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PCMA: HHS Encourages State Medicaid Programs to Use More Generic Drugs
Merritt: Medicaid Should Also Stop Paying Drugstores More than Medicare

(Washington, DC)— With Medicaid spending growth almost doubling over the past year, a new document released today by Health and Human Services (HHS) Secretary Kathleen Sebelius to all 50 governors encourages the use of lower-cost drugs – including generics – to help reduce Medicaid spending. The next step is for state Medicaid programs to stop paying pharmacies more than Medicare and other programs, said the **Pharmaceutical Care Management Association (PCMA)**.

“By managing pharmacy benefits like other, more successful programs, Governors can cut billions in Medicaid without cutting benefits to patients or payments to doctors and hospitals,” said **PCMA President and CEO Mark Merritt**.

[According to a new study by The Lewin Group](#)

(http://www.pcmanet.org/images/stories/uploads/2010/12/Medicaid_Pharmacy_Savings_Report.pdf), Medicaid pharmacy could save more than \$30 billion over the next decade by transitioning from the current approach used by state Medicaid fee-for-service (FFS) programs to the more efficient approaches used by Medicare Part D plans, Medicaid managed care organizations (MCOs), and the commercial sector.

Most state Medicaid programs use an old-school fee-for-service approach in which state officials arbitrarily decide how much Medicaid will pay pharmacies. This approach exposes state governments to political pressure from the independent drugstore lobby to set artificially high payment levels. On the other hand, most non-Medicaid drug benefits programs – like those offered by Medicare, employers and unions – use independent, third party pharmacy benefit experts to negotiate more competitive rates with pharmacies. These programs also use cutting-edge, market-proven strategies to increase the use of generics.

[Recent polling \(<http://www.pcmanet.org/images/stories/uploads/2010/12/Medicaid-Pharmacy-Poll-Memo.pdf>\)](http://www.pcmanet.org/images/stories/uploads/2010/12/Medicaid-Pharmacy-Poll-Memo.pdf) finds voters would rather reduce Medicaid spending by better managing pharmacy benefits than cut benefits for patients or payments to doctors and hospitals.

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PCMA represents the nation’s pharmacy benefit managers (PBMs), which improve affordability and quality of care through the use of electronic prescribing (e-prescribing), generic alternatives, mail-service pharmacies, and other innovative tools for 200-plus million Americans.