Health Care Reform’s Impact on Community Pharmacy

The health care reform bill improves the definition of average manufacturer price (AMP) so that it includes only manufacturers’ sales to retail pharmacies. It directs the Centers for Medicare & Medicaid Services (CMS) to set the Medicaid federal upper limit for reimbursement of generics at a rate of “no less than 175% of average weighted AMP.”

These reforms are important now: the bill also expands Medicaid coverage—starting in 2014—to individuals up to 133% of the federal poverty level, adding an expected 16 million more individuals to the program.

The bill requires the secretary of the Department of Health and Human Services (HHS) to implement the new Medicaid generic rates as early as October 2010. This means pharmacies in some states may see a reduction in generic drug reimbursement at that time, but that is uncertain until AMP data becomes available. This new law mitigates the impact of the more draconian generic drug cuts planned before changes were made, saving pharmacies approximately $3 billion in Medicaid generic drug cuts.

Medicaid Generic Drug Pharmacy Reimbursement (AMP Fix)
The Deficit Reduction Act of 2005 would have reimbursed pharmacies below their acquisition cost for many Medicaid generic drugs. These cuts have been delayed because of a December 2007 court injunction that was won by NACDS and NCPA. We have advocated a legislative solution to permanently reverse these generic drug cuts, and this bill provides that relief in part.

Pharmacist-Delivered MTM
The health care reform bill envisions an expanded patient care role for pharmacists in new health care system models. These new responsibilities will help ensure more appropriate use of prescription medications, especially for those patients who have chronic illnesses. These include pharmacist roles in accountable care organizations, medical homes, “transitions of care” teams, and medication reconciliation activities.

The bill also includes a medication therapy management (MTM) grant program that will help test new and innovative methods to provide MTM, which will help to reduce the estimated $290 billion in health care expenditures that result from inappropriate medication use or noncompliance with taking medications.

Community pharmacies may be eligible for this grant funding, but the government’s process will take many months and will be subject to the annual appropriations process.