

Medicaid Cost Per Prescription: Differences Between States

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Summary of Tabulations and Findings

- We tabulated the cost per prescription for Federal Fiscal Year 2014 using a 100% sample of Medicaid-paid prescriptions in each state
 - Medicaid rebates in each state – statutory and supplemental – were also available and used to calculate net (post-rebate) costs per prescription
- Medicaid’s national average net (post-rebate) cost per prescription was \$37 in 2014
 - Initial (pre-rebate) payments to pharmacies averaged \$72 per prescription; rebates averaged \$35 per prescription
 - Net costs per prescription at the state level ranged from a low of \$24 in Rhode Island to a high of \$60 in Connecticut
- The states with the lowest costs per prescription on a pre-rebate basis are also the states with the lowest net costs
- Rebate maximization strategies are backfiring in the aggregate
 - The higher the rebates secured by the states per prescription, the worse they fared in achieving net pharmacy savings
 - Managing the mix of drugs effectively – using generics more often, using lower-cost brands (within brands) and lower cost generics (within generics) is the critical factor in achieving net cost savings

Medicaid's Net Costs Per Prescription Varied Widely Across States During 2014

Post-Rebate Cost Per Prescription, 2014		Rank in Net Cost Per Prescription, 2014 (1 = Lowest-Cost State)
5 Lowest-Cost States (average is \$25.34/Rx)		
Rhode Island	\$24.22	1
Kentucky	\$24.91	2
Michigan	\$25.05	3
New Mexico	\$26.25	4
Washington	\$26.28	5
5 Highest-Cost States (average is \$55.15/Rx)		
Connecticut	\$60.52	51
Vermont	\$57.78	50
Missouri	\$57.14	49
Colorado	\$50.52	48
Indiana	\$49.77	47
USA Total	\$37.32	

- Medicaid's national average net (post-rebate) cost per prescription was \$37.32 in 2014
- Net costs per prescription in the five lowest-cost states averaged \$25
 - This was less than half the average (\$55) among the five highest-cost states
- These net cost per prescription differentials translate to large raw dollar amounts
 - Connecticut's Medicaid program would have spent roughly \$180 million less during 2014 had its net cost per prescription been at the US average, for example

States With Lowest Pre-Rebate Costs Per Prescription Achieved the Lowest Post-Rebate Costs

Pre-Rebate Cost Per Prescription, 2014		Rank in Net Cost Per Prescription, 2014 (1 = Lowest-Cost State)
5 Lowest-Cost States (average is \$48.96/Rx)		
Rhode Island	\$43.79	1
Arizona	\$48.13	6
Kentucky	\$48.25	2
Washington	\$49.34	5
New Mexico	\$55.29	4
5 Highest-Cost States (average is \$101.43/Rx)		
Vermont	\$114.71	50
Connecticut	\$109.80	51
Missouri	\$97.69	49
Montana	\$93.48	40
Indiana	\$91.46	47
USA Total	\$72.40	

- The five states with the lowest initial costs per prescription (pre-rebate) ended up also having the lowest net (post-rebate) costs.
- At the other end of the continuum, four of the five states with the highest pre-rebate costs ended up among the five highest on a post-rebate basis.

The Higher the Rebates Secured By States Per Rx, The Worse They Fared in Achieving Net Pharmacy Savings

Rebates Per Prescription, 2014		Rank in Net Cost Per Prescription, 2014 (1 = Lowest-Cost State)
5 Highest Rebate States (average is \$51.17/Rx)		
Vermont	\$56.93	50
Delaware	\$50.58	27
North Carolina	\$49.56	35
Montana	\$49.51	40
Connecticut	\$49.28	51
5 Lowest Rebate States (average is \$22.77 /Rx)		
Rhode Island	\$19.57	1
Arizona	\$21.26	6
Washington	\$23.06	5
Kentucky	\$23.34	2
Georgia	\$26.62	15
USA Total	\$35.09	

- The five states with the largest Medicaid rebates per prescription during 2014 *all* had higher-than-average net costs per prescription, with an average rank of 41st.
- Conversely, the five states with the lowest Medicaid rebates per prescription *all* had lower-than-average net costs per prescription, with an average rank of 6th.

Rebates include sum of statutory amounts required by the ACA and supplemental rebates negotiated by states and MCOs

Data Sources and Contact Information

Data Sources Underlying Tabulations

2014 Pre-Rebate Pharmacy Costs: Menges Group tabulations using CMS Drug Utilization data

2014 Rebate Data: CMS 64 Reports

All figures in this report are for Federal fiscal year 2014.

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