

PHARMACY REIMBURSEMENT REPORT

(FY2008 Appropriation Bill - Public Act 123 of 2007)

March 1, 2008

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, 2008, 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. At this time, the Department is unable to complete an impact study because the proposed regulation has not been finalized and implementation has been delayed due to pending federal litigation. It is unknown when the litigation will be resolved.

*Michigan Department
of Community Health*



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