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Contact: Stelios Pavlou (303) 869-2833  
stelios.pavlou@state.co.us

**STATE HAS NOT ENSURED THAT MEDICAID ONLY PAYS FOR COVERED AND  
MEDICALLY-NECESSARY PRESCRIPTION DRUGS**

DENVER— An audit by the Colorado Office of the State Auditor (OSA) has found that the Department of Health Care Policy and Financing (Department) needs to improve its oversight, processes, and information systems related to outpatient prescription drugs provided to Medicaid recipients. Auditors found that the Department has not ensured the State only pays for covered prescriptions, or addressed potential fraud, waste, and abuse related to health care providers overprescribing and recipients overusing controlled substances.

In 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. About 85 percent of the prescription drugs that were dispensed were generic drugs, and a new method that the Department developed in 2013 to pay for recipients' outpatient prescription drugs created an average savings of \$5.7 million annually.

However, due to a lack of effective and consistent controls over Medicaid prescription drugs, between February 2012 and January 2014, the Department violated state regulations when it paid over \$1.1 million for 5,154 prescriptions that were dispensed to recipients without State approval. The Department also violated federal and state regulations when it paid \$67,200 for 2,053 prescriptions that had been prescribed by providers who had been excluded or terminated from serving Medicaid recipients.

The audit also found that the Department has not ensured that Medicaid recipients utilize controlled substances appropriately, or addressed recipients' overutilization of prescription drugs. The audit identified more than 14,000 recipients who met at least one of the regulatory criteria indicating

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potential drug overutilization, and highlights 17 recipients who greatly exceeded multiple overutilization criteria by getting over 40 opioid prescriptions from more than 12 providers through Medicaid in 12 months. The Department did not restrict these recipients' benefits or access to prescription drugs through Medicaid. Similarly, the OSA found that the Department does not regularly monitor providers who appear to overprescribe drugs to Medicaid recipients either. The audit identified 492 Medicaid providers whose prescribing patterns for controlled substances indicated potential fraud, waste, or abuse.

The audit makes four recommendations to improve the State's Medicaid program, including recommendations to improve processes for paying prescription drug claims and controlling overprescribing and overuse.

The full report is available electronically on the OSA's website, <http://www.leg.state.co.us/OSA/coauditor1.nsf/Home?openform>, via the link called "OSA Audit Reports."

Under the direction of the state auditor, the OSA is the state's nonpartisan, independent external auditor with broad authority to audit state agencies, departments, institutions of higher education, and the Judicial and Legislative Branches. The OSA's professional staff serve the people of Colorado by addressing relevant public issues through high-quality, objective audits and reviews that promote accountability and positive change in government. Performance audits address whether programs operate in compliance with laws and regulations and in a manner that accomplishes intended program goals. Financial audits include annual audits of the state's basic financial statements and federal grants on a statewide level. IT audits review procedures and technology to ensure the confidentiality, integrity and availability of the state's critical computer systems and taxpayer data. The OSA also tracks about 4,000 Colorado local governments for compliance with the Local Government Audit Law.