

Committee on Energy and Commerce
Rep. Henry A. Waxman, Chairman

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WAXMAN RELEASES GAO REPORT ON HEALTH CARE REFORM'S IMPACT ON THE MEDICAID PHARMACY REIMBURSEMENT FOR GENERIC DRUGS

Washington, DC — Today Chairman Henry A. Waxman released a report by the Government Accountability Office (GAO), which found that changes made in the new health care reform law solved longstanding concerns about underpaying pharmacists for generic drugs under the Medicaid program.

“This is a great example of the important improvements made possible through the health care reform law,” said Chairman Waxman. “The law averted massive payment cuts to pharmacists for generic drugs under Medicaid, and did so in a responsible way for taxpayers. This is another reason why the Republican push to repeal the health care reform law is a terrible idea. Repeal would hurt pharmacists and other health care providers, leave millions of Americans uninsured, and increase the deficit.”

In 2005, Republicans passed legislation that dramatically cut payments for pharmacists for generic drugs under Medicaid. GAO has previously found that the payments mandated under the 2005 legislation would not have covered the pharmacists’ acquisition costs of generic drugs. Pharmacist organizations sued to stop these changes, and the Centers for Medicare and Medicaid Services (CMS) has been under an injunction since 2008 which has prevented the implementation of these changes.

The new health care law reformed payment rates for generic drugs, establishing new methods to calculate the “average manufacturer price” that forms the basis for Medicaid generic drug payment rates. Last week, in response to these changes, pharmacist organizations moved to dismiss their lawsuit.

In its new report, “Medicaid Outpatient Prescription Drugs: Estimated Changes to Federal Upper Limits Using the Formula under the Patient Protection and Affordable Care Act,” GAO states that the new Medicaid payment rates would adequately reimburse pharmacists, paying them at rates that allowed them to cover generic drug acquisition costs. Additionally, the GAO analysis found that the changes made under the new health care reform law saved money for Medicaid by reducing overpayments for these drugs, and did so in a way that ensured pharmacists were adequately reimbursed. According to GAO, the health care reform changes will reduce Medicaid generic drug expenditures “by a significant amount ... while still providing reimbursement that exceed[s] pharmacy acquisition costs.”

The GAO report is available online here: <https://energycommerce.house.gov/documents/20101217/d11141R.pdf>

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