

HELP FIX MEDICAID GENERIC PRESCRIPTION REIMBURSEMENT (AMP) NOW: SAVE MEDICAID PATENTS' ACCESS TO COMMUNITY PHARMACIES

NCPA respectfully requests that Congress pass legislation to ensure continued patient access to life-saving, cost-effective prescription medicines by providing a fair pharmacy reimbursement benchmark. We support the principles included in legislation introduced in the last Congress -- the Fair Medicaid Drug Payment Act of 2007, H.R. 3700 and S. 1951, introduced by Chairman Pallone (D-NJ) and Chairman Baucus (D-MT).

AVERAGE MANUFACTURERS PRICE (AMP) IS HARMFUL TO PHARMACIES AND WILL REDUCE PATIENT ACCESS

- We request that legislation modify the changes made by the Deficit Reduction Act of 2005 (DRA) that were slated to go into effect in January 2007. They have been delayed temporarily because a Federal District Court Judge found that the CMS AMP regulation did not follow the criteria of the DRA and would cause “irreparable harm,” forcing thousands of pharmacies out of business.
- **GAO has found that under the old AMPs, AMP-based pharmacy reimbursement limits (Federal Upper Limits – FUL) are 36% below pharmacy acquisition cost, on average.¹ The DRA AMP, and CMS’ July 17, 2007 regulation AMPs, are both even more harmful.**
- **OIG has found AMP-based limits are below pharmacy acquisition cost** for 19 of 25 drugs sampled.²
- **Thousands of pharmacies** with large Medicaid populations may be forced to close in the first months under the DRA AMP-based FUL, as it is currently defined. Many more will be unable to afford serving Medicaid patients.

HELP FIX AMP

- Legislation should use the weighted average AMP (rather than lowest average AMP) along with an appropriate multiplier to ensure that pharmacy operational costs are covered.
- Special prices, which are unavailable to retail pharmacies, must be excluded from the calculation of the pharmacy reimbursement benchmark (such as mail order and PBM rebates).
- Legislation should restore the well established definition of a generic drug as a product which has 3 or more alternatives on the market.

GENERIC UTILIZATION SAVES TAXPAYER DOLLARS

- Additionally, we ask that legislation require prior authorization for coverage of a more-expensive brand name drug when a cheaper generic alternative exists.
- For every one percent of prescriptions in the Medicaid program that move from brand to generic, over \$200 million can be saved.
- If best practices to encourage generic utilization are implemented across the country, taxpayers could see over \$1 billion each year in Medicaid savings.

Contact NCPA Government Affairs: 703-683-8200

¹ *Medicaid Outpatient Prescription Drugs: Estimated 2007 Federal upper limits for Reimbursement Compared with Retail Pharmacy Acquisition Costs*, GA)-07-239R, December 22, 2006 at page 9.

² *Deficit Reduction Act of 2005: Impact on the Medicaid Federal Upper Limit Program*, OEI-03-06-00400, Office of the Inspector General of the Department of Health and Human Services, June 2007, at pages iii and 11.