# HOUSE RESEARCH

# Bill Summary

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**Authors:** Murphy, E. and others

**Subject:** Pharmacy Reimbursement Rates

**Analyst:** Randall Chun, (651) 296-8639

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## Overview

This bill modifies the MA pharmacy reimbursement formula, to offset any reduction in payment resulting from the settlement of a recent federal lawsuit (New England Carpenters Health Benefits Fund, et al., v. First Data Bank, Inc.) The settlement in part lowered the base average wholesale price (AWP) amount that DHS uses to calculate the MA payment rate; this has the effect of reducing the reimbursement that pharmacies would receive from DHS. Under current law, DHS reimburses pharmacies for most brand name drugs at AWP minus 15 percent. The bill would lower the reduction of AWP to AWP minus 11.46 percent, to compensate for the lower AWP base amount and help to offset the reduction in reimbursement. The settlement also included a voluntary agreement by certain drug pricing companies to stop publishing AWP price data. The bill therefore also specifies the reimbursement formula in terms of the wholesale acquisition cost (WAC) of a drug.

Section

**1** **Payment rates.** Amends § 256B.0625, subd. 13e. Effective July 1, 2010, and contingent upon federal approval, sets payment for the acquisition cost of a drug at AWP minus 11.46 percent or WAC plus 6.25 percent, whichever is lower. (Under current law, the payment rate is AWP minus 15 percent.) Also sets the payment rate for antihemophilic factor drugs at AWP minus 27.08 percent or WAC minus 12.5 percent, whichever is lower. (Under current law, the payment rate for these drugs is AWP minus 30 percent.) Defines AWP and WAC.