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RANKING MINORITY MEMBER

ONE HUNDRED NINTH CONGRESS

Congress of the United States

House of Representatives

COMMITTEE ON GOVERNMENT REFORM
2157 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515–6143

Majority (202) 225–5074
Minority (202) 225–5051

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For more information, contact:
Karen Lightfoot: (202) 225-5051

REP. WAXMAN RELEASES NEW GAO REPORT ON MEDICAID DRUG PRICING

WASHINGTON — Rep. Henry A. Waxman today released a new GAO study showing that inadequate oversight of drug prices causes taxpayers to overpay for prescription drugs purchased by the Medicaid program.

Drug manufacturers are required to sell their drugs to the Medicaid program at the best price at which they offer the drugs to private purchasers, such as insurers or HMOs. The Center for Medicare and Medicaid Services (CMS) is responsible for oversight of this program. The GAO investigation revealed numerous problems with CMS oversight.

"The 'Medicaid best price' law is designed to keep drug manufacturers from overcharging taxpayers," said Rep. Waxman. "The GAO report shows that lax oversight is costing the taxpayers millions. These problems could be fixed, but the agency has been dragging its feet for years."

GAO's findings include:

- **Some drug manufacturers use illegitimate methods to set their prices, potentially costing taxpayers millions of dollars.** Manufacturers are failing to include some discounts, such as prompt payment discounts and administrative fees paid to purchasers, in their rebate calculations. As a result of these practices, Medicaid overpays for prescription drugs. In one case, GAO found that adequately accounting for these fees would have increased rebates for some drugs by 16%.

- **CMS oversight of the program is inadequate.** GAO found that CMS conducted only "minimal oversight" of drug prices and conducted no reviews of manufacturers' methods for determining and reporting their "best price." As a result, manufacturers who flout the law are unlikely to be caught.

- **Price concessions negotiated by PBMs are not included in best price calculations.** Pharmacy benefit managers have become increasingly important providers of prescription drugs. Because of their buying power, they can often obtain large price concessions from manufacturers. But CMS has failed to issue guidance that would allow many of the low prices obtained by PBMs to be included in best price calculations.

GAO recommended that CMS establish clear guidance on pricing methods and the definition of best price and that the agency improve its oversight process.

In its FY 2006 budget, the Bush Administration has proposed eliminating the best price provision from the Medicaid program. "I oppose these changes," said Rep. Waxman. "The law guarantees that taxpayers get the best deal, and we should keep the law and make it work. Repealing it would be a huge gift to drug manufacturers."

The GAO report is available online at http://www.democrats.reform.house.gov.