

March 31, 2011

The Honorable John Kasich
Governor, State of Ohio
30th Floor, 77 South High Street
Columbus, OH 43215

Subject: Encouraging Use of Generic Medications in Medicaid Prescription Drug Programs

Dear Governor Kasich:

As states are faced with growing fiscal constraints, growing Medicaid enrollment, and rising healthcare costs, the undersigned organizations and corporations, representing consumers, employers, generic drug manufacturers, health insurance plans, pharmacies and pharmacy benefit managers, are writing to encourage your state to adopt policies that can help promote the use of lower-cost generic prescription medications, as well as avoid those that will create barriers to the use of generics in Medicaid programs.

Increased Generic Use Can Help Reduce Waste of Medicaid Drug Program Dollars

In her February 3rd letter to Governors, HHS Secretary Sebelius noted that states are relying more on generic medications as part of an overall strategy to reduce prescription drug costs. This makes sense given that the latest State Medicaid Utilization data indicate that the average Medicaid brand name drug costs Medicaid approximately \$200, while the average generic costs approximately \$20.

We believe there is a considerable opportunity to increase these savings through greater use of generic drugs. Generic medicines currently fill 75 percent of the prescriptions dispensed in the United States but account for only 22 percent of the total drug spending, providing an enormous benefit to public health. However, utilization of generic drugs within Medicaid averages 69 percent nationally, which is significantly lower than the overall national average. In a study just released by the American Enterprise Institute (AEI), economist Alex Brill shows that state Medicaid programs overspent an estimated \$329 million on the 20 most popularly prescribed multi-source drugs in 2009 by reimbursing for more costly brand drugs when a lower-cost, equivalent generic was available.¹³⁷ The paper also concludes that if policy changes are not made, and generic substitution rates remain the same, Medicaid programs will continue to overspend and waste between \$289 million - \$433 million on just 10 blockbuster products in 2011 and 2012.¹³⁸

Discussed below, however, are several issues that appear in legislation introduced in states across the country, which would negatively impact generic dispensing and prescribing practices both in your state Medicaid program, and other healthcare programs.

State-Based Generic Drug “Carve Outs” have No Scientific Basis and Increase Drug Costs

¹³⁷ Brill, Alex. *Overspending on Multiple-Source Drugs in Medicaid*. <http://www.aei.org/paper/100207>. (March 2011)

¹³⁸ Id.

Many states legislatures are currently considering legislation that would increase state spending on pharmaceuticals by creating obstacles to generic dispensing by “carving out” certain classes of prescription drugs. Some states already have laws on the books that have increased state spending as a result of these barriers to generic dispensing in Medicaid. These approaches circumvent state generic dispensing laws and create unnecessary obstacles to the prescribing and dispensing of generic medications.

There is no scientific basis to support these “carve outs”. The U.S. Food and Drug Administration (FDA) has said that “it is not necessary for the health care provider to approach any one therapeutic class of drug products differently from any other class, when there has been determination of therapeutic equivalence by FDA for the drug products under consideration.”¹³⁹

However, some brand name drug companies are supporting legislation to exempt their specific class of medicine from generic dispensing practices. For instance, some state laws require that pharmacists must notify a prescriber before substituting a generic epilepsy drug for its brand equivalent. Because prescribers already have the authority to require a brand to be dispensed when they write the prescription, the process creates unnecessary redundancy and only serves to delay a patient’s receipt of their medicine. Repealing or preventing the enactment of such laws would yield substantial savings to states.

Electronic Prescribing Policies Should Support Generic Drug Use

We support the practice of electronic prescribing for its numerous benefits to patients. Without the use of electronic prescribing, patients and prescribers may not otherwise know that a less costly generic medicine is available. Therefore, the communication of this information at the point of prescribing yields a significant benefit to both the individual patient and public health in general. Indeed, the availability of generic medications can mean the difference between a patient taking their medication or going without critical care that they need. As noted recently by AARP, “researchers have found that patients who initiate therapy with lower-cost generic medications have higher rates of adherence, making them appealing to providers who want to ensure treatment compliance and avoid unnecessary spending.”¹⁴⁰

However, legislation dealing with electronic prescribing recently introduced in many states would prevent communications to prescribers and patients regarding the availability of less costly generic equivalent medicines. We would urge you to oppose such legislative proposals, which would significantly impair the ability of physicians to recommend more affordable, equally efficacious medications for their patients.

We know that states are struggling to manage their Medicaid programs amid extraordinary budgetary constraints. Properly addressing the issues raised above may be influential in helping to manage healthcare costs for your state. We hope that your administration will view our organizations as partners and a resource in facing this challenge. We are happy to discuss any of these issues further with you or your staff. Thank you for your support.

¹³⁹<http://www.fda.gov/Drugs/DevelopmentApprovalProcess/HowDrugsareDevelopedandApproved/ApprovalApplications/AbbreviatedNewDrugApplicationANDAGenerics/ucm073182.htm>

¹⁴⁰ AARP Public Policy Institute, *Strategies to Increase Generic Utilization and Associated Savings*, available at, http://assets.aarp.org/rgcenter/health/i16_generics.pdf, (December, 2008)

Respectfully,

BlueCross BlueShield Association
CVS/Caremark
Express Scripts, Inc.
Generic Pharmaceutical Association
Hospira, Inc.
Medco
Mylan
National Association of Chain Drug Stores
National Community Pharmacists Association
Prime Therapeutics
Teva Pharmaceuticals
Walgreens
Walmart
Watson Pharmaceuticals