

Medicare Rx Update: December 15, 2006

Proposed rule on Medicaid AMP released...

CMS today announced proposed changes in the payment for certain prescription drugs in the Medicaid program. These changes implement provisions of the Deficit Reduction Act of 2005 (DRA). The DRA changes how the federal government limits payments to state Medicaid agencies for the aggregate costs of prescription drugs when a generic substitute is available. The DRA establishes a new FUL calculation that is based on 250% of the lowest AMP in a drug class. States will retain the authority to set their own reimbursement levels and dispensing fees paid to pharmacists, and may pay above or below the FUL as long as overall payments for drugs subject to a FUL are under the annual aggregate cap. As required by DRA, the proposed rule includes a proposed definition of AMP on which CMS requests public comment.

AMP disclosure required... but not until late spring

The proposed rule published by CMS today is the first step in the regulatory process. CMS expects broad public comment on the proposals contained in the rule. The comment period on this proposed rule will remain open for 60 days from publication in the Federal Register. CMS will revise and publish a final regulation after consideration of these comments. The DRA requires that the final regulation be promulgated by July 1, 2007.

The DRA also requires the Centers for Medicare & Medicaid Services (CMS) to disclose the AMP of drugs. CMS expects that these will be available to the states and public in late spring. Until CMS issues new FULs, states may continue to rely upon the FULs published prior to January 1, 2007.

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