

Talking points on AMP bill:

Community Pharmacies Are Critical

- In many rural areas, the community pharmacist is the nearest health care provider. Across the country, pharmacists are among the most trusted professionals. Maintaining community pharmacies is critical to maintaining access to health care, especially in rural areas.

AMP Would be a Disaster

- Both the GAO and the Inspector General of HHS have published studies showing that the new AMP-based reimbursement scheme will cause community pharmacies to lose money on almost every generic drug they dispense to Medicaid beneficiaries.
- If AMP-based reimbursement goes into effect, community pharmacies will be forced out of the Medicaid program or out of business altogether.

AMP is pointlessly convoluted; RAC is the logical way

- AMP-based reimbursement pays pharmacists based on the lowest cost offered by a manufacturer to a wholesaler for a drug. It is a transaction between two suppliers, and it is designed to be unrepresentative – it takes the cheapest price offered.
- RAC-based reimbursement pays pharmacies based on the typical price paid by a pharmacy for each drug. It is reimbursement based on representative costs.
- Hamburger Analogy: If you want to reimburse an employee for a hamburger, you don't find the lowest price for a rancher selling his cattle to a slaughterhouse. You ask the employee for the receipt from the burger. RAC-based reimbursement just asks for the receipt.

Features of the Bill:

Pharmacies Can Stay in the Community

- Each quarter, five percent of pharmacies are surveyed for their costs and turn in their drug invoices. From these, a national median price is calculated for each drug; and all pharmacies are reimbursed at 150 percent of national median cost for each drug they dispense to Medicaid beneficiaries.
- 150 percent of the typical pharmacy's cost for the drugs should be enough to pay for the overhead of running a pharmacy and keep pharmacies in the community and open to Medicaid customers.

Free Market Controls Costs

- This policy only covers drugs no longer covered by patent. In each case, several manufacturers make the same drug and compete with each other on price. This competition keeps costs down.
- The bill also limits this reimbursement formula to generic drugs made with at least three versions on the market. The experience of the past several years shows that market forces don't really take effect to drive down prices until the third version arrives on the market.

Better Public Policy Pays for the Costs

- States are required to increase their utilization of generic drugs. States that are already doing well will be required to raise their generic utilization rate by one percentage point per year. Those that are lagging will be required to increase by three percentage points per year.
- The savings from using cheaper generics pays for the higher reimbursements to pharmacies