



Medicaid Reimbursement Reform

Background

The Deficit Reduction Act (DRA) of 2005 mandated that the “average manufacturer price” (AMP) become the benchmark for Medicaid payments to pharmacies for generic drugs. The intent DRA was to reduce Medicaid reimbursements to pharmacies by \$8.5 billion over a five year period. However, the impact on pharmacy would be a reduction would in essence be a 30 percent reduction in payments for generic drugs. The Medicare Improvements for Patients and Providers Act (MIPPA) delayed implementation of AMP until September 2009.

Impact & Importance

Separate reports issued by the Government Accounting Office and the Department of Health and Human Services Office of Inspector General identified that payments for generic drugs with AMP would be one-third below what the pharmacies would actually be able to purchase these drugs. This would create unequitable payment method to pharmacies and would result in 20 percent of pharmacies across America closing their doors, according to an independent PriceWaterhouse Coopers study. This elimination of jobs and lost economic activity would be devastating in an already struggling environment.

Pharmacies servicing rural and urban areas would be disproportionately impacted, as these areas have higher Medicaid populations. Access to medications for a vulnerable population, particularly with low cost effective generics, would be in jeopardy. This would result in decreased health care quality outcomes and increased health care costs as these beneficiaries could potentially end up in hospitals.

Action Needed

- Ask your Congressional member to correct the flawed Medicaid generic reimbursement system prior to Sept. 30, 2009, which is when the current legislative delay in implementation of AMP expires.
- Ask your Congressional member to support legislation that would create a fair reimbursement system for generic drugs in Medicaid. Last year Sen. Max Baucus (D-MT) and Rep. Frank Pallone (D-NJ) introduced legislation addressing this issue and plan to reintroduce bill this summer.
- Ask your Congressional member to incorporate a fair Medicaid generic drug reimbursement system into health care reform efforts.