

Trends in Medicaid's Average Costs Per Prescription

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Strategic Health Policy & Care Coordination Consulting

Introduction

- In this edition, we assess Medicaid pharmacy cost per prescription trends in recent years using a data set containing 100% of Medicaid's prescription drug claims.
 - The Centers for Medicare and Medicaid Services (CMS) makes National Drug Code (NDC) level data available by calendar quarter for each state through their Drug Utilization Files, which show prescription volume and amounts paid to pharmacies.
 - The amounts paid in this data set, while comprehensive, are pre-rebate. While this edition focuses on the trends in pre-rebate cost, it is important to keep in mind that prescription drug rebates currently represent more than half of Medicaid's pre-rebate payments to pharmacies.
 - Medicaid rebates represented 57% of pre-rebate pharmacy spending during 2021, including an average of 68% across brand medications and 13% for generics.

Introduction, continued

- We have also matched each drug with its brand/generic classification, as well as whether the drug is “obsolete” (was no longer prescribed during 2021), “new” (was not prescribed in 2012 but was during 2021) or was continuously on the market throughout the 2012-2021 10-year period.
- We also quantify the growing share of national Medicaid pharmacy costs associated with medications having an average pre-rebate cost per prescription above \$1,000.

Medicaid Costs Per Rx Have Increased Sharply for Brand Drugs Since 2012; Generics Costs Have Been Stable

- Since 2012, average Medicaid pre-rebate costs per prescription have increased from \$64.60 to \$105.82 – **an overall increase of 64% and an average annual increase of 5.6%**. Annual increases in costs have been in the vicinity of 10% from 2018-2021.
- **Pre-rebate costs per brand drug prescription have increased 175% over this time, or an average of 11.9% per year.** The average brand drug cost per prescription was \$645 in 2021.
- Average pre-rebate costs for generic medications have only increased 8% over this time – an average of less than 1% per year. Medicaid's average per prescription cost across generics was \$22.32 in 2021, compared to \$20.69 in 2012.

Year	Prescriptions	Amount Paid (Pre-Rebate)	Cost Per Prescription (Pre-Rebate)	% Change From Prior Year, Cost/Rx
2012	528,746,786	\$34,154,738,898	\$64.60	
2013	511,760,759	\$33,220,715,173	\$64.91	0.5%
2014	576,815,676	\$41,696,728,107	\$72.29	11.4%
2015	673,375,497	\$51,518,950,678	\$76.51	5.8%
2016	731,870,742	\$58,121,805,555	\$79.42	3.8%
2017	748,918,501	\$59,673,872,650	\$79.68	0.3%
2018	727,844,650	\$57,874,749,072	\$79.52	-0.2%
2019	721,653,423	\$63,364,323,940	\$87.80	10.4%
2020	691,596,159	\$67,092,133,383	\$97.01	10.5%
2021	691,904,733	\$73,220,047,338	\$105.82	9.1%

Average Medicaid Costs per Prescription From 2012-2021: Brand, Generic, and Overall



Cost Progression Among Brand and Generic Drugs			
Year	Cost Per Prescription (Pre-Rebate)		
	Brand Drugs	Generics	Total
2012	\$234.80	\$20.69	\$64.60
2021	\$645.34	\$22.32	\$105.82
Overall % Change, 2012-2021	174.8%	7.9%	63.8%
Average Annual % Change	11.9%	0.8%	5.6%

- Medicaid's average cost per brand prescription rose from \$414.04 in 2018 to \$645.34 in 2021. This represents an overall increase of 56% during this most recent three year timeframe -- an average annual increase of 16%.

