

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
OFFICE OF DIRECTOR

**ACTION REFERRAL**

TO <i>Johnson/Hutto</i>	DATE <i>2-21-13</i>
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DIRECTOR'S USE ONLY	ACTION REQUESTED
1. LOG NUMBER <i>000260</i>	<input type="checkbox"/> Prepare reply for the Director's signature DATE DUE _____
2. DATE SIGNED BY DIRECTOR <i>cc: Mr. Keck, Cos. Kost, Giese</i> <i>cleared 3/4/13, letter attached.</i>	<input checked="" type="checkbox"/> Prepare reply for appropriate signature DATE DUE <i>3-6-13</i>
	<input type="checkbox"/> FOIA DATE DUE _____
	<input type="checkbox"/> Necessary Action

APPROVALS (Only when prepared for director's signature)	APPROVE	* DISAPPROVE (Note reason for disapproval and return to preparer.)	COMMENT
1.			
2.			
3.			
4.			

## Brenda James

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**From:** Jan Polatty  
**Sent:** Wednesday, February 20, 2013 3:10 PM  
**To:** Valeria Williams; Brenda James  
**Cc:** Milton German; Louis Krause; Ruth Johnson; Melanie Giese  
**Subject:** Re: Lillie Patton-Jones fax

Brenda, pls log as noted. Thanks!

Sent from my iPad

On Feb 20, 2013, at 2:33 PM, "Valeria Williams" <[WILLVAL@scdhhs.gov](mailto:WILLVAL@scdhhs.gov)> wrote:

> Jan, attached is a request for data from the OIG concerning rebates. Please log this request and route it through Ruth to her staff to respond. Milton German is the staff person that is responsible for the 64 report. This request is time sensitive, due in 14 days. Thanks Val

>

> -----Original Message-----

> From: Alissa Robinson

> Sent: Wednesday, February 20, 2013 2:15 PM

> To: Valeria Williams

> Subject: Lillie Patton-Jones fax

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>

> Lisa Robinson

> Administrative Specialist II

> Office of Medical and Health Services

> 803-898-2548

>

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> -----Original Message-----

> From: Fax Admin

> Sent: Wednesday, February 20, 2013 12:38 PM

> To: Alissa Robinson

> Subject: Received Fax From: 4056056181

>

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> This message was received via FAXCOM, a product from Biscom Inc. <http://www.biscom.com/>

>

> -----Fax Reception Report-----

>

> Received Time: 02/20/2013 12:36

> Result: OK

> Description: All pages received OK

> Result Code: 0000

> Pages Received: 4

> Remote TSI: 914056056181

> Connect Time: 1 minutes, 20 seconds  
> Routing ID: 8342  
> Caller ID: 4056056181  
> Unique ID: BISCOM\_1302201737283452  
> Fax Line: 2  
> Fax Server: 10.57.2.81  
>  
> The fax is included as a TIF image attachment  
>  
>  
> <BISCOM\_1302201737283452.TIF>

# FAX \* FAX \* FAX



DHHS/OIG/Office of Audit Services  
Oklahoma City Field Office  
200 N.W. 4<sup>th</sup> Street, Suite 4040  
Oklahoma City, OK 73102

**DATE:** 02/20/13

**TO:** Valeria Williams, Program Director

**FAX NO:** (803) 255-8342

**FROM:** Lillie Patton-Jones     **PHONE:** 405-605-6188 ext 232

**FAX:** 405-605-6177

**SUBJECT:** OIG Review

**PAGES:** 4 including this cover page

**COMMENTS:** Please confirm receipt of this fax by calling or emailing me at [lillie.patton-jones@oig.hhs.gov](mailto:lillie.patton-jones@oig.hhs.gov). If you have any questions, do not hesitate to contact me at the number or email above. Please reference audit number A-06-13-00001 in all correspondence.

*This FAX may contain confidential and/or privileged information. If you are not the intended recipient (or have received this FAX in error) please notify the sender immediately and destroy this FAX. Any unauthorized copying, disclosure, or distribution of the material in this FAX is strictly forbidden.*



DEPARTMENT OF HEALTH AND HUMAN SERVICES  
**OFFICE OF INSPECTOR GENERAL**



OFFICE OF AUDIT SERVICES, REGION VI  
200 NW 4<sup>TH</sup> STREET, SUITE 4040  
OKLAHOMA CITY, OK 73102

February 20, 2013

Report Number: A-06-13-00001

Ms. Valeria Williams  
Program Director  
Office of Medical and Health Services  
South Carolina Department of Health and Human Services  
1801 Main Street  
Columbia, SC 29201

Dear Ms. Williams:

The purpose of this letter is to inform you that the Department of Health and Human Services (HHS), Office of Inspector General (OIG), is initiating a review of drug rebates. The objective of our audit is to determine whether states allocated rebates to all applicable Federal Financial Participation rates (i.e. Federal Medical Assistance Percentages, Family Planning enhanced rate, Indian Health Services, Children's Health Insurance Program (CHIP), and Breast or Cervical Cancer enhanced rate) for quarters July 1, 2011, through June 30, 2012.

