

At the request of Rep. Waxman, the HHS Inspector General and the Special Investigations Division investigated whether drug manufacturers are circumventing the law that requires them to provide drugs to the Medicaid program at the same low prices available to favored private sector purchasers. This investigation revealed that price manipulation by drug manufacturers cost the federal taxpayer over \$100 million in 1998 and 1999. In February 2000, at Rep. Waxman's request, the Inspector General of HHS and the Special Investigations Division completed an initial investigation of allegations that drug companies have circumvented the requirement that they provide the Medicaid program with rebates based on their "best" or lowest drug prices. The IG examined a small sample of drugs and found that drug companies avoided providing Medicaid with significant rebates by allowing certain favored customers to "repackage" the drugs before use. The IG found that when a drug company used this practice in the sale of just one drug, state and federal taxpayers lost over \$24 million in one year. The Office of the Inspector General of HHS forwarded Rep. Waxman the results of an expanded investigation of drug company repackaging schemes. This investigation examined Medicaid drug rebates for the top 200 Medicaid reimbursed drugs for 1999. The IG found that some drug manufacturers excluded sales to repackagers from their best price determinations, including sales to three HMOs. According to the IG, the exclusion of these low-price sales to HMOs cost American taxpayers over \$80 million in lost rebates in 1999. In total, the two reports reveal that the Medicaid rebate program lost more than \$100 million in rebates in 1998 and 1999. **Documents and Links**

- [Letter to HHS](#)
- [Press Release](#)
- [March 2001 IG Report](#)