Newer Brand Medications are Particularly Costly to the Medicaid Program

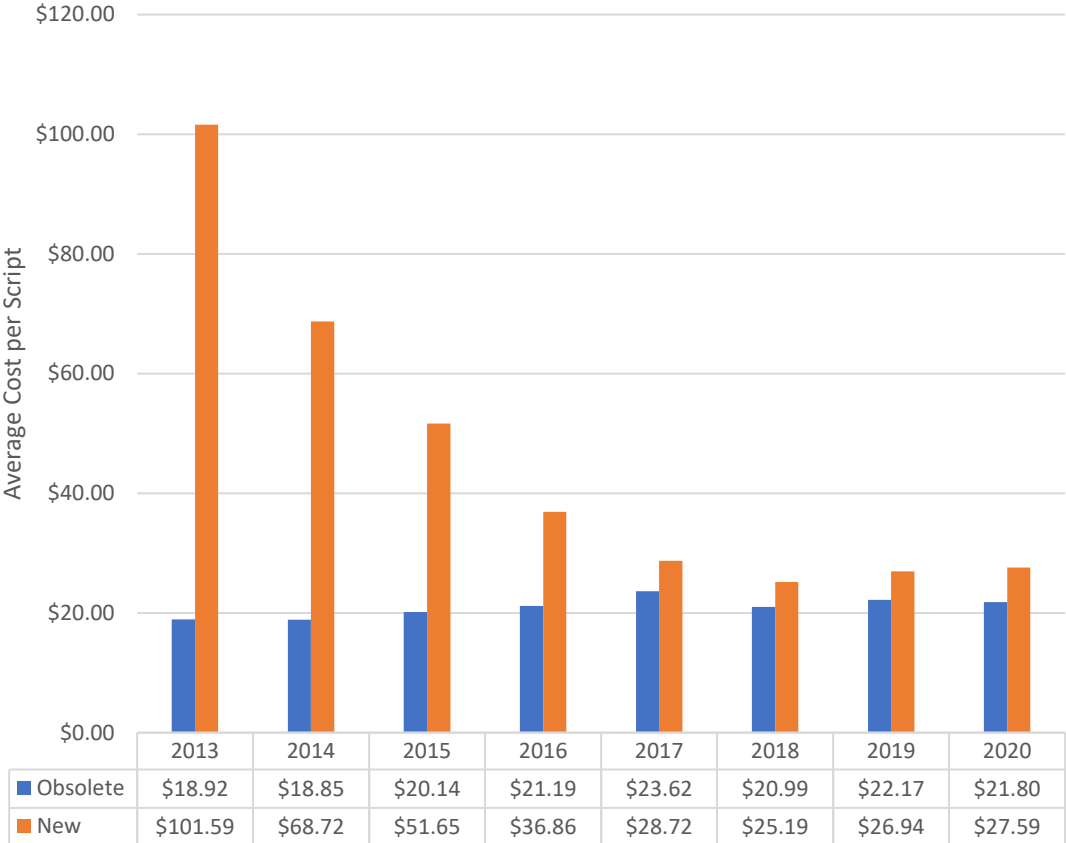
- We examine the lifespan of medications in our database, classifying drugs as “obsolete” if they were used during 2012 but not 2021 and “newer” if they were used in 2021 but not 2012.
- Newer brand drugs had an average cost per prescription of \$939 during 2021, more than double the average cost (\$428) of brand drugs on the market throughout the 2012-2021 timeframe.
- Newer generic drugs are also costlier than generics that have been continually on the market. However, this differential was only \$10 per prescription in 2021.

Distribution of Medicaid Drugs by Market Presence			
Market Duration	Number of NDC Codes	Prescription Volume, 2012	Prescription Volume, 2021
Drugs with usage throughout 2012-2021 timeframe	9,709	368,914,793	311,825,438
Obsolete Drugs -- Drugs Used During 2012 but Not During 2021	21,844	159,831,993	
Newer Drugs -- Used During 2021 but Not During 2012	21,751		380,079,295
Total	53,304	528,746,786	691,904,733

