DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Region IX
Office of Audit Services
90 – 7th Street, Suite 3-650
San Francisco, CA 94103

MAR 14 2008

Report Number: A-09-07-00052

Bruce Goldberg, M.D.
Director
Oregon Department of Human Services
500 Summer Street, NE.
Salem, Oregon 97301-1063

Dear Dr. Goldberg:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled "Follow-Up Audit of the Medicaid Drug Rebate Program in Oregon." We will forward a copy of this report to the HHS action official noted on the following page for review and any action deemed necessary.

The HHS action official will make final determination as to actions taken on all matters reported. We request that you respond to this official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

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If you have any questions or comments about this report, please do not hesitate to contact me at (415) 437-8360 or through e-mail at Lori.Ahlstrand@oig.hhs.gov, or contact Doug Preussler, Audit Manager, at (415) 437-8309 or through e-mail at Doug.Preussler@oig.hhs.gov. Please refer to report number A-09-07-00052 in all correspondence.

Sincerely,

Lori A. Ahlstrand
Regional Inspector General
for Audit Services

Enclosure

**Direct Reply to HHS Action Official:**

Ms. Jackie Garner, Consortium Administrator
Consortium for Medicaid and Children's Health Operations
Centers for Medicare & Medicaid Services
233 North Michigan Avenue, Suite 600
Chicago, Illinois 60601

cc:
Mr. Jim Edge
Assistant Director
Oregon Department of Human Services
Division of Medical Assistance Programs

Mr. Arthur W. Pagan
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Department of Health and Human Services

**OFFICE OF INSPECTOR GENERAL**

# FOLLOW-UP AUDIT OF THE MEDICAID DRUG REBATE PROGRAM IN OREGON


Daniel R. Levinson
Inspector General

March 2008
A-09-07-00052

# *Office of Inspector General*

http://oig.hhs.gov

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## OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating divisions will make final determination on these matters.

## EXECUTIVE SUMMARY

### BACKGROUND

The Medicaid drug rebate program, which began in 1991, is set forth in section 1927 of the Social Security Act (the Act). For a manufacturer's covered outpatient drugs to be eligible for Federal Medicaid funding under the program, the manufacturer must enter into a rebate agreement with the Centers for Medicare & Medicaid Services (CMS) and pay quarterly rebates to the States. CMS, the States, and drug manufacturers each undertake certain functions in connection with the drug rebate program. In Oregon, the Department of Human Services (the State agency) administers the Medicaid drug rebate program.

Section 1927(b)(2)(A) of the Act requires States to maintain drug utilization data that identifies, by National Drug Code (NDC), the number of units of each covered outpatient drug for which the States reimbursed providers. The number of units is applied to the unit rebate amount to determine the actual rebate amount due from each manufacturer. Section 1927(b)(2) of the Act requires States to provide the drug utilization data to CMS and the manufacturer. States also report drug rebate accounts receivable data on Form CMS-64.9R, "Medicaid Drug Rebate Schedule."

In 2005, we issued a report on the results of audits of the Medicaid drug rebate programs in 49 States and the District of Columbia (A-06-03-00048). Those audits found that only four States had no weaknesses in accountability for and internal controls over their drug rebate programs. As a result of the weaknesses, we concluded that States lacked adequate assurance that all of the drug rebates due to the States were properly recorded and collected. Additionally, CMS did not have reliable information from the States to properly monitor the drug rebate program.

In our previous audit of the Oregon drug rebate program, we determined that the State agency had not established adequate policies, procedures, and internal controls over the Medicaid drug rebate program (A-10-03-00005). Specifically, we identified weaknesses in the following areas: (1) quarterly reporting, (2) accounts receivable system, (3) rebate collections, (4) interest accrual and collection, and (5) dispute resolution. We recommended that the State agency establish policies, procedures, and internal controls to:

- report drug rebate activity to CMS by calendar quarter, as required, and reconcile the ending balance of uncollected rebates to the receivable account;
- create a general ledger accounts receivable control account and a sufficiently detailed subsidiary accounts receivable system;
- address rebate collections and provide for the proper segregation of duties within and between the rebate collection and accounting functions;

- calculate simple interest on disputed, late, and unpaid rebate payments, and verify the accuracy of interest payments received; and

- make use of the State hearing mechanism to resolve longstanding disputes with manufacturers, when appropriate.

