

PHARMACY REIMBURSEMENT REPORT

(FY2007 Appropriation Bill - Public Act 330 of 2006)

March 1, 2007

Section 1767: The department shall study and evaluate the impact of the change in the way in which the Medicaid program pays pharmacists for prescriptions from average wholesale price to average manufacturer price as required by the federal deficit reduction act of 2005, Public Law 109-171. By March 1, 2007, the department shall submit a report of its study to the senate and house of representatives appropriations subcommittees on community health and the senate and house fiscal agencies. If the department finds that there is a negative impact on the pharmacists, the department shall reexamine the current pharmaceutical dispensing fee structure established under section 1620 and include in the report recommendations and proposals to counter the negative impact of that federal legislation.

The Deficit Reduction Act (DRA) of 2005 requires states to meet a new upper payments limit (UPL) test for multi-source generic drugs based on the average manufacturer prices (AMP). The current UPL test is based upon average wholesale prices (AWP). The DRA allows states to change its pharmacy reimbursement methodology from average wholesale price (AWP) to average manufacturer prices (AMP), but there is no federal mandate to do so. Medical Services Administration (MSA) currently does not plan to change their reimbursement methodology. MSA has been receiving and analyzing the AMP data received via CD on a monthly basis from CMS. At this time, however, we are unable to complete an impact study because the proposed regulation changes the definition of AMP. We expect the AMPs to fluctuate considerably after the regulation becomes finalized later this year (possibly July 2007). For this reason, further analysis of AMPs should be deferred until the proposed regulation is finalized.

*Michigan Department
of Community Health*



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