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**Via E-mail**

**TO:** State Affairs Steering Committee  
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**FROM:** Ryan Faden, Assistant Director, State Affairs

**SUBJECT:** OIG Report Summary

Urgent  Handle & Confirm  Review & Comment  FYI  As Requested

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On May 4<sup>th</sup>, the Department of Health and Human Services Office of the Inspector General (OIG) released a report entitled "States' Use of New Drug Pricing Data in the Medicaid Program." The report details OIG's early assessment of whether States are considering using new pricing data for Medicaid prescription drug reimbursement. For the report, the OIG surveyed 47 states on how they are using or plan to use Average Manufacturer Price (AMP) and Retail Survey Price (RSP) data provided to them by the Centers for Medicare and Medicaid Services (CMS) with respect to their state health care program reimbursement methodologies. The following are some of the key results of the OIG report:

### **Findings Related to AMP**

- 39 out of 47 states have not decided whether to use AMP data for reimbursement purposes.
  - The undecided states reported that an analysis must be conducted to determine the impact of a new reimbursement methodology on state budgets, providers, and beneficiaries before taking action.
- Four states are planning to use AMP data for Medicaid drug reimbursement but have not yet implemented the necessary changes.
- Three states do not plan to use AMP data for purposes other than the federally mandated federal upper payment limit for multiple source drugs.
- 33 states expressed concerns about the AMP data they have been provided by CMS to date

- The concerns include:
  - Discrepancies between the units used for AMP pricing and the units used for other pricing methodologies.
  - Up to seven percent of NDCs do not have a reported AMP in the data provided to states by CMS.
  - Some states claim that the AMPs provided to states by CMS for certain products are “unusually high or low” and that “there is little correlation between the AMP data provided to them by CMS and pharmacy acquisition costs.”
  - Some states also raised questions about whether vendors that currently provide them with data would receive the AMP data.
- States want assurances from CMS that AMP data are valid and accurate.

### **Findings Related to RSP**

- 43 states are uncertain whether to use RSP data when they receive it from CMS.
- Three states will not use RSP data and one state plans to use RSP data.
- States wanted more information from CMS about RSP data before making any final determinations.
- States want to know how RSP data is determined and defined, how it will be collected, and where it will be collected.

### **OIG Recommendations**

- CMS should explicitly detail the definition of AMP, including a specific definition of retail pharmacy class of trade, when promulgating the final AMP regulations. CMS should also provide unit definitions in the data files.
- CMS should furnish states with interim guidance and/or information regarding AMP data.
- CMS should specifically define RSP, as well as its calculation, and method of collection when distributing RSP data to states.

This report provides some early insight into how states are reacting to the availability of new data in determining their reimbursement methodologies. It should be noted that states' views on the data and its use could change significantly depending upon the revised provisions of the final regulations.

Please feel free to contact me if you have questions or need additional information.

Attachment: SASC07029a ~ OIG Report - States AMP Data