

Congress of the United States
House of Representatives
Washington, DC 20515-1505

February 24, 2006

Mr. Anthony Beraldi
701 16th Avenue
Council Bluffs, Iowa 51501

Dear Mr. Beraldi,

Thank you for contacting me regarding provisions in S. 1932, the Deficit Reduction Act conference report, dealing with Medicaid prescription drug reimbursement. I welcome your views on this important subject.

As you may know, the federal government has faced budget deficits in recent years. S. 1932 contained a number of provisions aimed at reducing the rate of future spending growth on a number of programs. As you may know, the federal government has based Medicaid payments to pharmacists on a formula referred to as the average wholesale price (AWP). The Government Accountability Office and the Office of the Inspector General for Health and Human Services have said that calculating Medicaid payments to pharmacists based upon AWP is not a good measure of actual prices, is over inflated, and provides large room for overpayments. All information regarding prices reported to the Secretary of HHS, though the Centers for Medicare and Medicaid Services (CMS) by the manufacturers is, under current law, not allowed to be disclosed outside of CMS.

One of the changes contained in S. 1932 adjusted Medicaid payments to pharmacists by basing them on the average manufacturer price (AMP). AMP is defined as the average price paid to a manufacturer for the drug in the United States by wholesalers for drugs distributed to retail pharmacies and includes a detailed list of discounts given by manufacturers to certain buyers. The bill also established a new federal upper payment limit and excluded federal funding for payments of Medicaid-covered, multiple-source outpatient drugs in excess of 250 percent of the AMP. Some believe replacing AWP with AMP will help limit inflated drug costs and to align Medicaid reimbursement to what it actually costs pharmacists to purchase drugs from the manufacturers.

I understand the views of those concerned that these changes will result in lower federal payments. However, the package contained a number of other changes to a range of federal programs, not just those dealing with prescription drugs and would save the taxpayers \$39.7 billion. During these times of fiscal constraint, I saw the need for many of the other changes contained in the overall budget package which I voted for when S. 1932 passed the House of Representatives on February 1, 2006 and then became law.

I appreciate you taking the time to contact me regarding this issue and I will keep your thoughts in mind as Congress considers this issue in the future. Please feel free to contact me anytime with your concerns.

Sincerely,



Steve King
Member of Congress

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