

## Report in Brief

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



### Why OIG Did This Review

Previous OIG reviews 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 Nevada complied with Federal Medicaid requirements for billing manufacturers for rebates for drugs dispensed to MCO enrollees.

### How OIG Did This Review

We reviewed drug utilization data for both physician-administered and pharmacy drugs for Nevada's two MCOs from April 2010 through June 2011.

We identified MCO drug utilization data for drugs that were billed for rebates and tested the rebates billed by selecting 30 National Drug Codes (NDCs) associated with 22 manufacturers and reviewing copies of rebate invoices submitted to manufacturers to verify the billing of rebates by NDC. We also identified drugs that were not billed for rebates but were eligible for rebates and requested that Nevada's contractor estimate the amount of uncollected rebates. We reviewed these estimates to determine whether they were reasonable. Finally, we identified claim lines for other drugs that may have been eligible for rebates.

## Nevada Did Not Bill Manufacturers for Some Rebates for Drugs Dispensed to Enrollees of Medicaid Managed-Care Organizations

### What OIG Found

When Nevada billed manufacturers for rebates for physician-administered and pharmacy drugs, it did so correctly. However, Nevada estimated that it did not bill for rebates of \$520,137 (\$327,624 Federal share) for physician-administered and pharmacy drugs that were eligible for rebates. In addition, Nevada did not bill for rebates for 19,650 claim lines for other physician-administered and pharmacy drugs that may have been eligible for rebates. Because there was insufficient information to determine the amount of any rebates that may have been due, we set aside these claim lines for resolution by the Centers for Medicare & Medicaid Services (CMS). Nevada's internal controls did not ensure that it billed for and collected rebates for all drugs dispensed to MCO enrollees.

### What OIG Recommends and Nevada Comments

We recommend that Nevada (1) bill for and collect from manufacturers rebates for physician-administered and pharmacy drugs that were eligible for rebates and refund to the Federal Government the estimated \$327,624 (Federal share); (2) work with CMS to determine the amount of any rebates due for the 19,650 claim lines that we set aside and refund the Federal share of rebates collected; (3) determine which physician-administered and pharmacy drugs were not billed for rebates after our audit period, determine the rebates due, and upon receipt of the rebates, refund the Federal share of the rebates collected; and (4) strengthen its internal controls to ensure that it bills for and collects from manufacturers rebates for all physician-administered and pharmacy drugs dispensed to MCO enrollees.

Nevada concurred with our first, third, and fourth recommendations and partially concurred with our second recommendation. Specifically, Nevada disagreed with the number of claim lines we set aside for our audit period. However, Nevada stated that it was reviewing all claim lines regardless of whether they were within the audit period to determine whether the utilization was eligible for rebates from manufacturers. After reviewing Nevada's comments, we adjusted the number of set-aside claim lines to reflect our audit period.