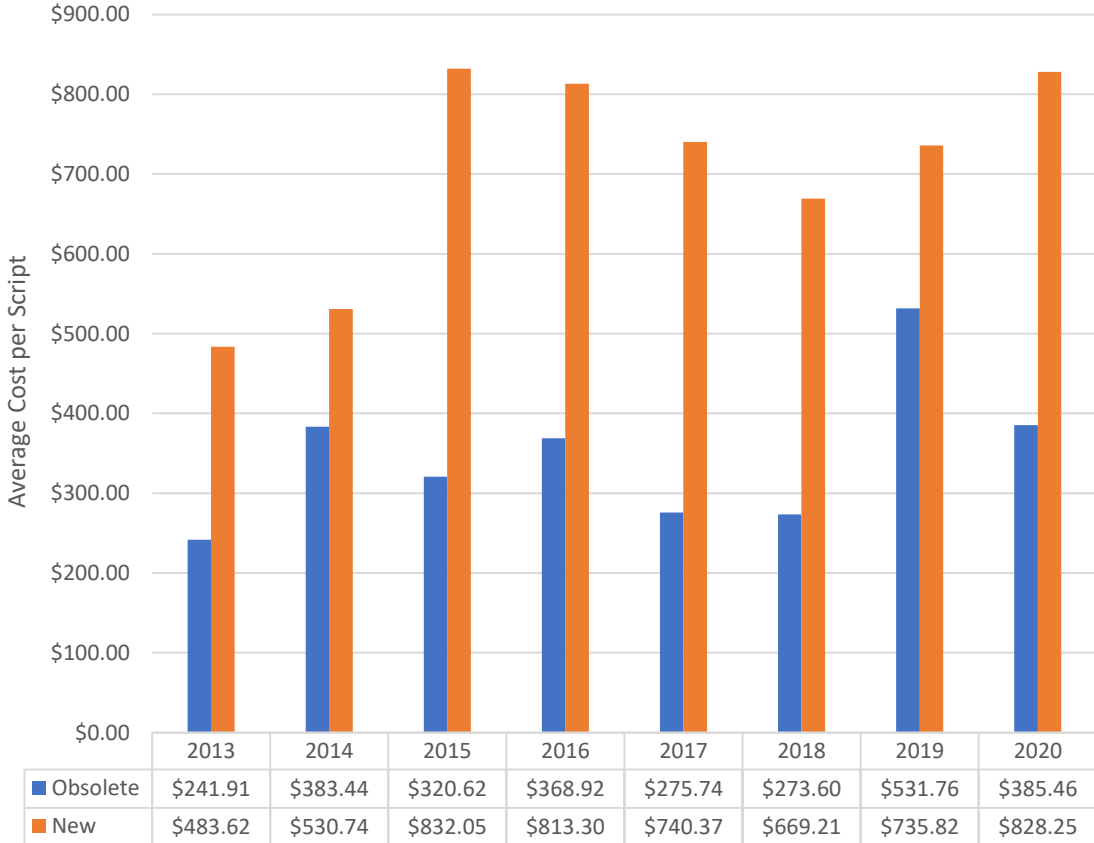
Year	2021 Cost Per Prescription (Pre-Rebate)		
	Brand Drugs	Generics	Total
Newer Drugs -- Used During 2021 but Not During 2012	\$939.21	\$26.71	\$121.47
Drugs with usage throughout 2012-2021 timeframe	\$427.60	\$16.54	\$86.76

