

The Facts About Medicaid in California

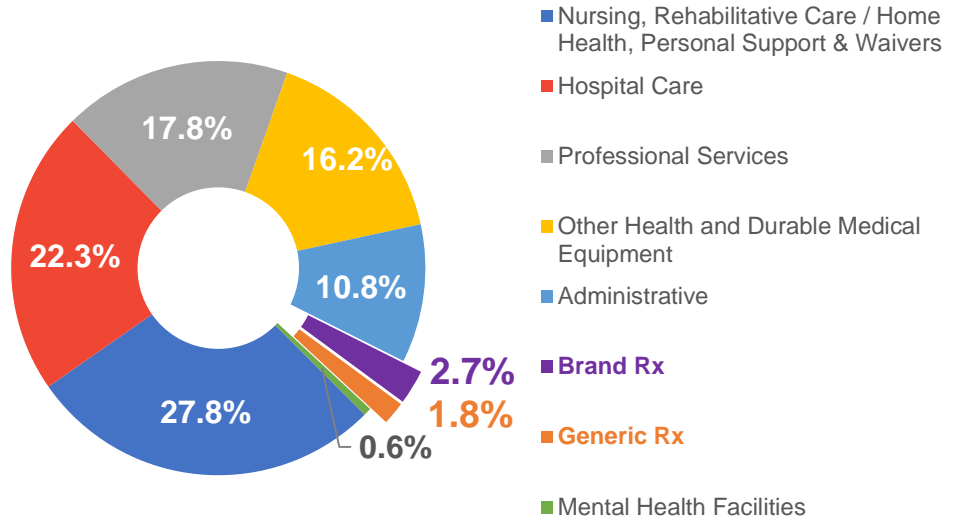


Medicines provide great value to Medicaid patients and society by saving and extending lives and preventing unnecessary hospitalizations and other costly health care services. According to National Health Expenditure estimates, national Medicaid spending on prescription drugs will grow roughly in line with overall national Medicaid spending growth from 2016 to 2025.¹

Breakdown of 2017 Medicaid Spending in California²



Only 4.5% of the total Medicaid budget in California is spent on retail brand and generic prescription drugs.



How Medicaid Pays for Drugs

All 50 states and the District of Columbia elect to cover prescription drugs as a benefit under the Medicaid Drug Rebate Program (MDRP). The MDRP is a federal-state-drug manufacturer program that provides significant rebates to Medicaid programs that offset the costs of prescription drugs while ensuring patients can access needed medicines. States, and managed care organizations or pharmacy benefit managers administering the prescription drug benefit on behalf of states, may also negotiate supplemental rebates with drug manufacturers, further reducing spending.



Manufacturers rebate **\$4.4 billion** back to California and the federal government, which is **52%** of the total Medicaid spending on drugs in the state.

1. Sean P. Keehan, et al. National Health Expenditure Projections, 2015–25: Economy, Prices, And Aging Expected To Shape Spending And Enrollment. Health Affairs published online, July 13, 2016.
2. The Menges Group analysis of FY2016 CMS 64 reports and State Drug Utilization data files. Brand and generic expenditure totals are net of rebates. Data used were predominantly derived from CMS 64 reports. Brand and generic prescription drug costs in each state were derived through a set of tabulations performed by The Menges Group. Pre-rebate expenditures were tabulated using FY2016 CMS State Drug Utilization data files and CMS brand/generic indicators for each National Drug Code. Rebate information was obtained from CMS-64 reports. Brand/generic share of rebates estimated by The Menges Group. Post-rebate expenditures derived through Menges Group tabulations using above information.