolina generally concurred with our recommendations and described corrective actions it had taken or planned to take. South Carolina said that its drug rebate vendor had confirmed that a total of \$14.1 million (Federal share) was eligible for invoicing and added that the vendor planned to submit invoices to manufacturers to secure rebates for these claims. South Carolina also identified expenditures totaling \$1.4 million (Federal share) that could be refunded to the Federal Government because of deficiencies in data collection during original claim adjudication. For our procedural recommendations, South Carolina described deficiencies in its automated system and added that it planned to modify and strengthen its submission and adjudication processes. We maintain that our findings and recommendations remain valid.