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DOJ OIG Releases a Report on USMS Pharmaceutical Drug Costs and Procurement Process

Department of Justice (DOJ) Inspector General Michael E. Horowitz announced today the release [of a report evaluating](#) the U.S. Marshals Service's (USMS) pharmaceutical drug costs and procurement process. As part of its mission, the USMS provides for the housing, care, and security of federal detainees remanded into its custody before and during a detainee's criminal trial. To facilitate the delivery of healthcare to USMS detainees, the USMS maintains a National Managed Care Contract (NMCC) with Heritage Health Solutions, Inc. (Heritage). Through the NMCC, Heritage provides a variety of healthcare related services, including the management of a Pharmacy Program. In fiscal year 2020, the cost associated with procuring drugs for USMS detainees was approximately \$27.8 million.

The DOJ Office of the Inspector General found several areas of improvement related to the USMS's drug procurement process. Our findings include:

- **The USMS Should Consider Ways to Increase Competition for Pharmacy Program Goods and Services.** We found that the USMS awarded the NMCC following a full and open competition. However, few vendors submitted technically acceptable bids for the NMCC, which potentially limited the efficacy of the full and open competition that the USMS relied on to determine whether Pharmacy Program prices were reasonable.
- **The USMS Cannot Determine How Much It Spends on Drugs through the NMCC.** We also found that Heritage's pricing schedule bases drug prices not on the costs of individual drugs but on the costs associated with managing the entire Pharmacy Program, which include administrative costs that are unrelated to underlying drug costs. Therefore, we found the USMS cannot determine how much it spends on drugs under the NMCC. Further, we found that although this pricing structure was intended to insulate the government from the risk of future cost increases, the contract has not accomplished that purpose and instead has left the USMS exposed to the risk of increased drug costs.
- **Non-Pharmacy Program Drug Procurement Lacks an Important Internal Control.** We also identified concerns with the USMS's drug acquisition processes for facilities that do not participate in the Pharmacy Program. Specifically, there is no cost control for drugs purchased by non-Pharmacy Program facilities for which the USMS is separately invoiced and, consequently, the USMS is at risk of paying unnecessarily high prices for drugs purchased by those facilities.

The DOJ OIG made three recommendations to improve the USMS's oversight of drugs purchased for its detainees. The USMS agreed with all three recommendations.

Report: Today's report can be found on the OIG's website at the following link:
<https://oig.justice.gov/reports/evaluation-us-marshals-services-pharmaceutical-drug-costs-and-procurement-process>

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