

PHARMACY REIMBURSEMENT REPORT

(FY2011 Appropriation Bill - Public Act 187 of 2010)

March 1, 2011

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. Upon release of the data by the Centers for Medicare and Medicaid Services, the department shall submit a report of its study to the senate and house 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 required states to meet a new upper payment limit (UPL) test for multi-source generic drugs based on the average manufacturer price (AMP). Michigan Medicaid's current UPL test is based on average wholesale price (AWP). The DRA allowed states to change their pharmacy reimbursement methodology from AWP to AMP, but there is no federal mandate to do so. At this time, the Medical Services Administration (MSA) does not plan to change its pharmacy reimbursement methodology from AWP to AMP in FY2011. The Department is unable to perform the suggested study as a recent final rule withdrew earlier provisions related to the State's receipt and potential use of AMP data. Furthermore, AMP data is not available to conduct an analysis.

*Michigan Department
of Community Health*



**Rick Snyder, Governor
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