

**COMMISSION ON ENHANCING AGENCY OUTCOMES
SUMMARY SHEET**

**Reduction of Medicaid Prescription Drug Costs
(within CEAO major area VII)**

- Connecticut’s Medicaid expenditures for prescription drugs for FFY 09 were more than **\$445 million**, almost 12 percent of the \$3.8 billion FY 09 Medicaid budget in Connecticut.
- While Medicaid pharmacy costs nationwide decreased from \$24.2 billion in FFY 08 to \$22.9 billion in FFY 09, in Connecticut Medicaid prescription expenses **increased by \$22 million** – from \$423.6 to \$445.8 million -- or 5 percent.

Table I shows some key information on Medicaid prescription utilization and expenditures in Connecticut compared to surrounding states and nationwide.

State	Medicaid Enroll # (000)	% 65+	Total Rx (000)	Rx Per client	Expenditures (000)	Avg. \$ Overall per Rx	Generic % of scripts	Generic Avg. \$
CT	553.8	12.4	5,095	9.2	\$445,784	\$87	63%	\$26
MA	1,402.5	11.3	7,808	5.6	\$464,636	\$59	76%	\$16
ME	350.1	15.8	2,890	8.2	\$190,535	\$66	64%	\$12
PA	2,090.2	11.2	7,385	3.5	\$495,511	\$67	70%	\$14
NY	4,954.6	11.2	37,795	7.6	\$3,197,809	\$84	62%	\$19
VT	157.6	12.6	1,332	8.4	\$108,543	\$81	63%	\$19
US	58,106	10.2	295,599	5.1	\$22,972,896	\$77	67%	\$21

Sources: Medicaid population data from Kaiser Family Foundation, Prescription data from Generic Pharmaceutical Association¹ using data from CMS.

- **Connecticut appears to have higher overall prescription utilization** per Medicaid enrollee than other states – about 9 per client compared to the national average of 5.
- **Connecticut has a higher average cost overall** for Medicaid prescriptions -- \$87 per prescription on average compared to the national average of \$77.
- Contributing to those higher overall cost is the fact that **Connecticut has a lower utilization (63%) of generic prescriptions** than nationally (67%) and other comparative states -- NY (62%) and VT (63%) are exceptions.
- Connecticut has a **higher average cost for generic prescriptions.**² Connecticut’s average generic prescription cost of \$26 was \$5 higher than the national average of \$21; and \$10 higher than Massachusetts’ average generic cost of \$16.

Recommendation to bring Medicaid prescription costs down:

Mandate that pharmacists dispense the FDA-approved generic equivalent when available for Medicaid prescriptions, with implementation of rigorous prior authorization for brand name drugs.

Expedite reduced pricing mechanisms for generic drugs.

¹ Generic Pharmaceutical Association, *National Brand and Generic Prescription Medicaid Drug Utilization and Expenditures by State in 2009Q1-Q4*. (table using CMS data)

² While these data do not identify the types of drugs being prescribed, one assumes that for the states’ Medicaid populations overall, the types would be similar, and especially in the Northeast states, where a similar percentage of the Medicaid population is elderly.

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Efforts at Increasing Utilization of Generic Prescriptions and Lowering Costs

- **Thirteen states**³, including Massachusetts, New York and Pennsylvania **mandate generic substitution**, generally for all patients and all payers.
- If **Connecticut's Medicaid program could increase its generic prescription use by 5 percent**, it is estimated the state could **save \$21.8 million**, and the federal government another \$21.8 million, as the federal Medicaid reimbursement rate for Connecticut is 50%. These savings assume the current generic average price of \$26.
- If Connecticut could pay a lower price for generic drugs – to the national average of \$21, for example – this would save an additional \$17.4 million -- **\$8.7 million for CT** and \$8.7 million for the federal government.
- If **Connecticut** cannot negotiate such price reductions for generics (and other drugs) on its own, it **should join one of the four multi-state pools** currently in existence for purchasing Medicaid drugs. Thirty states and D.C. currently belong to one of these pools; Connecticut does not. New York documented savings of \$80.5 million in 2007 due to multi-state negotiated rebates.⁴
- The legislature mandated the development of such a purchasing plan cooperative in 2009, which was to be submitted to the legislature in December 2009. To date no plan has been developed. The CEO recently sent a letter to the DSS commissioner requesting information on the status of the required plan.
- Public Act 10-3 (section 24) **mandates that a Medicaid provider** (including pharmacies) **bill DSS the lowest amount** for the good or service that the provider routinely accepts from any other payer. In other words, if a pharmacy chain store's lowest price for a particular prescription to a private payer or an insurer is \$10 that is now what that provider must bill Medicaid. This new provision should help to lower Connecticut's Medicaid prescriptions costs.
- **Massachusetts**, which does not belong to a multi-state pool, and does not rely heavily on negotiated rebates to develop a MassHealth drug list, employs a number of other components to manage its drug program and contain costs. (As Table 1 indicates, Massachusetts has a high utilization of generic drugs and lower cost than national averages). Massachusetts employs Generics First, a step therapy that requires that a **generic drug be tried first**, before a brand name may be used. Massachusetts also has a "lowest provider price" provision like the one in Connecticut passed in P.A. 10-3.

ESTIMATED SAVINGS TO CONNECTICUT: \$30.5 million

³ *NCSL Brief on Use of Generic Prescription Drugs and Brand-Name Discounts*, June 2010. The 13 states are Florida, Hawaii, Kentucky, Massachusetts, Minnesota, Mississippi, Nevada, New Jersey, New York, Pennsylvania, Rhode Island, Washington, and West Virginia.

⁴ *NCSL Brief on Prescription Drug Agreements and Volume Purchasing*, June 2010. Cites New York and other states' experiences in reducing Medicaid prescription costs.