The Form CMS-64 is the accounting statement which you, in accordance with 42 CFR § 430.30(c), must submit each quarter under Medicaid. It shows the disposition of Medicaid grant funds for the quarter being reported and previous fiscal years, the recoupment made or refunds received, and income earned on grant funds. The Form CMS-21 shows the disposition of Federal CHIP grant funds for the quarter being reported and previous fiscal quarters and years, recoupments made or refunds received, adjustments for overpayments or underpayments, and adjustments for premiums or cost-sharing amounts received. Drug rebates are aggregated on lines 7A1 to 7A6 on the Form CMS-64 and line 8A on the Form CMS-21.

As a recipient of HHS grant funds, State Medicaid agencies are subject to OIG audits and other reviews. Pursuant to 45 CFR § 92.42(e) and the Inspector General Act of 1978 (5 U.S.C. App. 3, § 6(a)(1)), OIG has the right to have access to all books, documents, papers, or other records that are pertinent to the Federal grant award.

Under the health information privacy regulation that implements the Health Insurance Portability and Accountability Act of 1996, providing the information requested by this letter is a permitted disclosure because it (1) is "required by law" to be produced to the OIG as part of your

will be used for "health oversight" activities by OIG, which meets the definition of a "health oversight agency" (45 CFR §§ 164.512(d) and 164.501).

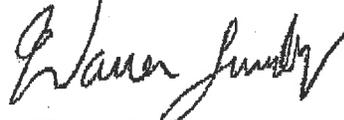
Enclosed are questions related to your agency's treatment of drug rebates and a request for documents necessary for our review. Please use the UPS label we have enclosed to send your responses to the questions and the requested documents to the individual below within 14 days of receiving this letter.

Office of Inspector General, Office of Audit Services  
Attn: Lillie Patton-Jones  
200 N.W. 4<sup>th</sup> Street, Suite 4040  
Oklahoma City, OK 73102

During our audit, we may also need access to additional documents and records. We appreciate your cooperation in this matter and will make every effort to minimize any disruption to the work of your office.

If you have any questions or concerns about our audit, please call Mr. Danny Garcia, Senior Auditor, at (405) 605-6188, extension 224 or Ms. Lillie Patton-Jones, Auditor, at (405) 605-6188, extension 232. Please refer to report number A-06-13-00001 in all correspondence. Thank you for your attention to this matter.

Sincerely,



Warren Lundy  
Audit Manager

Enclosure

**ENCLOSURE**Questions

1. Explain the methodology the State Agency employs to claim drug rebates on the Form CMS-64 (lines 7A1 through 7A6) and, if applicable, the Form CMS-21 (line 8A). Please include in your explanation information to aid our understanding of the summary schedules you provide under the following documentation requests.

Documentation Requests

- The State Agency's written policies and procedures for reporting drug rebates on the Form CMS-64 and, if applicable, the Form CMS-21.
  - The State Agency's summary schedule(s) that support the drug rebate lines. These schedules should match the drug rebate lines input on the Form CMS-64 and, if applicable, the Form CMS-21 for the quarters under review and be detailed enough for us to determine the Federal share applied to each drug rebate item.
2. Explain how the State Agency assigns the Federal share to drug rebates.
  3. Did the State Agency receive any guidance from CMS officials regarding the Federal share calculation for drug rebates? If so, please describe the guidance, indicate the level of the CMS official that provided the guidance (i.e., regional or national), and the method of communication, such as verbal or written.

Documentation Requests

- If guidance from CMS officials was communicated in writing, please provide documentation of that communication.
4. Were adjustments made in subsequent quarters for drug rebates claimed in the quarters under review?

Documentation Requests

- Please provide support for any such adjustments. The support should clearly explain the reason(s) for the adjustment and include such documentation as drug rebates summary schedules, adjustment entries worksheets, and narrative explanations.



March 4, 2013

Warren Lundy  
Audit Manager  
Office of Inspector General  
Office of Audit Services, Region VI  
200 NW 4<sup>th</sup> Street, Suite 4040  
Oklahoma City, OK 73102

Re: Report Number A-06-13-00001

Dear Mr. Lundy:

In response to your letter dated February 20, 2013 requesting information in regard to your audit review of Drug Rebates, we are providing the attached information.

Should you have need of additional information, please contact Milton German or my staff at 803-898-1051.

Sincerely,

Beth Hutto  
Interim Deputy Director