

## Why GAO Did This Study

Medicaid is a significant expenditure for the federal government and the states, with total federal outlays of \$310 billion in fiscal year 2014. CMS reported an estimated \$17.5 billion in potentially improper payments for the Medicaid program in 2014.

GAO was asked to review pharmacy-related program-integrity efforts at selected states. Among other reporting objectives, this report (1) identifies and analyzes indicators of potentially fraudulent or abusive prescribing activities in fiscal year 2011, and (2) examines the extent to which federal and state oversight policies, controls, and processes are in place to prevent and detect instances of prescription-drug fraud and abuse.

GAO analyzed Medicaid claims paid in fiscal year 2011, the most-recent reliable data available, for four states: Arizona, Florida, Michigan, and New Jersey. These states were chosen, in part, because they were among those with the highest Medicaid expenditures; the results are not generalizable to all states. GAO performed data matching with various databases to identify indicators of potential fraud, reviewed CMS and state Medicaid program-integrity policies, and interviewed CMS and state officials performing oversight functions.

## What GAO Recommends

GAO recommends that CMS require states to report information about specific drug-utilization review controls to determine whether additional guidance is needed. The agency concurred with the recommendation and stated that it will consider requiring states to report on these areas.

View [GAO-15-390](#). For more information, contact Seto J. Bagdoyan at (202) 512-6722 or [bagdoyans@gao.gov](mailto:bagdoyans@gao.gov).

## MEDICAID

### Additional Reporting May Help CMS Oversee Prescription-Drug Fraud Controls

## What GAO Found

GAO found indicators of potential prescription-medication fraud and abuse among thousands of Medicaid beneficiaries and hundreds of prescribers during fiscal year 2011—the most-recent year for which reliable data were available in four selected states: Arizona, Florida, Michigan, and New Jersey. These states accounted for about 13 percent of all fiscal year 2011 Medicaid payments. Specifically, in these four states, GAO found the following:

- More than 16,000 of the 5.4 million beneficiaries potentially engaged in “doctor shopping,” by visiting five or more doctors to receive prescriptions for antipsychotics or respiratory medications valued at about \$33 million.
- About 700 beneficiaries received more than a 1-year supply of the same drug in 2011 at a cost to Medicaid of at least \$1.6 million. This is an indicator of diversion, which is the redirection of prescription drugs for illegitimate purposes.

As required by federal law, the Medicaid Drug Utilization Review program is a two-phase review process states use to promote safety while also monitoring prescription-drug activity for fraud. Federal law requires each state to report on the operation of its review program, a key monitoring tool that the Centers for Medicare & Medicaid Services (CMS) uses to oversee the review process in states, but GAO identified additional actions that could improve oversight. In the first phase, states use tools and eligibility screening to promote patient safety and avoid abuse before the drugs are dispensed. The second phase involves ongoing and periodic examination of claims data to identify patterns of fraud, abuse, gross overuse, or medically unnecessary care, and implement corrective action when needed.

However, GAO identified two potential controls that are not included in CMS's current reporting requirements:

- **Lock-in programs for noncontrolled substances.** Lock-in programs address doctor shopping by restricting beneficiaries who have abused the Medicaid program to one health-care provider, one pharmacy, or both, for receiving prescriptions. Lock-in programs have typically been used on controlled substances. Expanding lock-in programs that currently focus on controlled substances to restrict abusers of noncontrolled substances, such as the human immunodeficiency virus medications Atripla and Truvada, to a single prescriber or pharmacy may help address potential fraud and abuse.
- **Prohibition of automatic refills.** Pharmacies permitting automatic refills automatically refill prescriptions for certain medications without any customer action. Concerns with pharmacy automatic refill include the potential for stockpiling, continued fill of discontinued medications, and increased cost and waste of prescription medications. Two states GAO reviewed—Florida and Arizona—have prohibited the practice.

CMS does not collect information about lock-in programs for noncontrolled substances or automatic refill prohibitions, but doing so would help the agency determine whether additional guidance is needed.