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

BRIEFLY...

OWCP MUST CONTINUE STRENGTHENING MANAGEMENT OF FECA PHARMACEUTICALS, INCLUDING OPIOIDS

MAY 14, 2019

WHY OIG CONDUCTED THE AUDIT

DOL OIG and the United States Postal Service have grown very concerned over the rapidly increasing costs, questionable safety, and likelihood of fraud associated with pharmaceutical benefits in the Federal Employee Compensation Act (FECA) program. Dramatic increases in compounded drug costs, from $2 million in Fiscal Year (FY) 2011 to $254 million in FY 2016, and dangers related to opioid abuse have gained significant attention from Congress and the public. While the costs of compounded drugs dropped to $18 million in FY 2018, overall pharmaceutical costs remained at $262 million for over 33,000 monthly average cases, of which 42 percent included opioid prescriptions.

WHAT OIG DID

We assessed the Office of Workers' Compensation Program's (OWCP) controls for managing pharmaceutical benefits in the FECA program to answer the following question:

> Has OWCP effectively managed the use and cost of pharmaceuticals in the FECA program?

This report summarizes the complete results of our work and augments the findings in our first report, issued May 23, 2017.

READ THE FULL REPORT

http://www.oig.dol.gov/public/reports/oa/2019/03-19-002-04-431.pdf

WHAT OIG FOUND

OWCP must continue to strengthen its management of the use and cost of pharmaceuticals in the FECA program. OWCP has made progress in addressing recommendations from our first report, but more action is needed.

OWCP identified risks and implemented controls over compounded drugs and opioids, but it needs to further reduce risks for opioids. Our audit determined that OWCP's policy on opioids was too permissive, and OWCP had not developed sufficient controls to manage opioid addiction.

In addition, OWCP did not do enough to ensure it paid the best price for prescription drugs. We found OWCP had not determined if alternative drug pricing methodologies would be more competitive; had not used drug formulary lists or preferred providers; had not implemented cost-limit checks on high or excessive drug charges; and had not ensured its generic drug policy was effective.

OWCP could also do more to help ensure FECA prescriptions are safe from overuse and adverse interaction with other FECA medications. Our analysis revealed OWCP had not implemented drug utilization reviews and quantity limits on initial fills and refills of maintenance drugs; had not determined if classes of drugs other than compounded drugs and opioids should require prior authorization for medical necessity; and had not monitored claimant and prescriber relationships to ensure drugs were prescribed by attending physicians.

Finally, OWCP had not reported excluded providers to the national healthcare fraud and abuse data collection program, or accessed this data to ensure FECA providers were qualified. However, OWCP had taken actions to identify questionable providers, refer them to DOL OIG for investigation, and exclude providers convicted of fraud.

WHAT OIG RECOMMENDED

In addition to the recommendations we made in our first report, we are making 7 new recommendations for the Director of OWCP to strengthen management of pharmaceuticals in the FECA program.