



MAY 27 2008

Region VII
601 East 12th Street
Room 284A
Kansas City, Missouri 64106

Report Number: A-07-08-03106

Ms. Teri Green
Administrator
Office of Healthcare Financing
Wyoming Department of Health
6101 Yellowstone Road, Suite 210
Cheyenne, Wyoming 82002

Dear Ms. Green:

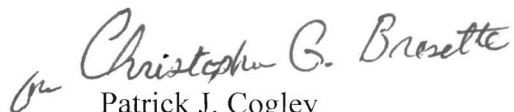
Enclosed is the U.S. Department of Health and Human Services, Office of Inspector General (OIG), final report entitled "Follow-Up Audit of the Medicaid Drug Rebate Program in Wyoming." We will forward a copy of this report to the HHS action official noted on the following page for review and any action 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 call me at (816) 426-3591, or contact Greg Tambke, Audit Manager, at (573) 893-8338, extension 30, or through e-mail at Greg.Tambke@oig.hhs.gov. Please refer to report number A-07-08-03106 in all correspondence.

Sincerely,


Patrick J. Cogley
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
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Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**FOLLOW-UP AUDIT OF THE
MEDICAID DRUG REBATE
PROGRAM IN WYOMING**



Daniel R. Levinson
Inspector General

May 2008
A-07-08-03106

Office of Inspector General

<http://oig.hhs.gov>

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Pursuant to the principles of the Freedom of Information Act, 5 U.S.C. § 552, as amended by Public Law 104-231, Office of Inspector General reports generally are made available to the public to the extent the information is not subject to exemptions in the Act (45 CFR part 5).

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. For a manufacturer's covered outpatient drugs to be eligible for Federal Medicaid funding under the program, the manufacturer must enter into a drug 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 Wyoming, the Department of Health (the State agency) administers the Medicaid drug rebate program.

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 Wyoming drug rebate program, we determined the State agency lacked sufficient internal controls over its Medicaid drug rebate program as required by Federal rules and regulations. Areas that lacked sufficient internal controls included: Form CMS-64.9R and general ledger reconciliations, recording accounts receivable, interest reporting, tracking amounts related to \$0 unit rebate amounts (URA), and dispute resolution. (The term "\$0 URAs" refers to drugs included on CMS's quarterly Medicaid drug data tape, distributed to the States, that lack pricing information.)

We recommended that the State agency develop and follow policies and procedures that include:

- reconciling the general ledger control account to the subsidiary ledgers and to the Form CMS-64.9R;
- establishing a general ledger accounts receivable control account for drug rebates;
- developing a subsidiary accounts receivable system for the drug rebate program;
- reporting interest collections on the Form CMS-64 Summary Sheet;
- tracking, billing, and accounting for all \$0 URAs; and
- utilizing the State's hearing mechanism to settle disputes after 60 days.

The State agency did not concur with our findings and recommendations.

This current review of the Wyoming 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 Deficit Reduction Act of 2005 (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

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

SUMMARY OF FINDINGS

The State agency partially corrected some of the weaknesses reported in our previous audit. The State agency corrected the weakness relating to the maintenance of an adequate subsidiary accounts receivable system, and developed policies and procedures for the tracking, billing and accounting for \$0 URAs. However, the State agency continued to inaccurately report the drug rebate activity on the Form CMS-64.9R. Additionally, the State agency did not implement recommendations related to developing and following policies and procedures that include:

- reconciling the general ledger control account to the subsidiary ledgers and to the Form CMS-64.9R;
- establishing a general ledger accounts receivable control account for drug rebates;
- reporting interest collections on the Form CMS-64 Summary Sheet; and
- utilizing the State's hearing mechanism to settle dispute after 60 days.

Additionally, the State agency did not establish controls over and accountability for collecting rebates on single source drugs administered by physicians.

RECOMMENDATIONS

We recommend that the State agency work with its contractor and CMS to determine how to correct the inaccuracies that were reported on the Form CMS-64.9R.

