Trends in Medicaid Spending for Prescription Drugs

Medicaid and CHIP Payment and Access Commission

Chris Park

Overview

- Drug rebates reduce gross spending by almost half
- Spending increased significantly in 2014 after years of low to moderate growth
- Recent spending driven by enrollment growth and use of high-cost drugs
- Medicaid has limited tools to manage drug utilization and spending

Medicaid payments and rebates

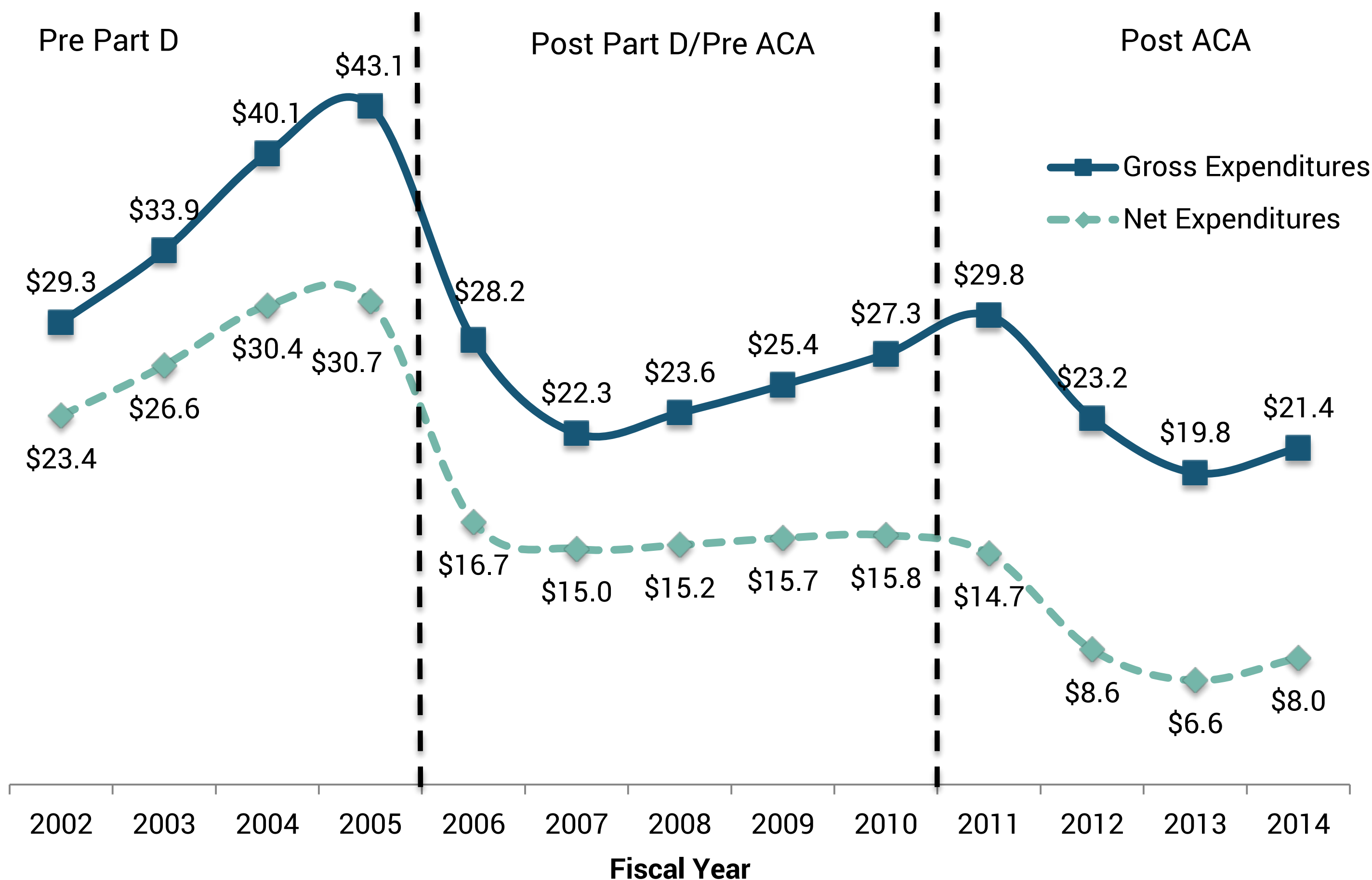
- Gross spending reflects payments to pharmacy
- Net spending accounts for rebates
- Federal rebates
  - Manufacturers must provide statutorily-defined rebates
  - States must generally cover a participating manufacturer's drugs
- State supplemental rebates

