

# Medicaid Prescription Drug Volume and Cost Trends, Q1 2015 – Q2 2016

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**The Menges Group**

# Key Findings

- Medicaid prescription drug use and expenditures continue to rise rapidly (10% growth in prescription volume and 15% growth in expenditures -- comparing the first half of 2015 to the first half of 2016).
- Medicaid managed care organizations (MCOs) play a leading (and still rapidly growing) role in managing the program's prescription drug benefits. MCOs paid for 68% of all Medicaid prescriptions during the first half of CY2016, versus 62% during the first half of CY2015. MCOs' share of Medicaid pharmacy expenditures (pre-rebate) grew from 53% during the first half of CY2015 to 58% during the first half of CY2016. Generic prescriptions continue to make up the large majority of prescription drugs prescribed in Medicaid, but the percentage used in the managed care setting is higher than in the FFS setting.
- During the most recent time period available (Q2 2016) brand prescriptions accounted for 19% of overall Medicaid prescription volume, but 80% of overall pre-rebate prescription drug expenditures. The average pre-rebate cost for brands during this timeframe (\$383) were *19 times* above the average pre-rebate cost for generics (\$20).
- Generics comprised 82% of MCO prescriptions during Q2 2016, versus 78% of FFS prescriptions.

# Trends in Medicaid Prescription Drug Use & Spending, Q1 2015 – Q2 2016

## Medicaid Prescription Drug Volume and Expenditures, Q1 & Q2 2015 – Q1 & Q2 2016

	Q1 & Q2 2015	Q1 & Q2 2016	% Change Q1 & Q2 2015 - Q1 & Q2 2016
<b>MCO Rx Volume</b>	207,392,305	246,964,547	19%
<b>FFS Rx Volume</b>	125,602,409	118,459,270	-6%
<b>Total Rx Volume</b>	332,994,714	365,423,816	10%
<b>MCO Rx Expenditures</b>	\$13,805,045,750	\$17,338,288,422	26%
<b>FFS Rx Expenditures</b>	\$12,332,388,123	\$12,634,863,365	2%
<b>Total Rx Expenditures</b>	\$26,137,433,873	\$29,973,151,787	15%
<b>MCO Share of Total Rx Volume</b>	62%	68%	N/A
<b>MCO Share of Total Rx Expenditures</b>	53%	58%	N/A

# Generic Share of Medicaid Prescriptions and Expenditures, Q1 2015 – Q2 2016

## Medicaid Generic Prescription Drug Use and Expenditures by Payment System, Q1 2015 - Q2 2016

	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016
<b>Generic Share of Rx Volume, FFS</b>	78%	79%	79%	79%	78%	78%
<b>Generic Share of Rx Volume, MCO</b>	83%	83%	84%	84%	82%	82%
<b>Generic Share of Rx Volume, Overall</b>	81%	82%	82%	82%	81%	81%
<b>Generic Share of Rx Expenditures, FFS</b>	20%	20%	20%	20%	18%	17%
<b>Generic Share of Rx Expenditures, MCO</b>	25%	25%	26%	25%	23%	22%
<b>Generic Share of Rx Expenditures, Overall</b>	22%	22%	23%	23%	21%	20%

# Data Sources and Methodology

- Our tabulations were conducted using a data set containing all prescriptions paid in both the Medicaid FFS and Medicaid MCO settings in each state.
- In a large majority of states, the data were tabulated as reported. However, when the data available from a given state did not appear credible, we adjusted the reported information into a credible range (based on other quarters of data from the same state or using other approaches).
- Medicaid prescription volume and pre-rebate expenditures were tabulated using quarterly CMS data for Q1 2015 through Q2 2016.
  - More recent data from CMS suppress national drug codes (NDCs) with fewer than 11 counts. To account for this, we adjusted these data upward based on the known volume of <11 activity in the older data in each state.
- Brand/generic indicators were used at the NDC level to differentiate the mix of and volume of drugs along this dimension.
- Medicaid drug rebate information is not yet available for 2016. Therefore, all monetary values in this Edition are pre-rebate.

# 5 Slide Series Overview

Our 5 Slide Series is a monthly publication whereby we briefly discuss/address a selected topic outside the confines of our client engagements. We strive to create new information in each edition – through our own data tabulations and/or through conveying our ideas and opinions.

To be added to our list to receive these as they are published (or to be removed), please email us at [jmenges@themengesgroup.com](mailto:jmenges@themengesgroup.com) or call 571-312-2360.

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