

REPORT HIGHLIGHTS



MEDICAID PRESCRIPTION DRUGS
PERFORMANCE AUDIT, MAY 2015

DEPARTMENT OF HEALTH CARE
POLICY AND FINANCING

CONCERN

We found that the Department of Health Care Policy and Financing (Department) should improve its oversight, internal controls, and information systems related to the outpatient prescription drugs provided to Medicaid recipients to ensure the State only pays for allowable and covered prescription drug benefits, and identifies and prevents fraud, waste, and abuse related to recipients' prescription drug use and providers' prescribing activities.

KEY FACTS AND FINDINGS

- We estimated that the new method for paying for Medicaid recipients' outpatient prescription drugs, which the Department implemented in February 2013, has created an average savings of \$14 per recipient receiving a prescription, or about \$5.7 million annually.
- Between February 2012 and January 2014, the Department violated state regulations when it paid over \$1.1 million for 5,154 Medicaid prescription drug claims that did not have approval to be dispensed. These payments are questioned costs.
- The Department has not ensured that Medicaid recipients utilize controlled substances appropriately, or addressed recipients' overutilization of prescription drugs. We identified 17 recipients who greatly exceeded the overutilization criteria in state regulations; each of these recipients received over 40 opioid prescriptions from more than 12 providers in 12 months. The Department did not restrict these recipients' benefits or access to prescription drugs through Medicaid.
- The Department paid \$67,200 for 2,053 prescriptions that had been prescribed by providers who were excluded or terminated from serving Medicaid recipients, which violated federal and state regulations. These payments are unallowable costs.
- The Department does not regularly monitor providers who are a high risk for overprescribing to Medicaid recipients. We identified 492 Medicaid providers whose prescribing patterns for controlled substances indicated potential fraud, waste, or abuse.

BACKGROUND

- Medicaid is a federal-state program that provides health care coverage and services to eligible low-income individuals and families with children.
- All states' Medicaid programs cover the cost of outpatient prescription drugs for recipients.
- During Fiscal Year 2014, Colorado's Medicaid program provided about 5.5 million outpatient prescriptions for 498,507 recipients at a total cost of \$453.2 million.
- In Fiscal Year 2014, about 85 percent of prescription drugs dispensed to Colorado Medicaid recipients were generic drugs.
- During Fiscal Years 2010 through 2014, the number of prescriptions covered by Colorado Medicaid increased 66 percent and average prescription costs increased 37 percent.

KEY RECOMMENDATIONS

The Department of Health Care Policy and Financing should:

- Strengthen internal controls and its pharmacy benefits management system to enforce proper authorization and payments for Medicaid prescription drug claims.
- Implement effective processes and controls over prescription drugs to address drug overutilization in Medicaid and help ensure overutilizing recipients use prescription drugs appropriately.
- Strengthen internal controls, information systems, and monitoring to detect and prevent health care provider fraud, abuse, and misuse related to prescription drugs in the Medicaid program.

The Department partially agreed with these recommendations.