

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

JUDICIARY

AGRICULTURE

SMALL BUSINESS

December 29, 2005

Tony Beraldi  
Ord-Ross Pharmacy  
701 N 16th Ave  
Council Bluffs, Iowa 51501

Dear Tony,

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 on a number of programs. As you may know, the federal government currently bases 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 is to adjust Medicaid payments to pharmacists by basing them on the retail average manufacturer price (RAMP). RAMP 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 establishes a new federal upper payment limit and excludes federal funding for payments of Medicaid-covered, multiple-source outpatient drugs in excess of 250 percent of the RAMP. Some argue replacing AWP with RAMP 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 who are concerned about changes that will result in lower federal payments. However, the package contained a number of other changes to a range of federal programs, not just those involving 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 December 19, 2005. The Senate then made minor changes to the bill and it now awaits final approval by the House.

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

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