The State agency disagreed with our finding that it did not have formal written policies and procedures for rebate collections. The State agency generally concurred with the remaining findings and recommendations.

This current review of Oregon is part of a nationwide series of reviews conducted to determine whether States have addressed the weaknesses in accountability for and internal controls over their drug rebate programs found in the previous reviews. Additionally, because the Deficit Reduction Act of 2005 required States as of January 2006 to begin collecting rebates on single source drugs administered by physicians, this series of reviews will also determine whether States have complied with the new requirement.

## OBJECTIVES

Our objectives were to determine whether the State agency had (1) implemented the recommendations made in our previous audit of the Oregon drug rebate program and (2) established controls over collecting rebates on single source drugs administered by physicians.

## SUMMARY OF FINDINGS

The State agency implemented the recommendations from our prior audit that related to rebate collections and dispute resolution. The State agency partly implemented the recommendations related to quarterly reporting, the accounts receivable system, and interest accrual and collection.

- **Quarterly Reporting.** The State agency reported drug rebate activity to CMS by calendar quarter. However, it did not reconcile the reported balance of uncollectible rebates to the receivable account. As a result, the State agency could not assure the accuracy of the balance reported on Form CMS-64.9R.

  As part of our followup on quarterly reporting, we determined that the State agency had received CMS approval on its State plan amendment after our prior audit to enter into supplemental drug rebate agreements with drug manufacturers. The State agency did not report drug rebate accounts receivable data for those agreements on Form CMS-64.9R for the quarter ended June 30, 2006. As a result, the balance reported on the CMS-64.9R was understated.

- **Accounts Receivable System.** The State agency created a general ledger accounts receivable control account. However, it did not create a sufficiently detailed subsidiary accounts receivable system to track drug rebate activity before 2003 by NDC. As a result, the State agency did not actively work to resolve the pre-2003 drug rebate balances.

- **Interest Accrual and Collection.** The State agency calculated interest due using the appropriate simple interest formula for disputed, late, and unpaid rebate payments. However, it did not verify the accuracy of interest payments received. As a result, the State agency could not assure that it collected all of the interest owed on disputed, late, and unpaid balances.

In addition, the State agency established controls over collecting rebates on single source drugs administered by physicians. However, for the period January 2006 through May 2007, the State agency's fiscal agent inadvertently replaced the crosswalk used for the State agency with one used for other clients. (The crosswalk is used to convert each procedure code into a NDC and procedure code billing units into equivalent NDC billing units.) Because this crosswalk included fewer procedure codes, the State agency did not bill manufacturers for all rebates that it was potentially eligible for.

## RECOMMENDATIONS

We recommend that the State agency implement policies, procedures, and internal controls to:

- reconcile the ending balance of uncollectible rebates to the receivable account and report drug rebates for the supplemental program on Form CMS-64.9R,

- create a sufficiently detailed subsidiary accounts receivable system to track drug rebate activity by NDC for all drug rebate balances,

- verify the accuracy of interest payments received, and

- ensure that the correct crosswalk is used for collecting rebates for single source drugs administered by physicians and bill manufacturers for all drugs that were not billed for the period January 2006 through May 2007.

## STATE AGENCY'S COMMENTS

In comments on the draft report (included in their entirety as the Appendix), the State agency concurred with the findings and provided information on how it is addressing the recommendations.

## TABLE OF CONTENTS

# INTRODUCTION

## BACKGROUND

Pursuant to Title XIX of the Social Security Act (the Act), the Medicaid program provides medical assistance to certain low-income individuals and individuals with disabilities. The Federal and State Governments jointly fund and administer the Medicaid program. At the Federal level, the Centers for Medicare & Medicaid Services (CMS) administers the program. Each State administers its Medicaid program in accordance with a CMS-approved State plan. Although the State has considerable flexibility in designing and operating its Medicaid program, it must comply with applicable Federal requirements.

### Drug Rebate Program

The Medicaid drug rebate program, which began in 1991, is set forth in section 1927 of the Act. For a manufacturer's covered outpatient drugs to be eligible for Federal Medicaid funding under the program, the manufacturer must enter into a rebate agreement with CMS and pay quarterly rebates to the States. CMS, the States, and drug manufacturers each undertake certain functions in connection with the drug rebate program. In Oregon, the Department of Human Services (the State agency) is responsible for the drug rebate program.