We also continue to recommend that the State agency develop and follow policies and procedures that include:

- reconciling the general ledger control account to the subsidiary ledgers and to the Form CMS-64.9R;

- establishing a general ledger accounts receivable control account for drug rebates;
- reporting interest collections on the Form CMS-64 Summary Sheet; and
- utilizing the State’s hearing mechanism to settle disputes after 60 days.

Additionally, we recommend the State agency develop and follow policies and procedures that include the initiation of a system for the collection of drug rebates on single source drugs administered by physicians, as required by the DRA.

STATE AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

In written comments on our draft report, the State agency concurred with all our findings and recommendations except for the finding and recommendation regarding the establishment of a general ledger accounts receivable control account for drug rebates. The State agency’s comments included a discussion of implementation and corrective actions proposed. The State agency’s comments are included in their entirety as the Appendix.

After reviewing the State agency’s comments, we continue to support our findings and recommendations.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
BACKGROUND	1
Drug Rebate Program	1
Physician-Administered Drugs	1
Prior Office of Inspector General Reports	2
Wyoming Drug Rebate Program	3
OBJECTIVES, SCOPE, AND METHODOLOGY	3
Objectives	3
Scope.....	3
Methodology	4
FINDINGS AND RECOMMENDATIONS	4
IMPLEMENTATION OF PRIOR RECOMMENDATIONS	5
Form CMS-64.9R Reconciliation	5
Accounts Receivable.....	6
Interest Collection.....	7
Dispute Resolution.....	7
PHYSICIAN-ADMINISTERED SINGLE SOURCE DRUGS	8
RECOMMENDATIONS	8
STATE AGENCY COMMENTS	8
OFFICE OF INSPECTOR GENERAL RESPONSE	9
APPENDIX	
STATE AGENCY COMMENTS	

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 drug 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 Wyoming, the Department of Health (the State agency) administers the Medicaid 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, its best price. Based on this information, CMS calculates a unit rebate amount (URA) for each covered outpatient drug and provides the amounts to States on a quarterly basis.

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 have reimbursed providers. The number of units is applied to the URA 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. 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) amended 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.

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

In Wyoming, physician-administered drugs are billed to the State Medicaid program on a physician claim form or a uniform billing (UB) form. The State agency uses the Form CMS-1500 as the physician claim form and the UB-04 for physician claims submitted by facilities. Both the CMS-1500 and UB-04 use the procedure codes that are part of the Healthcare Common Procedure Coding System (HCPC). The HCPC 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, the procedure codes must be converted into NDCs for single source drugs, and procedure code billing units must be converted into equivalent NDC billing units.

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.² 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 Wyoming drug rebate program, we determined the State agency lacked sufficient internal controls over its Medicaid drug rebate program as required by Federal rules and regulations. Areas that lacked sufficient internal controls included: recording accounts receivable, Form CMS-64.9R and general ledger reconciliations, interest reporting, tracking amounts related to \$0 URAs, and dispute resolution.³

We recommended that the State agency develop and follow policies and procedures that include:

- reconciling the general ledger control account to the subsidiary ledgers and to the Form CMS-64.9R;
- establishing a general ledger accounts receivable control account for drug rebates;
- developing a subsidiary accounts receivable system for the drug rebate program;
- reporting interest collections on the Form CMS-64 Summary Sheet;
- tracking, billing, and accounting for all \$0 URAs; and

²“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.

³“Audit of the Medicaid Drug Rebate Program in Wyoming” (A-07-03-04015), issued May 21, 2003.

- utilizing the State's hearing mechanism to settle disputes after 60 days.

The State agency did not concur with our findings and recommendations.

Wyoming Drug Rebate Program

The State agency contracted with Affiliated Computer Systems (ACS) to administer the State agency's Medicaid drug rebate program. ACS's responsibilities included invoicing, receiving, adjusting drug rebates, and maintaining manufacturers' balances in its Drug Rebate Analysis and Management System (DRAMS). In addition, the State agency has contracted with ACS to begin administering the physician-administered drug rebates for single source drugs. ACS's responsibilities include developing crosswalks for physician-administered drug rebates and will include the processing of quarterly claims, invoicing, receiving payments, and handling dispute resolution related to physician-administered drug rebates.

