

Medicaid Prescription Drug Costs and Usage Trends, 2013-2015

5 Slide Series, Volume 32

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The Menges Group

Medicaid Prescription Volume, 2013-2015

Group of States	# of States	# of Medicaid Prescriptions (Paid by MCOs and by Fee-For-Service Programs)					
		FFY2013	FFY2014	FFY2015	% Change 2013-2014	% Change 2014-2015	% Change 2013-2015
Non-Expansion States	21	203,926,458	195,651,564	207,020,850	-4.1%	5.8%	1.5%
Initial Expansion States (+ DC)	25	304,360,243	331,500,897	383,006,437	8.9%	15.5%	25.8%
Later Expansion States	5	59,373,701	62,126,731	71,962,716	4.6%	15.8%	21.2%
Total (50 States + DC)	51	567,660,403	589,279,191	661,990,003	3.8%	12.3%	16.6%

- Growth in volume of Medicaid-paid prescriptions from 2013 to 2015 is almost entirely attributable to Medicaid expansion under the Affordable Care Act (ACA). Medicaid paid for 94 million more prescriptions in 2015 than in 2013, and 97% of the additional prescription volume occurred in the expansion states.
- From 2013 to 2015, overall Medicaid prescription volume increased 17%, with just a 1.5% increase occurring across non-expansion states and a 25.1% increase occurring across the expansion states.
- In 2015, Medicaid paid for 662 million prescriptions, which represents 16% of national prescription volume. Note that prescriptions for dual eligibles – persons covered by both Medicaid and Medicare – are not included in this table nor elsewhere in this edition of the 5 Slide Series. These prescriptions are covered by Medicare Part D.

Initial Amount Paid for Medicaid Prescriptions (Pre-Rebate), 2013-2015

Group of States	# of States	Initial Amount Paid for Prescriptions (Pre-Rebate) -- Ingredient Cost & Dispensing Fee					
		FFY2013	FFY2014	FFY2015	% Change 2013-2014	% Change 2014-2015	% Change 2013-2015
Non-Expansion States	21	\$14,652,456,953	\$15,493,782,190	\$17,869,029,734	5.7%	15.3%	22.0%
Initial Expansion States (+ DC)	25	\$19,180,576,431	\$22,826,083,168	\$28,534,140,370	19.0%	25.0%	48.8%
Later Expansion States	5	\$3,790,730,885	\$4,522,344,665	\$5,322,705,512	19.3%	17.7%	40.4%
Total (50 States + DC)	51	\$37,623,764,269	\$42,842,210,023	\$51,725,875,616	13.9%	20.7%	37.5%

- Medicaid prescription drug spending has risen sharply from 2013-2015. Pre-rebate costs in non-expansion states increased by 22% across this time period. Costs in expansion states increased by 47%, suggesting that roughly half the percentage Rx expenditure increases in the expansion states during this timeframe are attributable to the ACA Medicaid expansion, and about half is attributable to other factors.
- Medicaid prescription drug costs rose particularly sharply from 2014-2015 – by 15.3% in the non-expansion states and by 20.7% nationwide on a pre-rebate basis.

Rebates on Medicaid Prescriptions, 2013-2015

Group of States	# of States	Medicaid Rebates (Includes Statutory ACA Rebates and Supplemental Negotiated Amounts)					
		FFY2013	FFY2014	FFY2015	% Change 2013-2014	% Change 2014-2015	% Change 2013-2015
Non-Expansion States	21	\$7,396,014,180	\$7,633,690,815	\$8,811,081,498	3.2%	15.4%	19.1%
Initial Expansion States (+ DC)	25	\$9,378,665,823	\$10,870,836,936	\$12,672,307,370	15.9%	16.6%	35.1%
Later Expansion States	5	\$1,948,470,570	\$2,215,180,733	\$2,535,190,911	13.7%	14.4%	30.1%
Total (50 States + DC)	51	\$18,723,150,573	\$20,719,708,484	\$24,018,579,779	10.7%	15.9%	28.3%
Rebates as % of Initial (Pre-Rebate) Expenditures		49.8%	48.4%	46.4%			

- Medicaid secures large rebates from drug manufacturers per the provisions of the ACA. On average, these rebates represent 13% of initial costs for generics and more than half of initial costs for brand medications. Supplemental negotiated rebates (in addition to the statutory ACA rebates) on brand drugs represent less than 10% of all Medicaid rebates.
- Rebates rose sharply in gross dollar terms from 2013-2015 (reaching \$24 billion during FFY2015), but decreased slightly as a percentage of initial overall Medicaid prescription drug spending – from 49.8% in 2013 to 46.4% in 2015.

Net Amount Paid for Medicaid Prescriptions (Post-Rebate), 2013-2015

Group of States	# of States	Net Medicaid Paid Amount for Prescription Drugs (Post-Rebate)					
		FFY2013	FFY2014	FFY2015	% Change 2013-2014	% Change 2014-2015	% Change 2013-2015
Non-Expansion States	21	\$7,256,442,774	\$7,860,091,375	\$9,068,047,222	8.3%	15.4%	25.0%
Initial Expansion States (+ DC)	25	\$9,801,910,608	\$11,955,246,232	\$15,861,833,000	22.0%	32.7%	61.8%
Later Expansion States	5	\$1,842,260,315	\$2,307,278,870	\$2,787,514,600	25.2%	20.8%	51.3%
Total (50 States + DC)	51	\$18,900,613,697	\$22,122,616,476	\$27,717,394,823	17.0%	25.3%	46.6%

- Medicaid's net prescription drug costs, post-rebate, increased 46.6% from 2013-2015.
- A 25% expenditure increase occurred from 2013-2015 in the non-expansion states, and a 60% increase occurred across the 29 states (plus DC) implementing the ACA expansion.

Net Cost Per Medicaid Prescription (Post-Rebate), 2013-2015

Group of States	# of States	Net Cost Per Prescription (Post-Rebate)					
		FFY2013	FFY2014	FFY2015	% Change 2013-2014	% Change 2014-2015	% Change 2013-2015
Non-Expansion States	21	\$35.58	\$40.17	\$43.80	12.9%	9.0%	23.1%
Initial Expansion States (+ DC)	25	\$32.20	\$36.06	\$41.41	12.0%	14.8%	28.6%
Later Expansion States	5	\$31.03	\$37.14	\$38.74	19.7%	4.3%	24.8%
Total (50 States + DC)	51	\$33.30	\$37.54	\$41.87	12.8%	11.5%	25.8%

- Average net costs per prescription (across all nationwide Medicaid prescription volume) increased by double digit percentages from 2013-2014 and again from 2014-2015.
- Similar increases in costs per prescription occurred in expansion and non-expansion states.

5 Slide Series Overview

Our 5 Slide Series is a monthly publication whereby we briefly discuss/address a selected topic. This series provides us the opportunity to “see something and say something” outside the confines of our client engagements. We strive to create new information in each edition – through our own data tabulations and/or through conveying our ideas and opinions.

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