Pursuant to section II of the rebate agreement and section 1927(b) of the Act, manufacturers are required to submit a list to CMS of all covered outpatient drugs and to report each drug's average manufacturer price and, where applicable, best price. Based on this information, CMS calculates a unit rebate amount for each covered outpatient drug and provides the amounts to States quarterly.

Section 1927(b)(2)(A) of the Act requires States to maintain drug utilization data that identifies, by National Drug Code (NDC), the number of units of each covered outpatient drug for which the States reimbursed providers. The number of units is applied to the unit rebate amount to determine the actual rebate amount due from each manufacturer. Section 1927(b)(2) of the Act requires States to provide the drug utilization data to CMS and the manufacturer. States also report drug rebate accounts receivable data on Form CMS-64.9R, "Medicaid Drug Rebate Schedule." This is part of Form CMS-64, "Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program," which summarizes actual Medicaid expenditures for each quarter and is used by CMS to reimburse States for the Federal share of Medicaid expenditures.

### Physician-Administered Drugs

Section 6002(a) of the Deficit Reduction Act of 2005 (DRA) amends section 1927 of the Act and requires States, as of January 1, 2006, to collect and submit utilization data for single source drugs administered by physicians so that States may obtain rebates for the drugs.[1] Single source drugs are commonly referred to as "brand name drugs" and do not have generic equivalents.

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[1]This provision of the DRA expands the requirement to certain multiple source drugs administered by physicians after January 1, 2008.

In Oregon, physician-administered drugs are billed to the State Medicaid program on a physician claim form using procedure codes that are part of the Healthcare Common Procedure Coding System. The procedure code identifies a drug by its active ingredient(s) and identifies the number of drug units (billing units) allowed per reimbursement for that procedure code. Because rebates are calculated and paid based on NDCs, each procedure code must be converted to an NDC. Additionally, the billing units for a procedure code may differ from the units used for rebate purposes (e.g., grams versus liters). Therefore, to determine rebates, a crosswalk is used to convert procedure codes into NDCs for single source drugs and to convert procedure code billing units into equivalent NDC billing units.[2]

**Prior Office of Inspector General Reports**

In 2005, we issued a report on the results of audits of the Medicaid drug rebate programs in 49 States and the District of Columbia.[3] Those audits found that only four States had no weaknesses in accountability for and internal controls over their drug rebate programs. As a result of the weaknesses, we concluded that States lacked adequate assurance that all of the drug rebates due to the States were properly recorded and collected. Additionally, CMS did not have reliable information from the States to properly monitor the drug rebate program.

In our previous audit of the Oregon drug rebate program, we determined that the State agency had not established adequate policies, procedures, and internal controls over the Medicaid drug rebate program.[4] Specifically, we identified weaknesses in the following areas: (1) quarterly reporting, (2) accounts receivable system, (3) rebate collections, (4) interest accrual and collection, and (5) dispute resolution. We recommended that the State agency establish policies, procedures, and internal controls to:

- report drug rebate activity to CMS by calendar quarter, as required, and reconcile the ending balance of uncollected rebates to the receivable account;

- create a general ledger accounts receivable control account and a sufficiently detailed subsidiary accounts receivable system;[5]

- address rebate collections and provide for the proper segregation of duties within and between the rebate collection and accounting functions;

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[2]The State agency has a policy that requires physicians to include both the procedure code and NDC on the claim form. However, because the State agency is in the process of replacing its Medicaid Management Information System, the State agency has not fully enforced the inclusion of NDCs.

[3]"Multistate Review of Medicaid Drug Rebate Programs" (A-06-03-00048), issued July 6, 2005; Arizona was not included because it did not operate a drug rebate program.

[4]"Audit of Medicaid Drug Rebate Program in Oregon" (A-10-03-00005), issued June 27, 2003.

[5]A sufficiently detailed system is one that tracks drug rebate activity by NDC.

- calculate simple interest on disputed, late, and unpaid rebate payments, and verify the accuracy of interest payments received; and

- make use of the State hearing mechanism to resolve longstanding disputes with manufacturers, when appropriate.

