



The Monitor

The Inside Source on the Public Health Service 340B Drug Discount Program

April 25, 2007

BREAKING NEWS ALERT

Increase in Medicaid Drug Rebates Dropped From War Spending Bill

As we first reported in the April issue of the Monitor, the Senate version of the Iraq/Afghanistan spending bill included an amendment that would impose a two year moratorium on a government proposal to cut Medicaid spending to public hospitals. The moratorium was to be paid for by increasing the manufacturer rebates payable under the Medicaid rebate program. In particular, it would have increased the rebates on single-source drugs from the current 15.1 percent to 20 percent of Average Manufacturer Price (AMP). The amendment would have saved the government \$1.35 billion over five years, according the Congressional Budget Office. The House version of the war spending bill lacked the amendment.

Over the last 24 hours, House and Senate leaders met to iron out the differences between the two bills. Under an agreement with House and Senate conferees, the two year moratorium was reduced to one year. In addition, the increase in the rebate percentage was dropped and instead the moratorium would be paid for by requiring Medicaid-reimbursed providers to use tamper-resistant prescription drug pads in their prescribing, starting in Fiscal Year 2008, to reduce fraudulent prescribing and by extending the state of Wisconsin's Pharmacy Plus waiver program.

The House and Senate are scheduled to vote on the spending bill as early as today. The President has vowed to veto the bill since it includes language that would set a timetable for withdrawal from Iraq. Therefore, the ultimate fate of the moratorium remains unclear but it looks as if the increase in the rebate percentage will not be included.