



Highlights of [GAO-09-957](#), a report to congressional requesters

Why GAO Did This Study

One significant cost to Medicaid is prescription drugs, which accounted for over \$23 billion in fiscal year (FY) 2008, or about 7 percent of total Medicaid outlays. Many of these drugs are susceptible to abuse and include pain relievers and stimulants that are on the Drug Enforcement Administration’s (DEA) Schedule of Controlled Substances. As part of the American Recovery and Reinvestment Act of 2009 (ARRA), the Medicaid program will receive about \$87 billion in federal assistance based on a greater federal share of Medicaid spending.

GAO was asked to determine (1) whether there are indications of fraud and abuse related to controlled substances paid for by Medicaid; (2) if so, examples of fraudulent, improper, and abusive activity; and (3) the effectiveness of internal controls that the federal government and selected states have in place to prevent fraud and abuse related to controlled substances. To meet these objectives, GAO analyzed Medicaid controlled substance claims for fraud and abuse indications for FY 2006 and 2007 from five selected states. GAO also interviewed federal and state officials and performed investigations.

What GAO Recommends

GAO makes four recommendations to the Centers for Medicare and Medicaid Services (CMS) to issue guidance to states to better prevent fraud of controlled substances in Medicaid. CMS generally agreed with GAO’s recommendations.

[View GAO-09-957](#) or [key components](#). For more information, contact Greg Kutz at (202) 512-6722 or kutzg@gao.gov.

MEDICAID

Fraud and Abuse Related to Controlled Substances Identified in Selected States

What GAO Found

GAO found tens of thousands of Medicaid beneficiaries and providers involved in potential fraudulent purchases of controlled substances, abusive purchases of controlled substances, or both through the Medicaid program in California, Illinois, New York, North Carolina, and Texas. About 65,000 Medicaid beneficiaries in the five selected states acquired the same type of controlled substances from six or more different medical practitioners during fiscal years 2006 and 2007 with the majority of beneficiaries visiting from 6 to 10 medical practitioners. Such activities, known as doctor shopping, resulted in about \$63 million in Medicaid payments and do not include medical costs (e.g., office visits) related to getting the prescriptions. In some cases, beneficiaries may have justifiable reasons for receiving prescriptions from multiple medical practitioners, such as visiting specialists or several doctors in the same medical group. However, GAO found that other beneficiaries obtained these drugs to support their addictions or to sell on the street. In addition, GAO found that Medicaid paid over \$2 million in controlled substance prescriptions during fiscal years 2006 and 2007 that were written or filled by 65 medical practitioners and pharmacies barred, excluded, or both from federal health care programs, including Medicaid, for such offenses as illegally selling controlled substances. Finally, GAO found that according to Social Security Administration data, pharmacies filled controlled substance prescriptions of over 1,800 beneficiaries who were dead at that time.

GAO performed in-depth investigations on 25 Medicaid cases and found fraudulent, improper, or abusive actions related to the prescribing and dispensing of controlled substances. These investigations uncovered other issues, such as doctors overprescribing medication and writing controlled substance prescriptions without having required DEA authorization.

Examples of Fraudulent, Improper, and Abusive Controlled Substance Activity in Medicaid

Nature of activity	State	Type(s) of controlled substance(s)	Case details
Fraudulent enrollment using identify of dead individual	CA	Vicodin, MS Contin, Dilaudid, and Ativan	Individual used identity of deceased individual to enroll in Medicaid program and was prescribed thousands of pills. Medicaid paid over \$200,000 for services rendered while individual was in the program.
Doctor shopping	IL	Concerta, Ritalin, and Adderall	Beneficiary’s mother was addicted to her son’s attention-deficit/hyperactivity disorder medication, and regularly took her son to multiple physicians to obtain additional prescriptions, which Medicaid paid.
DEA noncompliance	NY	Oxycodone, Fentanyl, Vicodin, Ambien, and Xanax	Physician prescribed over 10,600 pills of DEA Schedules II, III, and IV drugs to about 100 Medicaid beneficiaries without DEA authorization.

Source: GAO analysis of CMS, public, and other records.

States are primarily responsible for the fight against Medicaid fraud; however, the selected states did not have a comprehensive fraud prevention framework to prevent fraud and abuse of controlled substances. CMS is responsible for overseeing state fraud and abuse control activities but has provided limited guidance to the states to prevent fraud and abuse of controlled substances.