Data sources

- CMS-64 financial management reports
  - Submitted to claim federal match
  - Aggregate spending for fee-for-service outpatient drugs; fee-for-service and managed care rebates
- Drug rebate utilization data
  - Submitted to invoice for rebates
  - Claims and gross spending by National Drug Code (NDC) for fee-for-service and managed care
  - Includes some physician-administered drugs

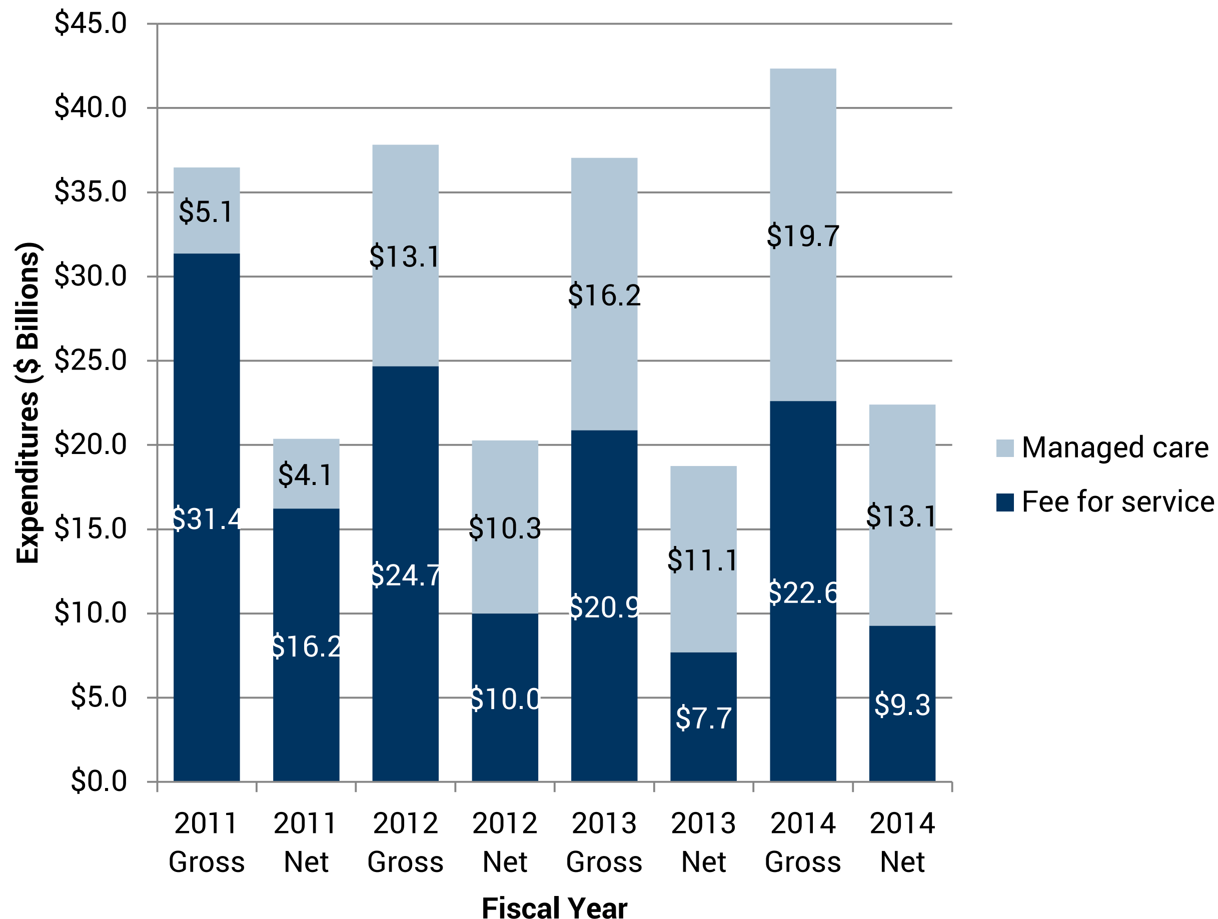
Historical Spending Trends

Fee-for-service spending (billions)



Notes: ACA is Affordable Care Act. Includes federal and state funds. Gross expenditures are before the application of rebates. Net expenditures are after the application of federal and supplemental rebates. Does not include Part D clawback payments.
Source: MACPAC analysis of CMS-64 FMR net expenditure data.

