U.S. Department of Labor
Office of Inspector General
Office of Audit

BRIEFLY…

May 23, 2017

INTERIM REPORT ON AUDIT OF PHARMACEUTICAL MANAGEMENT IN DOL BENEFIT PROGRAMS

OWCP NEEDS BETTER CONTROLS OVER COMPOUNDED PRESCRIPTION DRUGS

WHY OIG CONDUCTED THE AUDIT

Congress, DOL-OIG, and the United States Postal Service have grown very concerned over the safety, rapidly escalating costs, and fraud associated with pharmaceuticals, and particularly compounded drugs, in the Federal Employees' Compensation Act (FECA) program.

In fiscal year (FY) 2016, the FECA program provided over $3.2 billion in benefits to more than 219,000 workers injured in the performance of their duty and their survivors. The cost of prescription drugs in the FECA program rose from a reported $183 million in FY 2011 to $477 million in FY 2016, an increase of 161 percent. Compounded drugs accounted for most of this growth, escalating from approximately $2 million in FY 2011 to a reported $263 million in 2016.

WHAT OIG DID

We initiated an audit of the management of pharmaceuticals in the Office of Workers' Compensation Programs (OWCP) to determine the following:

> Has OWCP effectively managed the usage and cost of pharmaceuticals in its workers' compensation programs?

This interim report reflects our work to date. Our ongoing audit may identify additional issues with respect to OWCP's management of pharmaceuticals. We will provide the complete results of our audit after we conclude our remaining work.

Our ongoing audit is assessing OWCP's controls over pharmaceuticals to determine how the agency ensures providers are qualified and have a bona fide relationship with the patient; prescriptions are medically necessary, safe and effective; prices paid are fair and reasonable; and claimants received their prescriptions. Our audit is also assessing how OWCP ensures the overall integrity of pharmaceutical benefits.

WHAT OIG FOUND

We found that OWCP has not effectively managed the use and cost of compounded pharmaceuticals in the FECA program.

In this interim report, we identify actions that could improve the management of pharmaceuticals. OWCP instituted some measures during our work, such as requiring a letter of medical necessity and prior approval for prescriptions, but needs to take additional legislative, regulatory, or policy actions. These actions include seeking statutory changes to allow the agency to remove questionable providers and to set price limitations. OWCP also needs to make regulatory changes to require prior authorization for compounded drugs, require physicians to certify medical necessity, and implement a new pricing methodology.

The remaining actions would only require policy changes, such as requiring drug exclusion lists, drug formulary lists, and limits on initial fills and refills of prescriptions. OWCP also needs to perform reviews of questionable provider practices, ensure the existence of a bona fide prescriber/patient relationship, improve its review of unusual bills, and establish an effective Program Integrity Unit. Finally, OWCP needs to ensure generic drugs and preferred providers are used when appropriate.

OWCP generally agreed with the actions we have identified to date. The agency indicated corrective actions are under consideration, in progress, or in some cases, were completed during our work.

READ THE FULL REPORT

To view the report, including the scope, methodology, and full agency response, go to:

https://www.oig.dol.gov/public/reports/oa/2017/03-17-001-04-431.pdf.