The State agency reported an outstanding drug rebate balance of \$40,272,706 on the June 30, 2006, Form CMS-64.9R. However, based upon this current review, and as we will discuss later in this report, we determined that the State agency incorrectly reported the activity for the Medicaid drug rebate program on the Form CMS-64.9R.

This current review of the Wyoming 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 Wyoming 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 conducted fieldwork at the State agency and its contractor, both of which are located in Cheyenne, Wyoming, during January and February 2008.

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 previous Office of Inspector General report concerning the drug rebate program in Wyoming;
- reviewed the policies and procedures relating to the State agency's drug rebate accounts receivable system;
- interviewed State agency officials 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 accounts receivable records for the State fiscal year ended June 30, 2006; and
- interviewed State agency officials and contractor staff to determine the processes used in converting physician services claims data into drug rebate data related to single source drugs administered by physicians.

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 partially corrected some of the weaknesses reported in our previous audit. The State agency had corrected the weakness relating to the maintenance of an adequate subsidiary accounts receivable system and developed policies and procedures for the tracking, billing and accounting for \$0 URAs. However, the State agency continued to inaccurately report the drug rebate activity on the Form CMS-64.9R. Additionally, the State agency did not implement recommendations related to developing and following policies and procedures that include:

- reconciling the general ledger control account to the subsidiary ledgers and to the Form CMS-64.9R;
- establishing a general ledger accounts receivable control account for drug rebates;

- reporting interest collections on the Form CMS-64 Summary Sheet; and
- utilizing the State’s hearing mechanism to settle dispute after 60 days.

Additionally, the State agency did not establish controls over and accountability for collecting rebates on single source drugs administered by physicians.

IMPLEMENTATION OF PRIOR RECOMMENDATIONS

In our previous audit of the Wyoming drug rebate program, we determined the State agency lacked sufficient internal controls over its Medicaid drug rebate program as required by Federal regulations and guidelines. Areas that lacked sufficient internal controls included Form CMS-64.9R and general ledger reconciliations, recording accounts receivable, interest reporting, tracking amounts related to \$0 URAs, and dispute resolution.⁴

Since then, the State agency has taken action to correct the weaknesses related to our prior finding. However, in some cases the action taken was not sufficient to correct the problem.

Form CMS-64.9R Reconciliation

In our prior audit, we noted that the State agency did not perform a reconciliation to verify the accuracy of the uncollected rebate balance or collections reported on the Form CMS-64.9R as required by Federal regulations. The State agency could not reconcile the general ledger account balance to the detailed subsidiary accounts receivable records because it did not maintain a general ledger accounts receivable control account. Moreover, the State agency did not reconcile the rebate collections on the cash receipts log to the collections reported on the Form CMS-64.9R. In its comments on our prior audit finding, the State agency did not agree that it should reconcile amounts reported between the general ledger, subsidiary ledgers and the Form CMS-64.9R. The State agency said that it reconciled collections with a deposit database maintained by its Fiscal Office and used the rebate summary report produced by the DRAMS to properly report disputes and to allocate collections to prior quarters. During this current audit we noted that the State agency still did not maintain a general ledger control account for the drug rebates receivable, nor did it do a reconciliation of the subsidiary accounts receivable system to the Form CMS-64.9R.

Additionally, we noted that the State agency incorrectly reported the Medicaid drug activity on the Form CMS-64.9R during the audit period. The State agency did not properly allocate drug rebate collections to the proper quarters on the Form CMS-64.9R. Moreover, the State agency reported disputed rebates as adjustments to previously reported rebates on the form. The activity reported by the State agency was based on (a) deposit reports that contained payments received on drug rebates, and (b) information provided by ACS. This information included check logs

⁴The term “\$0 URAs” refers to drugs included on CMS’s quarterly Medicaid drug data tape, distributed to the States, that lack pricing information.

and a rebate summary report. However, these documents did not contain sufficient detail to adequately report the drug rebate activity on the Form CMS-64.9R. Overall, we determined that the amounts reported for adjustments came from an incorrect source and that rebates received were not reported accurately.