Managed care spending (billions)



Notes: Includes federal and state funds. Gross expenditures are before the application of rebates. Net expenditures are after the application of federal and supplemental rebates. Hawaii has been excluded due to anomalous data. Managed care expenditures in FY 2011 may be underreported as states began to collect utilization data from MCOs. Does not include Part D clawback payments.
Sources: MACPAC analysis of Medicaid drug rebate utilization data for spending and CMS-64 FMR net expenditure data for rebates.

Components of Recent Trends

Gross Prescription Drug Spending, Expansion vs. Non-Expansion States, CY 2013–CY 2014

State grouping	CY 2013 gross drug spending ($ Billion)	CY 2014 gross drug spending ($ Billion)	Percent change
Expansion	$19.4	$24.2	24.6%
Non-expansion	$18.3	$20.8	14.1%

Notes: Includes federal and state funds. Gross expenditures are before the application of rebates. Expansion states include those that expanded as of January 2014; those that decided to expand later are not classified as expansion states. Does not include Part D clawback payments.
Source: MACPAC analysis of Medicaid drug rebate utilization data.

Prescription Drug Claims and Gross Spending, by Brand vs. Generic Status, CY 2011–CY 2014

Calendar year	Total drug claims (millions)	Percent brand claims	Percent generic claims	Total drug spending ($ billions)	Percent brand spending	Percent generic spending
2011	537.0	25.8%	74.2%	$37.4	80.1%	19.9%
2012	559.5	22.5%	77.5%	$37.8	78.2%	21.8%
2013	554.8	20.0%	80.0%	$37.5	76.6%	23.4%
2014	599.9	18.9%	81.1%	$44.9	77.0%	23.0%

Notes: Includes federal and state funds. Gross expenditures are before the application of rebates. To assign brand and generic status, we linked the state drug utilization data to the Medicaid drug product data from CMS using the NDC code. Brand and generic status was assigned using the drug category indicator from the drug product file as of the end of the calendar year. Excludes drugs that could not be matched to the drug product data.
Source: MACPAC analysis of Medicaid drug rebate utilization data.

Gross Prescription Drug Spending per Claim, by Brand vs. Generic Status, CY 2011–CY 2014

Calendar year	Gross brand drug spending per claim	Gross generic drug spending per claim	Annual percent change – brand drugs	Annual percent change – generic drugs
2011	$216.53	$18.74	–	–
2012	$234.87	$18.98	8.5%	1.3%
2013	$259.61	$19.81	10.5%	4.4%
2014	$304.52	$21.20	17.3%	7.0%

Notes: Includes federal and state funds. Gross expenditures are before the application of rebates. To assign brand and generic status, we linked the state drug utilization data to the Medicaid drug product data from CMS using the NDC code. Brand and generic status was assigned using the drug category indicator from the drug product file as of the end of the calendar year. Excludes drugs that could not be matched to the drug product data.
Source: MACPAC analysis of Medicaid drug rebate utilization data.

Prescription Drug Claims and Gross Spending for Drugs over $1,000 per Claim, CY 2011–CY 2014

Calendar year	Total drug claims (millions)	Total gross drug spending ($ billions)	Gross spending per claim	Percent of total claims	Percent of total spending
2011	3.3	$7.5	$2,242	0.6%	19.9%
2012	3.8	$9.0	$2,359	0.7%	23.7%
2013	4.2	$10.1	$2,389	0.8%	26.9%
2014	5.6	$14.6	$2,586	0.9%	32.4%

Notes: Includes federal and state funds. Gross expenditures are before the application of rebates. Includes drugs that were over $1,000 per claim in spending at the NDC level. Excludes drugs billed under an unidentified NDC code.
Source: MACPAC analysis of Medicaid drug rebate utilization data.

Prescription Drug Claims and Gross Spending for Hepatitis C Drugs, CY 2011–CY 2014

Calendar year	Total drug claims (millions)	Total gross drug spending ($ billions)	Gross spending per claim
2011	0.2	$0.4	$2,440
2012	0.2	$0.6	$3,156
2013	0.1	$0.4	$3,301
2014	0.1	$1.8	$12,187

Notes: Includes federal and state funds. Hepatitis C drugs were identified based on First DataBank specific therapeutic classes. Excludes drugs that could not be matched to the First Databank file.
Source: MACPAC analysis of Medicaid drug rebate utilization data.

Medicaid Tools for Addressing Spending Growth

- Statutory rebates but must provide coverage to almost all drugs to a certain degree
- Nominal cost sharing limits ability to change behavior
- Prior authorization is primary tool to manage utilization and spending

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