

**...BREAKING NEWS...**

**APRIL 29, 2005**

## **Congress Agrees to \$10 Billion in Medicaid Cuts**

After weeks of debate, Congress narrowly passed a budget resolution last night that includes a call for \$10 billion in Medicaid savings over the next five years and could result in significant changes to the Medicaid pharmacy reimbursement system.

The \$10 billion savings figure is significantly less than what the President requested in 2006 budget proposal and half of what was approved by the House of Representatives. As part of a compromise reached in the Senate, the resolution calls for the creation of a Medicaid Commission to review the program and does not require that Congress make cuts to Medicaid until fiscal year 2007.

One area that is likely to be targeted by the House Energy and Commerce Committee and the Senate Finance Committee as they consider cuts is Medicaid pharmacy reimbursement. Proposals that call for a move away from an Average Wholesale Price (AWP) system have garnered bipartisan support in recent months, and Energy and Commerce Committee Chairman Joe Barton (R-TX) has said that he plans to address this issue by the end of this year (see *The Monitor*, December 2004).

Meanwhile, the prospects for the Bush Administration proposal to eliminate the best price system used to determine Medicaid and 340B discounts appear less certain.

Other measures that are likely to be considered by Congress include restrictions on asset transfers and intergovernmental transfers (IGTs) as well as modifications to provider taxes, administrative claiming, and targeted case management.

The two committees are directed to submit their budget cuts by September 15.

More details will be available in the May issue of *The Monitor*.