During our fieldwork, ACS prepared a recalculation of the drug rebate activity. ACS used its DRAMS system to recalculate the activity that should have been reported on the Form CMS-64.9R. Although ACS was able to prepare a recalculation of the drug rebate activity, we were unable to fully verify the accuracy of the reports because ACS did not freeze data from previous quarters and the DRAMS system could not create the detailed data. While attempting to reconcile ACS's recalculation, we noted differences that appeared to have been immaterial; however, we were unable to verify the drug rebate program's beginning balances.

Federal regulations at 42 CFR § 433.32 require that the State agency “. . . (a) [m]aintain an accounting system and supporting fiscal records to assure that claims [reported on the CMS-64] for Federal funds are in accord with applicable Federal requirements. . . .” Federal regulations at 45 CFR § 92.20(a) also state: “. . . Fiscal control and accounting procedures of the State, as well as its subgrantees . . . must be sufficient to . . . establish that such [Medicaid] funds have not been used in violation of the restrictions and prohibitions of applicable statutes.”

Accounts Receivable

In our prior audit, we noted that the State agency did not maintain a general ledger accounts receivable. In its comments on our prior audit finding, the State agency did not agree that a general ledger control account was necessary to record and maintain drug rebate accounts receivable because it posted amounts billed, collected, and disputed to the Form CMS-64.9R from the DRAMS tracking system. The State agency further stated that the State “operates on a cash basis” and that the State agency “would only record an accrual if the value was certain, material and collectible.” During this current audit we noted that the State agency had not developed policies and procedures to establish a general ledger accounts receivable control accounts for drug rebates. A control account is necessary to perform a reconciliation of the drug rebate activity and an integral part of maintaining a sufficient accounting system. The State agency treated drug rebates received as reductions of expenditures relating to the drug rebate program, and it did not record a receivable for the outstanding balance on the Wyoming Online Financial System.

Federal regulations at 42 CFR § 433.32 require that the State agency “. . . (a) [m]aintain an accounting system and supporting fiscal records to assure that claims [reported on the CMS-64] for Federal funds are in accord with applicable Federal requirements. . . .” Federal regulations at 45 CFR § 92.20(a) also state: “. . . Fiscal control and accounting procedures of the State, as well as its subgrantees . . . must be sufficient to . . . establish that such [Medicaid] funds have not been used in violation of the restrictions and prohibitions of applicable statutes.”

Although the State agency has indicated that the Wyoming Online Financial System operates on the “modified cash basis” and is incapable of handling the accounts receivable, we believe that maintaining a control account in a dual entry accounting system should be an integral part of the State agency’s internal control system.

Interest Collection

In our prior audit, we noted that the State agency did not establish procedures to report interest received as required by Federal regulations and guidelines, but instead, included interest as a rebate collection on the Form CMS-64.9R. In its comments on our prior audit finding, the State agency did not agree with our recommendation. Rather, the State agency said that interest related to drug rebates was “immaterial” and that that was sufficient justification to include interest as part of the drug rebate collections. During this current audit we noted that the State agency continued to report interest payments as drug rebates on the Form CMS-64.9R, without making adjustments to the beginning balance for interest accrued. Without making an adjustment for the interest accrual, the State agency is overstating the drug rebates reported as received and understating the drug rebate program balance.

The State Medicaid Manual § 2500.1 instructs the States to prepare a Form CMS-64 Summary Sheet reporting the Federal share of interest received on Medicaid recoveries.

Dispute Resolution

In our prior audit, we noted that the State agency did not utilize State hearings to resolve disputes as required by the rebate agreement. Instead, the State agency contacted manufacturers directly and utilized Dispute Resolution Program meetings for those manufacturers who attended. Furthermore, the State agency did not actively pursue disputes that were not adjudicated during Dispute Resolution Program meetings or through direct contact. Direct contact generally consisted of a notification letter and, sometimes, a follow-up letter. In its comments on our prior audit finding, the State agency said that drug manufacturers would not request a hearing in light of the fact that Wyoming represents such a small percentage of the national drug rebate program. During this current audit we noted that the State agency still had not developed policies and procedures for utilizing a State hearing mechanism to settle disputes.