The State agency disagreed with our finding that it did not have formal written policies and procedures for rebate collections. The State agency generally concurred with the remaining findings and recommendations.

### Oregon Drug Rebate Program

The State agency contracted with its fiscal agent, First Health Services Corporation, to perform all drug rebate program functions other than receiving rebate funds. The fiscal agent's responsibilities included preparing and mailing invoices to manufacturers, managing dispute resolution procedures, and accounting for rebates on single source drugs administered by physicians. The fiscal agent also converted the procedure code billing units into equivalent NDC billing units.

The State agency reported an outstanding drug rebate balance of $12,863,451 on the June 30, 2006, Form CMS-64.9R. However, $808,241 of this amount related to quarterly billings and was not past due as of June 30, 2006. Of the remaining $12,055,210 that was past due, $9,486,094 was more than 1 year old. For the fiscal year ended June 30, 2006, the State agency reported rebate billings of approximately $50.7 million and collections of approximately $60.7 million.

This current review of the Oregon drug rebate program is part of a nationwide series of reviews conducted to determine whether States have addressed the weaknesses in accountability for and internal controls over their drug rebate programs found in the previous reviews. Additionally, because the DRA required States as of January 2006 to begin collecting rebates on single source drugs administered by physicians, this series of reviews will also determine whether States have complied with the new requirement.

## OBJECTIVES, SCOPE, AND METHODOLOGY

### Objectives

Our objectives were to determine whether the State agency had (1) implemented the recommendations made in our previous audit of the Oregon drug rebate program and (2) established controls over collecting rebates on single source drugs administered by physicians.

### Scope

We reviewed the State agency's current policies, procedures, and controls over the drug rebate program and the accounts receivable data reported on Form CMS-64.9R as of June 30, 2006.

We performed our fieldwork at the State agency and its fiscal agent, both of which are located in Salem, Oregon, from February through December 2007.[6]

### Methodology

To accomplish our objectives, we

- reviewed section 1927 of the Act, section 6002(a) of the DRA, CMS guidance issued to State Medicaid directors, and other information pertaining to the Medicaid drug rebate program;

- reviewed the policies and procedures related to the fiscal agent's drug rebate accounts receivable system;

- interviewed State agency officials and fiscal agent staff to determine the policies, procedures, and controls that related to the Medicaid drug rebate program;

- reviewed copies of Form CMS-64.9R for the period July 1, 2005, through June 30, 2006;

- reviewed supporting documentation for rebates invoiced, adjustments, and rebate and interest payments received for the quarter ended June 30, 2006;

- interviewed fiscal agent staff to determine the processes used in converting physician services claims data into drug rebate data related to single source drugs administered by physicians; and

- reviewed rebate listings of billings and reimbursements for procedure codes related to single source drugs administered by physicians for the period January 1 through June 30, 2006.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## FINDINGS AND RECOMMENDATIONS

The State agency implemented the recommendations from our prior audit that related to rebate collections and dispute resolution. The State agency partly implemented the recommendations related to quarterly reporting, the accounts receivable system, and interest accrual and collection. In addition, the State agency established controls over collecting rebates on single source drugs administered by physicians. However, for the period January 2006 through May 2007, the State

[6]The fiscal agent's office in Salem, Oregon, closed in June 2007. Drug rebate functions are now handled from the fiscal agent's office in Richmond, Virginia.

agency's fiscal agent inadvertently replaced the crosswalk used for the State agency with one used for other clients.

## IMPLEMENTATION OF PRIOR RECOMMENDATIONS

The State agency partly implemented the recommendations from our prior audit that related to quarterly reporting, the accounts receivable system, and interest accrual and collection.

### Federal Regulations

Pursuant to 42 CFR § 433.32(a), States are required to "[m]aintain an accounting system and supporting fiscal records to assure that claims for Federal funds are in accord with applicable Federal requirements."

### Quarterly Reporting

In our prior audit, we determined that the State agency overstated the balance of uncollected rebates reported to CMS because it used the date that the invoices were generated rather than the required reporting date to report drug rebate information. In addition, the State agency did not reconcile the reported balance to the supporting receivable account and could not assure the accuracy of the balance reported on Form CMS-64.9R. Since our prior audit, the State agency has reported drug rebate activity to CMS by calendar quarter. However, as of the end of our fieldwork, the State agency had not reconciled the reported balance to the supporting receivable account. As a result, it cannot assure the accuracy of the balance reported on Form CMS-64.9R.

