

4. CMS Delays Implementation of Medicaid Pharmacy Rule for Six Months

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CMS on Monday delayed for six months implementation of a proposed rule that would reduce Medicaid reimbursements to pharmacies for generic prescription drugs, Dow Jones reports (Wisenberg Brin, Dow Jones, 6/19). The rule, mandated by the Deficit Reduction Act of 2005, seeks to ensure that Medicaid can obtain prescription drug discounts similar to those obtained by private entities, such as pharmacy benefit managers. Under the rule, pharmaceutical companies would have to offer Medicaid the lowest price offered to any purchaser -- which includes any "rebates, discounts or other price concessions" offered to PBMs or mail-order pharmacies. The rule also would redefine "average manufacturer price" for brand-name and generic prescription drugs. States use average manufacturer prices to calculate Medicaid reimbursement rates for prescription drugs. Rule would require the federal government to post average manufacturer prices on a Web site that consumers could access. In addition, the rule would limit the federal share of the cost of prescription drugs when at least three generic alternatives are available. States would retain their current authority to determine Medicaid reimbursement rates to pharmacies. HHS said that the rule could reduce revenue for small pharmacies "in low-income areas where there are high concentrations of Medicaid beneficiaries." Small pharmacies could "mitigate the effects" of the rule through the purchase of lower-cost prescription drugs, HHS said. The National Community Pharmacists Association and other community pharmacy groups have argued that the rule would prompt pharmacies to end participation in Medicaid (Kaiser Daily Health Policy Report, 6/15). CMS is scheduled to publish the final rule on July 2. Drug makers in late October are to report their September AMPs, and the adjusted Medicaid reimbursement rates for generic drugs are expected to take effect Dec. 30, according to CMS (Dow Jones, 6/19).

Potential for State Reforms

Because the rule will reduce Medicaid reimbursements to pharmacies for ingredient costs, pharmacies are hoping that states will make up the shortfall by increasing dispensing fees, the Pittsburgh Post-Gazette reports. So far, Iowa and Kansas have agreed to transfer any savings resulting from the new rule to pharmacy dispensing fees. In addition, Texas plans to increase its dispensing fee to at least \$7.50, with triggers that could increase the fees to \$12.50. The average dispensing fee nationwide is about \$4.50. Pat Epple of the Pennsylvania Pharmacists Association said that the \$4 dispensing fee in Pennsylvania is not enough to cover the cost of doing business (Toland, Pittsburgh Post-Gazette, 6/19). Morgan Stanley analyst David Veal in a note to investors said that CMS' six-month delay will move implementation of the rule much closer to the time that many state legislatures reconvene. As a result, the delay "potentially allow[s] lawmakers to boost dispensing fees more immediately to offset the potential reimbursement cuts," Veal said (Dow Jones, 6/19).