The CMS Drug Rebate Agreement states: “The State and the Manufacturer will use their best efforts to resolve [a] discrepancy within 60 days of receipt of such notification. In the event that the State and the Manufacturer are not able to resolve a discrepancy within 60 days, CMS shall require the State to make available to the manufacturer the State hearing mechanism available under the Medicaid Program”

The State agency has indicated it is aware of the issue and the State’s Attorney General’s Office is working to develop policies and procedures for a dispute hearing mechanism.

PHYSICIAN-ADMINISTERED SINGLE SOURCE DRUGS

As of December 2007, the State agency had not prepared invoices to manufacturers for Medicaid drug rebates for single source physician-administered drugs. The State agency has contracted with ACS to manage the physician-administered drug rebate program. During our fieldwork, ACS indicated that it intends to begin invoicing rebates for single source and multi-source physician-administered drugs that have dates of service beginning March 2008. Additionally, ACS indicated that it intends to prepare a back-billing for single source physician-administered drugs at a later date.

For the six months ending June 30, 2006, the State reimbursed physicians \$90,834.29 for single source physician-administered drugs that were identified by ACS as being eligible for rebates.

The DRA amended Section 1927(a) of the Act by adding the requirement for submission of utilization data for certain physician-administered drugs. The DRA § 6002 added section 1927(a)(7) to the Act requiring that States collect rebates on single source physician-administered drugs. The section requires that the States begin submitting rebate invoices for single source physician-administered drugs by January 1, 2006.

RECOMMENDATIONS

We recommend that the State agency work with its contractor and CMS to determine how to correct the inaccuracies that were reported on the Form CMS-64.9R

We also continue to recommend that the State agency develop and follow policies and procedures that include:

- reconciling the general ledger control account to the subsidiary ledgers and to the Form CMS-64.9R;
- establishing a general ledger accounts receivable control account for drug rebates;
- reporting interest collections on the Form CMS-64 Summary Sheet; and
- utilizing the State's hearing mechanism to settle disputes after 60 days.

Additionally, we recommend the State agency develop and follow policies and procedures that include the initiation of a system for the collection of drug rebates on single source drugs administered by physicians, as required by the DRA.

STATE AGENCY COMMENTS

In written comments on our draft report, the State agency concurred with all our findings and recommendations except for the finding and recommendation regarding the establishment of a general ledger accounts receivable control account for drug rebates. The State agency said that

its current accounting system is not capable of accommodating this recommendation. Although the State agency did not concur with the finding and recommendation, it stated that it has implemented corrective actions to provide internal controls.

The State agency's comments included a discussion of implementation and corrective actions proposed. The State agency's comments are included in their entirety as the Appendix.

OFFICE OF INSPECTOR GENERAL RESPONSE

After reviewing the State agency's comments, we continue to support our findings and recommendations. Specifically, we continue to believe that maintaining a control account in a dual entry accounting system should be an integral part of the State agency's internal control system. A control account is necessary to perform a reconciliation of the drug rebate activity and should be an integral part of the State agency's internal control system.

APPENDIX



Wyoming
Department
of Health

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Brent D. Sherard, M.D., M.P.H., Director and State Health Officer

Governor Dave Freudenthal

May 1, 2008

Ref: TG-2008-566

Mr. Patrick J. Cogley
Regional Inspector General for Audit Services
Office of Inspector General Region VII
601 East 12th Street, Room 284A
Kansas City, MO 64106

RE: Report Number 07-08-03106

Dear Mr. Cogley:

This letter constitutes the response of the Wyoming Department of Health, Office of Healthcare Financing to the above referenced draft audit report entitled "Follow-Up Audit of the Medicaid Drug Rebate Program in Wyoming" as a result of the OIG draft report dated April 1, 2008.

Please review the enclosed "Wyoming's Written Response Comments" to the above referenced report.

Sincerely,

Teri Green, EqualityCare Manager
State Medicaid Agent
Office of Healthcare Financing

TG/DP/ct

Enclosure

c: Leland G. Clabots, Deputy Director of Administration, Wyoming Department of Health
Matthew Hager, Medicaid Accounting Manager, Office Healthcare Financing
Bob Peck, Chief Financial Officer, Wyoming Department of Health
Colleen Jones, Program Integrity Pharmacist, Wyoming Department of Health



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Response to Summary of Findings and Recommendations – (page ii & iii)**Finding:**

“Reconciling the general ledger control account to the subsidiary ledgers and to form CMS-64.9R”

WDH concurs with finding.

