

Good afternoon from Washington, DC.

OIG posts one new report this afternoon. As always you can use the link provided to go directly to the new material.

State Medicaid Policies and Oversight Activities Related to 340B-Purchased Drugs

(OEI-05-09-00321)

<http://go.usa.gov/W9m>

OIG found that State Medicaid agencies lack either the policies or the information that they need to oversee reimbursements for drugs purchased under the 340B Drug Discount Program to safety-net organizations, such as community health centers, critical access hospitals, and children's hospitals.

Section 340B of the Public Health Service Act created the 340B Drug Discount Program to lower drug prices for more than 15,000 safety-net entities. HRSA administers the 340B Program at the Federal level. Drug manufacturers calculate 340B ceiling prices and must sell their products at or below these prices to safety-net entities. State Medicaid agencies may set specific policies for safety-net entities that dispense 340B-purchased drugs to Medicaid patients. CMS, which administers the Medicaid program at the Federal level, does not require States to set 340B-specific policies.

Twenty-five States reported having written policies that direct safety-net entities to bill 340B-purchased drugs at cost, while 25 States do not have written policies. Only one State has a prepay edit to ensure accurate reimbursement specifically for 340B claims. States are unable to create prepay edits to prevent paying more than safety-net entities' costs for 340B-purchased drugs because they do not have access to 340B ceiling prices or safety-net entities' costs.

Finally, over half of States developed alternatives to the Medicaid Exclusion File, which is the database that States use to identify safety-net entities that dispense 340B-purchased drugs to Medicaid patients. Ten of these States reported that they had to develop alternatives because of inaccurate data in the file. States need to identify 340B claims from safety-net entities so the States can exclude the claims from Medicaid rebate requests to prevent subjecting drug manufacturers to duplicate discounts (i.e., selling 340B-purchased drugs to safety-net entities at the discounted ceiling prices and providing Medicaid rebates on the same drugs).

We recommended that CMS direct States to create policies for safety-net entities billing Medicaid for 340B-purchased drugs and inform States about methods to identify reimbursements for such drugs. We also recommended that HRSA share

340B ceiling prices with States. Further, HRSA, in conjunction with CMS, should work to improve the accuracy of the Medicaid Exclusion File.

CMS concurred with our recommendations. To address them, CMS plans to:

(1) inform States that they should incorporate 340B policies into their Medicaid State Plans;

(2) inform States of the alternate methods of identifying 340B claims that we identified in this report; and

(3) to facilitate communication between HRSA and States, provide a list of State Medicaid pharmacy directors to HRSA and instruct States to contact HRSA when errors in the Medicaid Exclusion File are found.

HRSA also concurred with our recommendations. However, it did not specify any actions it would take in response to them.

That's all we have for today. If we can be of further assistance please send an e-mail to public.affairs@oig.hhs.gov

Have a good evening,

-- Marc Wolfson, Office of External Affairs