Resources Updated May 2013

Health Cost Containment and Efficiencies

NCSL Briefs for State Legislators

A Supplement to two **NCSL issue briefs:**

#8 Use of Generic Prescription Drugs and Brand-Name Discounts

#9 Prescription Drug Agreements and Volume Purchasing

Additional Resources

- **Medicaid Preferred Drug Lists (PDLs) for Mental Health and Substance Abuse** - 50-state summary by NCSL, posted April 2012.

NCSL provides external and third party web links as a convenience for members; the organization is not responsible for opinions or facts presented on such websites.

- **Drug spending falls for first time in 6 decades**, according to a recent article published in the Los Angeles Times. "The 1% drop in consumer costs in 2012 is attributed mostly to generics coming onto the market after drug patent expirations, a survey finds."… "But their loss is the consumer's gain, according to a report being released Thursday by a leading pharmaceutical research group." [study was done by: IMS Institute for Healthcare Informatics] By Lisa Girion, May 9, 2013.
- **Managing Medicaid Pharmacy Benefits: Current Issues and Options, a** report that examines reimbursement, benefit management and cost sharing issues in Medicaid pharmacy programs. The analysis, conducted by researchers from the Foundation and Health Management Associates, focuses on the potential of several measures highlighted earlier this year by Health and Human Services Secretary Kathleen Sebelius to reduce Medicaid pharmacy costs and is informed, in part, by the perspectives of a group of Medicaid pharmacy administrators convened by the Foundation in May to discuss current Medicaid pharmacy issues. By Kaiser Family Foundation, 9/28/2011
- **The Role of Clinical and Cost Information in Medicaid Pharmacy Benefit Decisions: Experience in Seven States,** a report that provides perspective on the potential for using comparative effectiveness research in Medicaid pharmacy programs by looking at seven states to determine how they currently evaluate relative clinical and cost information about prescription drugs when making coverage decisions for their Medicaid pharmacy benefits. The brief was prepared by researchers at the Foundation and Avalere Health. By Kaiser Family Foundation, 9/28/2011
- "**Replacing Average Wholesale Price: Medicaid Drug Payment Policy**" - new report by the Office of the Inspector General (OIG), HHS, July 18, 2011.
  Federal regulations require that Medicaid reimbursement amounts for prescription drugs not exceed the lower of (1) the estimated acquisition cost plus a dispensing fee or (2) the provider's usual and customary charge to the public for the drug. Of the 45 States that used average wholesale price (AWP) to set reimbursement for prescription drugs in the first quarter of 2011, 20 States did not have

definitive plans for prescription drug reimbursement after First DataBank stops publishing AWPs in September 2011.

- **"Your Medicaid Program Can Save Money Without Hurting Patient Health"** An analysis of using an Average Acquisition Cost (AAC) model for drug pricing, which uses actual pharmacy invoices in determining average acquisition costs to pharmacies. The report claims that "This approach enables states to get a better handle on the "spread" and is more reflective of acquisition and dispensing costs and also ingredient costs for certain specialty drugs. Most states still use Average Wholesale Price (AWP) which has been subject to much gaming by the industry, resulting in many fraud case brought by state Attorneys General and earning the moniker 'Ain't What's Paid.' The Centers for Medicare and Medicaid Services (CMS) is developing a database of National Average Drug Acquisition Costs and is encouraging states to adopt an AAC payment methodology based on this resource. CMS plans to distribute its database at the end of 2011 based on a CMS survey of retail pharmacies." expects to save $1.6 million, or 1 percent of its $160 million fee-for-service Medicaid drug expenditures. **Idaho**, which is in the process of implementing AAC, expects to save $2 million in state general funds and $4.6 million in federal funds, for a total of $6.6 million. Posted by NLARx, 12/12/2011.