As part of our followup on quarterly reporting, we determined that the State agency had received CMS approval on its State plan amendment after our prior audit to enter into supplemental drug rebate agreements with drug manufacturers. States may negotiate with drug manufacturers to receive supplemental rebates in addition to the federally mandated rebates. The State agency did not report drug rebate accounts receivable data for the supplemental drug rebate agreements on Form CMS-64.9R for the quarter ended June 30, 2006. As a result, the balance reported on the CMS-64.9R was understated.

### Accounts Receivable System

In our prior audit, we determined that the State agency did not maintain a general ledger accounts receivable control account nor maintain its subsidiary accounts receivable system at a sufficiently detailed level to accurately account for drug rebate activity. Since our prior audit, the State agency has created a general ledger accounts receivable control account. However, as of the end of our fieldwork, the State agency had not created a sufficiently detailed subsidiary accounts receivable system to track drug rebate activity for drug rebate balances before 2003.

Although the subsidiary accounts receivable system tracked drug rebate activity for 2003 and later years by NDC, it did not track the pre-2003 activity by NDC. The pre-2003 activity was tracked only by quarter and year for each manufacturer. As a result, the State agency did not actively work to resolve the pre-2003 drug rebate balances.

### Interest Accrual and Collection

In our prior audit, we determined that the State agency did not properly calculate interest on disputed, late, and unpaid rebate payments nor ensure that interest collections received from manufacturers were accurate. Since our prior audit, the State agency has calculated interest due using the appropriate simple interest formula for disputed, late, and unpaid rebate payments. However, as of the end of our fieldwork, the State agency had not implemented a procedure to verify the accuracy of interest payments received from manufacturers.

Section(V)(b) of the rebate agreement between CMS and manufacturers requires manufacturers to pay interest on late rebate payments, and CMS program release 29 requires interest to be collected.[7] The State agency did not verify the accuracy of interest payments received from manufacturers because it had not completed implementing a procedure to verify the accuracy of interest collections. Without verification that interest paid by manufacturers was accurate, the State agency could not assure that it collected all of the interest owed on disputed, late, and unpaid balances. The State agency indicated that it was working with its fiscal agent, which has a tool to verify the accuracy of interest payments received from manufacturers.

## PHYSICIAN-ADMINISTERED SINGLE SOURCE DRUGS

The State agency established controls over collecting rebates for single source drugs administered by physicians as required by the DRA. However, for the period January 2006 through May 2007, the fiscal agent did not use the correct crosswalk for the State agency. This problem occurred because the fiscal agent inadvertently replaced the crosswalk used for the State agency with a crosswalk used for other clients, which included fewer procedure codes. As a result, the State agency did not bill manufacturers for all rebates that it was potentially eligible for.

For the procedure codes on the crosswalk, the State agency paid $1,526,496 in claims for physician-administered drugs from January through June 2006 and billed manufacturers for rebates totaling $348,046.

## RECOMMENDATIONS

We recommend that the State agency implement policies, procedures, and internal controls to:

- reconcile the ending balance of uncollectible rebates to the receivable account and report drug rebates for the supplemental program on Form CMS-64.9R,

- create a sufficiently detailed subsidiary accounts receivable system to track drug rebate activity by NDC for all drug rebate balances,

[7]CMS has issued guidance to State Medicaid directors pertaining to the drug rebate program and posts the program releases on its Web site at http://www.cms.hhs.gov/MedicaidDrugRebateProgram/02_StateReleases.asp. Accessed March 3, 2008.

- verify the accuracy of interest payments received, and

- ensure that the correct crosswalk is used for collecting rebates for single source drugs administered by physicians and bill manufacturers for all drugs that were not billed for the period January 2006 through May 2007.

## STATE AGENCY'S COMMENTS

In comments on the draft report (included in their entirety as the Appendix), the State agency concurred with the findings and addressed the recommendations as follows:

- The State agency commented that it is developing a process and procedure to reconcile to Form CMS-64.9R and will include any future drug rebate receivables or received amounts for the supplemental program on Form CMS-64.9R.

