

**Medicaid Commission  
Summary of Approved Proposals  
August 18, 2005**

Reform Option	Description	Fiscal Impact(Federal for FY 2006-10)	Scoring By	Option Author
Prescription Drug Reimbursement Formula Reform	This option would allow states to negotiate pharmaceutical prices based on the Average Manufacturer Price (AMP) rather than the published average wholesale price (AWP) as is done today. There is a widespread concern that AWP is an inflated number and does not reflect a valid benchmark for pricing. Additionally, reform would be implemented to ensure that manufacturers are accurately reporting AMP data. Two advantages of AMP are that it reflects actual transaction prices and it is currently used in the calculation of rebates.	\$4.3 billion	CMS Office of the Actuary	National Governor's Association
Extension of the Medicaid drug rebate program to Medicaid managed care	This option would give Medicaid Managed Care health plans access to the existing pharmaceutical manufacturer rebate program. Currently, the Medicaid Drug Rebate Program requires drug manufacturers to have rebate agreements for outpatient drugs dispensed to Medicaid patients as part of their fee-for service programs. Currently, Medicaid managed care plans pay higher prices for	\$2 billion	CMS Office of the Actuary	Association for Community Affiliated Plans

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	the drugs even though they are also serving Medicaid beneficiaries because they are not permitted to participate in the Drug Rebate Program.			
Change the start date of penalty period for persons transferring assets for Medicaid eligibility.	This option proposes to move the start date of the penalty period from the date of the transfer to the date of application for Medicaid, or the nursing home admission date, whichever is later. Changing this date extends the time during which Medicaid applicants who made asset transfers are potentially liable for the costs of care.	\$1.5 billion/\$1.4 billion	CMS Office of the Actuary and Congressional Budget Office	President's FY 2006 Budget Request
Increase the look-back period for assets transfers from 3 to 5 years.	Financial eligibility screeners look for transfers from personal assets of Medicaid applicants made during a period of time prior to application that appear to have been made for the purpose of obtaining Medicaid eligibility. Applicants are prohibited from transferring resources during the look back period for less than fair market value. This option would increase the permissible look back period from 3 years to 5 years.	<\$100 million	CMS Office of the Actuary	National Governor's Association
Tiered Co-Pay for prescription drugs	Under this option, states would be able to increase co-pays on non-preferred drugs beyond nominal amounts when a preferred drug is available, to encourage beneficiaries to fill the least costly	\$2 billion	CMS Office of the Actuary	National Governor's Association

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	effective prescription. For beneficiaries, at or below the federal poverty level, co-pays for preferred drugs would remain nominal (as defined by regulation). All co-pays on drugs would become enforceable (as part of the tiered formulary system). States would have broad authority to waive co-pays in cases of true hardship or where the failure to take a particular drug might create serious adverse health effects.			
Reform of the Medicaid Managed Care (MCO) Provider Tax Requirement	This option would require that managed care organizations (MCOs) be treated the same as other classes of health care providers with respect to uniformity requirements for provider taxes. Under the proposal, states would be prevented from guaranteeing that tax revenues paid to states by MCOs would be returned. It is our understanding that 6 states have in place provider taxes on Medicaid HMOs: New Mexico, California, Ohio, Michigan, Oregon, and Missouri.	\$399 million/\$1.2 billion	CMS Office of the Actuary and Congressional Budget Office	President's FY 2006 Budget Request
Total Savings:	\$10.3 billion (CMS Office of the Actuary) \$11.1 billion (CMS Office of the Actuary/Congressional Budget Office)			

