

# Report to the Office of the Legislative Fiscal Analyst

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## Pharmacy Inflation Experienced During Fiscal Year 2012

Prepared by the Division of Medicaid and Health Financing

December 1, 2011



## EXECUTIVE SUMMARY

This report is submitted in response to the following intent language passed in SB 3 by the 2011 Legislature:

The Legislature intends that the Department of Health not adjust Medicaid pharmacy rates as a result of the Legislature not providing new funding for new pharmacy inflation in FY 2012. Additionally, the Legislature intends that the Department of Health report to the Office of the Legislative Fiscal Analyst by December 1, 2011 on pharmacy inflation experienced during fiscal year 2012.

### **Do Not Adjust Medicaid Pharmacy Rates as a Result of the Legislature Not providing New Funding for New Pharmacy Inflation**

The Department complied with this intent. The Estimated Acquisition Cost (EAC) for drugs remains at 17.4 percent off Average Wholesale Price (AWP).

Effective July 1, 2011, the Department adjusted the Utah Maximum Allowable Cost (UMAC) for many drugs in order to obtain the needed savings based on the budgetary cuts.

### **Pharmacy Inflation Experienced During Fiscal Year 2012**

Department staff calculated the inflation experienced to date in FY 2012 by using the weighted average allowed charge in FY 2011 as compared to year-to-date FY 2012. The FY 2012 inflation numbers, based on brand-name and generic drug categories, is as follows:

Category	Inflation
Brand	10.4%
Generic	1.2%

As of the report due date, there were only four and a half months of FY 2012 data available. If the data were available for the full FY 2012, then the utilization drug mix would be complete and the comparison more comprehensive.

It is important to note that generic drugs account for only 27 percent of the drug expenditures paid by Utah Medicaid, but account for 75 percent of the drug volume. The net result is a fiscal year-to-date pharmacy program inflation experience of 7.94 percent.