



# Coast-to-Coast Battleground Over Medicaid Reimbursement

**N**CPA's broadest challenge this year centers on proposed changes in Medicaid drug reimbursement—a challenge that demands sweeping grassroots activity by community pharmacists nationwide targeting Congress and state legislatures to stave off devastating cuts.

To carry out provisions of the Deficit Reduction Act (DRA) of 2005, the Bush administration has drafted regulations estimated to “save” taxpayers \$8.4 billion in state and federal funds over five years. More than 90 percent of the “savings” would be at the expense of community pharmacies, the Department of Health and Human Services (HHS) concedes. Here are excerpts from an HHS fact sheet on the proposed regulation:

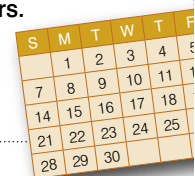
- The DRA changes how the federal government limits payments to state Medicaid agencies for the aggregate costs of prescription drugs when a generic substitute is available. Currently, Federal Upper Limits (FULs) are calculated based on published drug prices. About 600 drugs are subject to FULs.
- The DRA establishes a new FUL calculation based on 250 percent of the lowest AMP in a drug class. The FUL does not mandate prices for individual drugs. It is based on the aggregate costs of all the drugs. States will retain the authority to set their own reimbursement levels and dispensing fees paid to pharmacists, and may pay above or below the FUL as long as overall payments for drugs subject to a FUL are under the annual aggregate cap. States can also vary reimbursement levels, targeting more to pharmacists in rural or inner city areas or to independent pharmacists, if they wish.
- The Centers for Medicare & Medicaid Services (CMS) must disclose the AMP of drugs, publicly posting them at least quarterly.
- The proposed rule includes a proposed definition of AMP on which CMS requests public comment. The definition will have an impact on the rebate payments drug

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manufacturers are required to make to the states and federal government.

- The proposed rule also would help Medicaid in collecting rebates from drug manufacturers for drugs administered by physicians. It outlines new steps to allow Medicaid agencies to bill for these rebates.
- The proposed rule will also ensure that drug manufacturers include so-called “authorized generic” drugs in the calculation of their rebate amounts. Authorized generics are those drugs that continue to be made by the original manufacturers or are licensed to another drug company under the Food and Drug Administration’s original new drug approval.
- Until CMS issues new FULs, states may continue to rely upon the FULs published prior to Jan. 1, 2007.

The public comment period on this proposed rule ends Feb. 20. Send your comments to NCPA, 100 Daingerfield Rd., Alexandria, VA 22314, and we'll pass them along.

The final regulation must be promulgated by July 1. (For more on Medicaid, see the December 2006 issue of *America's Pharmacist*, which also is available online to NCPA members at [www.americaspharmacist.net](http://www.americaspharmacist.net). **ap**)