New Generic Drugs Decrease in Cost over Time, While Branded Drugs Remain Costly

Generic Drugs

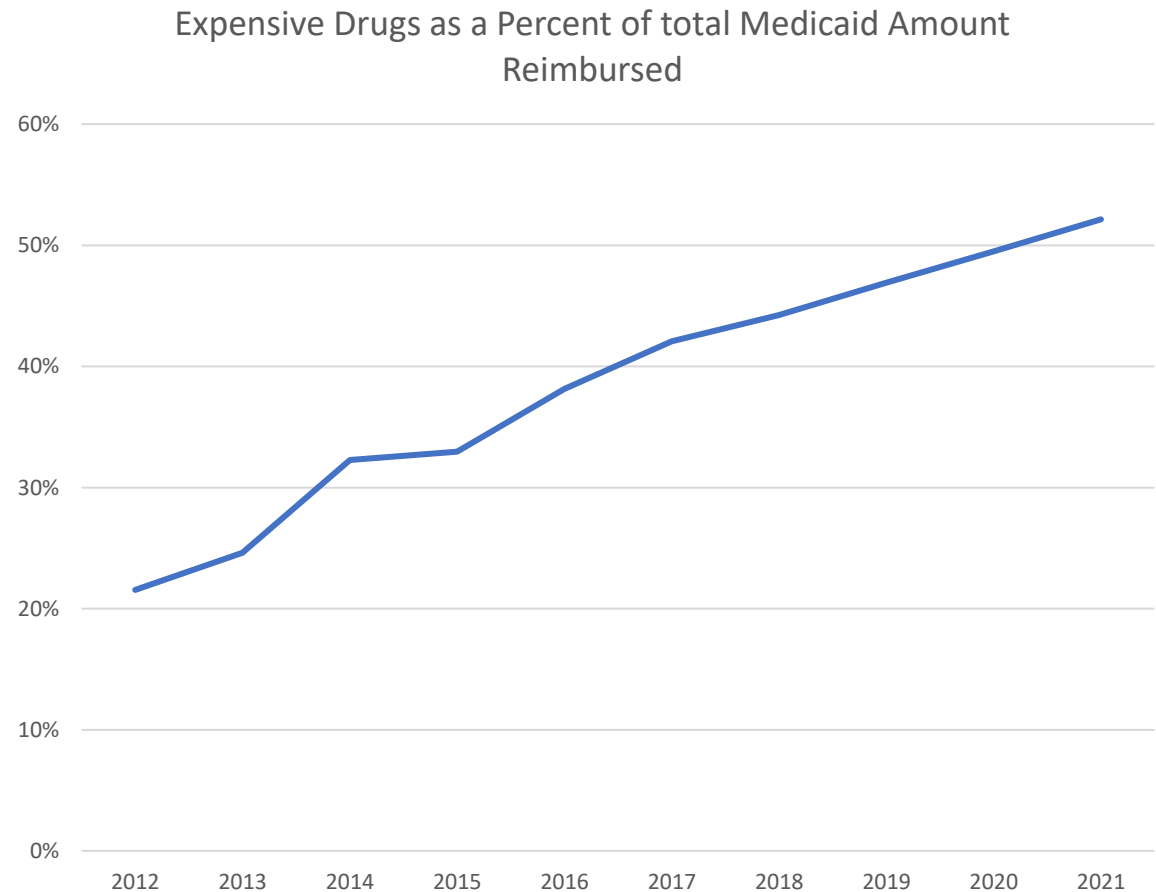


Brand Drugs



High-Cost Drugs Now Represent More than Half of Medicaid's Pre-Rebate Rx Spending

- We analyzed drugs with an average cost above \$1,000 per prescription.
- The proportion of all Medicaid prescriptions with an average cost above \$1,000 is modest, steadily increasing from 0.6% in 2012 to 1.6% in 2021.
- **However, the proportion of all pre-rebate Medicaid prescription drug spending attributable to these high-cost drugs has skyrocketed from 21.5% in 2012 to 52.1% in 2021.**



How Price Markups Have Affected Medicaid Spending

- Isolating the drugs that have been continually on the market from 2012-2021, we have quantified the cost to Medicaid from prescription drug price increases since 2012.
- We find that if per-prescription costs were unchanged from 2012-2021, Medicaid would have spent nearly \$30 billion less in pre-rebate payments to pharmacies as of 2021.
- Across the drugs continuously on the market across the 10-year timeframe assessed, a collective price increase of 63.8% occurred between 2012 and 2021. This equates to an average annual price increase of 5.6%.

Analysis to Isolating Price Increases (Keeping Mix of Drugs Across NDCs Constant)	
2021 Total Amount Paid (pre-rebate)	\$73,220,047,338.00
2021 Amount Paid if Average Cost/Rx was Held Constant Since 2012 (2021 Prescriptions multiplied by 2012 Cost/Rx for Each NDC)	\$44,694,031,479.00
% Cost Increase From 2012-2021 Attributable to Price Increases	63.8%
Average Additional Annual Cost of Price Markups to Medicaid, 2013-2021 (pre-rebate)	\$3,169,557,317.67

5 Slide Series Overview

Our 5 Slide Series is typically a monthly publication whereby we briefly discuss/address a selected topic outside the confines of our client engagements. The Menges Group has developed a variety of datasets that we use to support our 5 Slide Series and client projects.

To be added to our list to receive these as they are published, please email us at pcall@themengesgroup.com. If you have questions about the content or data sources, please email us at jmenges@themengesgroup.com.

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