- The State agency commented that electronic drug rebate information is not available by NDC for the period before 2003, making it difficult to track drug rebate activity by NDC for that period. However, the State agency commented that it has captured drug rebate activity by NDC since 2003.

- The State agency commented that it will be contracting with a new fiscal agent and will work toward verifying the accuracy of interest payments received.

- The State agency commented that it will use the fiscal agent's NDC-specific crosswalk because further analysis indicated that the State agency's crosswalk included non-NDC-specific codes that led to more disputes.

# APPENDIX

Oregon
Theodore R. Kulongoski, Governor

**Department of Human Services**
*Office of the Director*
500 Summer St. NE, E-15
Salem, OR 97301-1097
(503) 947-5110
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February 15, 2008

DHS Oregon Department of Human Services

Department of Health and Human Services
Office of Inspector General, Office of Audit Services, Region IX
Lori A. Ahlstrand, Regional Inspector General for Audit Services
Office of Audit Services
90 7th Street, Suite 3-650
San Francisco, CA 94103

RE: Response to Report Number: A-09-07-00052, Follow-Up Audit of the Medicaid Drug Rebate Program in Oregon

Dear Ms. Ahlstrand:

Enclosed please find our response to the draft audit report entitled "Follow-Up Audit of the Medicaid Drug Rebate Program in Oregon". The response document is formatted in the order the findings and recommendations are listed in the draft report.

Thank you for the opportunity to comment. Please contact Betty Gambone at (503) 947-5382 if you have additional questions.

Sincerely,

Clyde Saiki, Deputy Director for Operations
Department of Human Services

Enclosure

cc: Jim Edge, Assistant Administrator,
Division of Medical Assistance Programs

Attachment Response
Report Number: A-09-07-00052

**Quarterly Reporting**

Finding: The State agency did not reconcile the reported balance of uncollectible rebates to the receivable account, and could not assure the accuracy of the balance reported on Form CMS-64.9R. Also, The State agency did not report drug rebate accounts receivable data for supplemental drug rebates receivable data on Form 64.9R for quarter ended June 30, 2006. As a result, the balance reported on the CMS 64.9R was understated.

Recommendation: Reconcile the ending balance of uncollectible rebates to the receivable account and report drug rebates for the supplemental program on Forms CMS 64.9R.

Response: Department of Human Services (DHS) concurs with the audit finding and is developing a process and procedure to reconcile to the CMS 64.9R. DHS will include any future supplemental rebate receivables or received amounts in the CMS 64.9R.

**Accounts Receivable System**

Finding: The State agency did not create a sufficiently detailed subsidiary accounts receivable system to track drug rebate activity before 2003 by NDC.

Recommendation: Create a sufficiently detailed subsidiary accounts receivable system to track drug rebate activity by NDC for all drug rebate balances.

Response: DHS concurs with the audit finding. The State's contracted Pharmacy Benefit Manager (PBM) indicates electronic drug rebate information by NDC is not available prior to 2003, making it difficult to track drug rebate activity by NDC during that time. Since 2003, DHS is capturing drug rebate activity at the NDC level.

**Interest Accrual and Collection**

Finding: The State agency did not verify the accuracy of interest payments received.

Recommendation: Verify the accuracy of interest payments received.

Attachment Response
Report Number: A-09-07-00052

Response: DHS concurs with the audit finding regarding verification of interest payments received. The current PBM's contract is ending this summer. DHS is working toward solidifying this expectation in contract with the new fiscal agent also serving as the new PBM.

**Physician-Administered Single Source Drugs**

Finding: For the Period January 2006 through May 2007, the fiscal agent did not use the correct crosswalk for the State agency. This problem occurred because the fiscal agent inadvertently replaced the crosswalk used for the State agency with a crosswalk used for other clients, which included fewer procedure codes. As a result, the State agency did not bill manufacturers for all rebates that it was potentially eligible for.

Recommendation: Ensure that the correct crosswalk is used for collecting rebates for single source drugs administered by physicians and bill manufacturers for all drugs that were not billed for the period January 2006 through May 2007.

Response: DHS concurs with the audit finding that the State agency's physician administered drug crosswalk was inadvertently changed by the State's contracted PBM. However, further analysis indicated the State agency's crosswalk included non-NDC specific codes that promulgate more disputes, therefore the agency will use the PBM's NDC specific crosswalk.