



Medicaid Drug Rebate Program

Medicaid Drug Rebate Program

- Created by the Omnibus Budget Reconciliation Act of 1990 (OBRA '90)
 - Requires drug manufacturers to enter into a National Rebate Agreement to ensure that their drugs are covered by Medicaid agencies
 - Covers all of a manufacturers outpatient drugs with some exceptions
 - Approximately 550 pharmaceutical manufacturers currently participate
 - Both brand and generic manufacturers
 - Applies to all outpatient drugs irrespective of dispensing channel
 - Establishes minimum rebate amounts (effective Jan 1, 2010)
 - Brand drugs – 23.1% of AMP or Best Price
 - Generic drugs – 13% of AMP
 - Clotting factor – 17.1% of AMP or Best Price
- States Medicaid Agencies are allowed to negotiate supplemental rebate agreements with manufacturers

Kentucky Medicaid Rebate Program

- **OBRA Rebates**

- Averaged \$51.7 million per quarter in 2009
 - 36% of total drug spend per quarter
 - Average rebate per claim (2009) = \$19.14

- **Supplemental Rebates**

- Averaged \$7.3 million per quarter in 2009
 - 5.1% of total drug spend per quarter
 - Average supplemental rebate per claim (2009) = \$2.61

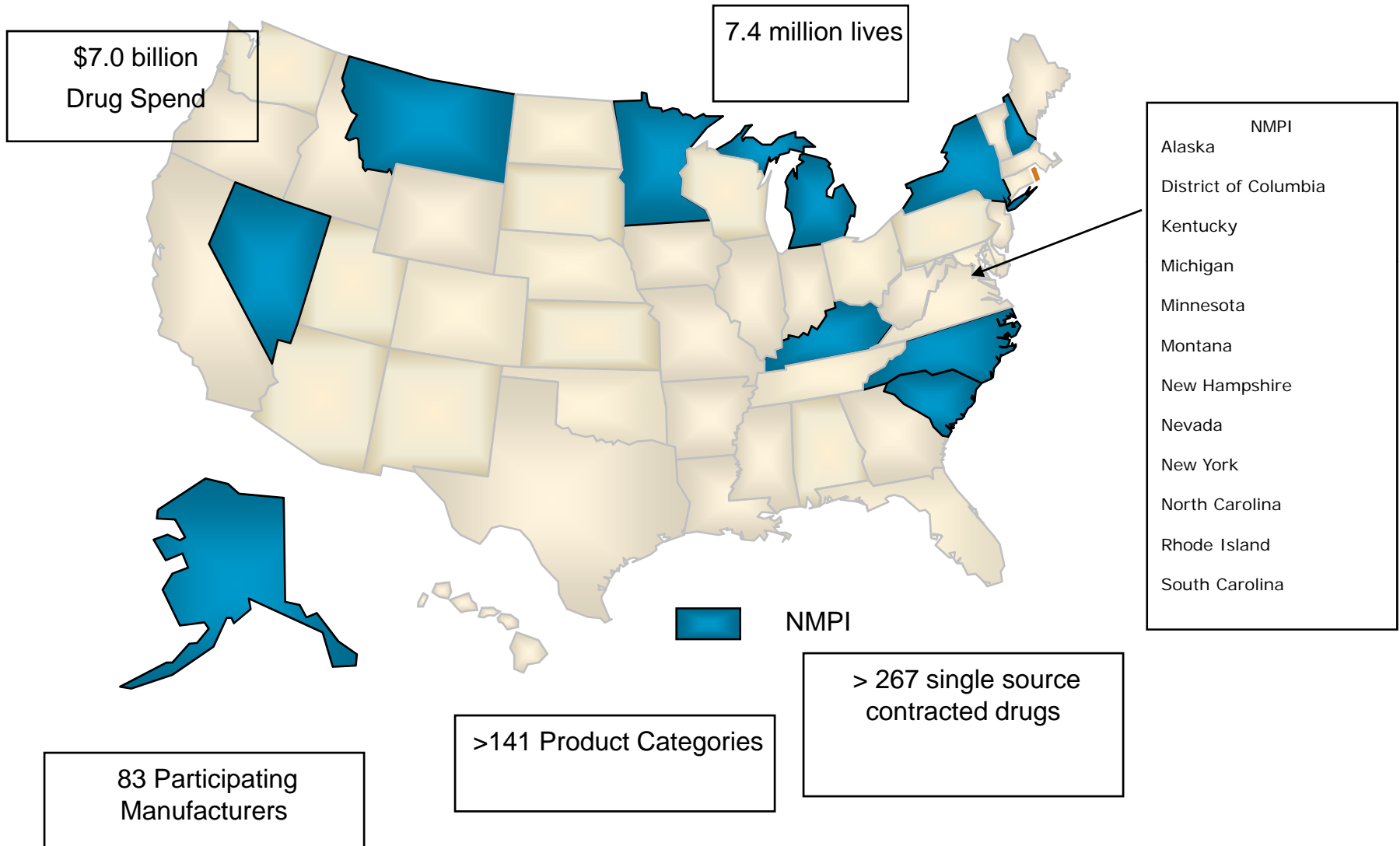
- **Total Rebates**

- Averaged \$59 million per quarter in 2009
 - 41.1% of total drug spend per quarter
 - Average total rebate per claim (2009) = \$21.23

Magellan Medicaid Administration and Kentucky Medicaid Rebate Program

- Rebate program is administered by Magellan Medicaid Administration
 - Fee based contract
 - 100% of rebate revenue is returned to Kentucky
 - Manufacturers pay all rebates directly to the Commonwealth
 - Lockbox address
 - Kentucky is a participant in the National Medicaid Pooling Initiative (NMPI)
 - Since 2004
 - Program follows the same operational rules as OBRA Rebate Program
 - CMS approved contracts with manufacturers
 - Audited in conjunction with OIG audits of OBRA program

Magellan Medicaid Administration and Kentucky Medicaid Rebate Program



Health Care Reform and Rebate Program

- **Effective January 1, 2010:**
 - Increased minimum rebate for most brand drugs from 15.1% Average Manufacturer Price (AMP) to 23.1% of AMP
 - Increased minimum rebate for generic drugs from 11% of AMP to 13% of AMP
 - Increased minimum rebate for clotting factors and drugs with pediatric indications from 15.1% of AMP to 17.1% of AMP
- **Effective March 23, 2010:**
 - Medicaid drug rebate extends to Medicaid MCO drug utilization
- Federal Government to retain the increase in rebates
 - The 8% increase in rebates for most brands
 - The 2% increase in rebates for generics and clotting factors/pediatric drugs
 - Impact to Commonwealth
 - A likely 20-30% decrease in supplemental rebates
 - A likely 2-5% decrease in total rebates