The Office of Healthcare Financing (OHCF) has always maintained a reconciliation process for all deposits that come from our fiscal agent ACS. We reconcile ACS’s deposits with our deposit database on a quarterly basis. For each month’s deposits we verify that ACS and OHCF logs balance with each other. On a daily basis we receive checks from ACS and those deposits are then entered into our database. Expenditure reductions are made on the State accounting system (WOLFS) by Department of Health (DOH) Fiscal Administration to reflect those deposits that are received by ACS and OHCF.

As of the 2nd Qtr of 2008, OHCF is utilizing ACS’s DRAMS 64.9R report to balance and determine the amount to be reported on the CMS 64.9R form for drug rebates. ACS supplies OHCF with the DRAMS 64.9R, the DRAMS check report, rebates check report and drug rebate receivable report. We balance our accounts receivables received for drug rebates to the ACS DRAMS check report. We verify each check amount that has been allocated into the DRAMS system with our deposits report. Once that reconciliation is completed, we determine what checks have been allocated on the DRAMS side to specific quarters versus what has been deposited on our deposit database logs and make an adjustment to deposits to reflect the amount that was allocated on the ACS DRAMS report. Those amounts that are not accounted for on DRAMS are still deposited on WOLFS but are not reported on the CMS-64.9R report until subsequent quarters and reported on the ACS DRAMS reports. This reconciles the state accounting deposits to ACS DRAMS 64.9R reports.

Information obtained from the DRAMS 64.9R and ACS back up documentation is verified and balanced with OHCF’s deposit logs and if discrepancies are found, further investigation ensues with ACS. Those discrepancies are determined to be resolved once ACS has verified the discrepancy and the adjustment are made with the State if appropriate.

OHCF has made adjustments to the 2nd Qtr of 2008 on the CMS 64.9R (Medicaid Drug Rebate Schedule) to balance with the ACS DRAMS 64.9R accounts receivable balance. The balances at the beginning of the quarter for the CMS 64.9R will match the DRAMS 64.9R balances for subsequent quarters.

FINDING:

“Establishing a general ledger accounts receivable control account for drug rebates.”

WDH does not concur with this finding.

The current State accounting system (WOLFS) is not capable of accommodating this recommendation. In 2005 the State and Public Knowledge (a technical assistance company contracted with the State), researched the possibility of using off the shelf accounts receivable software. In that process it was determined that the software was not compatible to the needs and system requirements of the State accounting system. However, a corrective action was

TG-2008-566

implemented to provide internal controls within the OHCF in regards to the first finding "reconciling the general ledger control account to the subsidiary ledgers and to the Form CMS-64.9R."

FINDING:

"Reporting interest on the Form CMS-64 Summary sheet."

WDH concurs with finding.

As of the 2nd Qtr of 2008, the OHCF is utilizing ACS's 64.9R report to determine the interest amount due on the Summary Sheet. As of the 2nd Qtr of 2008, we have reported the interest on the CMS-64 Summary Sheet and will continue this process.

FINDING:

"Utilizing the State's hearing mechanism to settle disputes after 60 days."

WDH concurs with finding.

The OHCF is currently working with the Attorney General's Office to add pharmaceutical manufacturer to the current Administrative Hearings Rule.

FINDING:

"Establish controls over and accountability for collecting rebates on single source drugs administered by physicians."

WDH concurs with finding.

The State agency has contracted with ACS to manage the physician administered drug rebate program. ACS will begin invoicing rebates for single source and multi source physician administered drugs that have dates of service after March 1st, 2008. Additionally, ACS will prepare a "back-billing" for single source physician administered drugs at later date. ACS will utilize the crosswalks developed by Palmetto and CMS to prepare their invoicing.

For the six months ending June 30, 2006, the State reimbursed physicians \$90,834.29 for single source physician administered drugs that were identified as rebateable by ACS.