
Medicaid Highlights

Trends in Medicaid Prescribed Drug Expenditures and Utilization

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The findings show that with the development of a multitude of safe and effective drugs during the later part of the 20th century and the beginning of the 21st century, drugs are, as never before, a true mainstay of medical treatment. CMS continues to monitor drug utilization and expenditures in all of its programs in order to ensure that care is rendered in a cost-effective manner that is beneficial to the patient. This highlight summarizes trends in drug expenditures and utilization in the Medicaid Program.

INTRODUCTION

National Medicaid outpatient drug expenditure and utilization data are available from two sources: CMS' Medicaid Statistical Information System (MSIS), and the

Medicaid Drug Rebate Program Data Files. Since 1999, all States are required to submit electronically certain fields of claims data from their Medicaid claims processing systems to CMS' MSIS. Data files containing utilization and expenditure data on prescribed drugs from the drug rebate program beginning in Federal fiscal year (FFY) 1996 can be accessed at Internet address: <http://www.cms.hhs.gov/medicaid/msis/msis99sr.asp>¹. Outpatient drug expenditure, but not utilization data, are also available through the Quarterly Medicaid Statement of Expenditures (CMS-64). This highlight uses data from all three of these sources.

The authors are with the Centers for Medicare & Medicaid Services (CMS). The views expressed in this article are those of the authors and do not necessarily reflect the views of CMS.

¹The Medicaid Drug Rebate Program was created by OBRA 1990, and requires a drug manufacturer to have a national rebate agreement with the Secretary of the Department of Health and Human Services for States to receive Federal funding for outpatient drugs dispensed to Medicaid patients (additional information can be accessed at Internet address: <http://www.cms.hhs.gov/medicaid/drugs/drug5.asp>).

Figure 1
FFS Medicaid Expenditures for Prescribed Drugs, by Federal Fiscal Year: 1985-2001

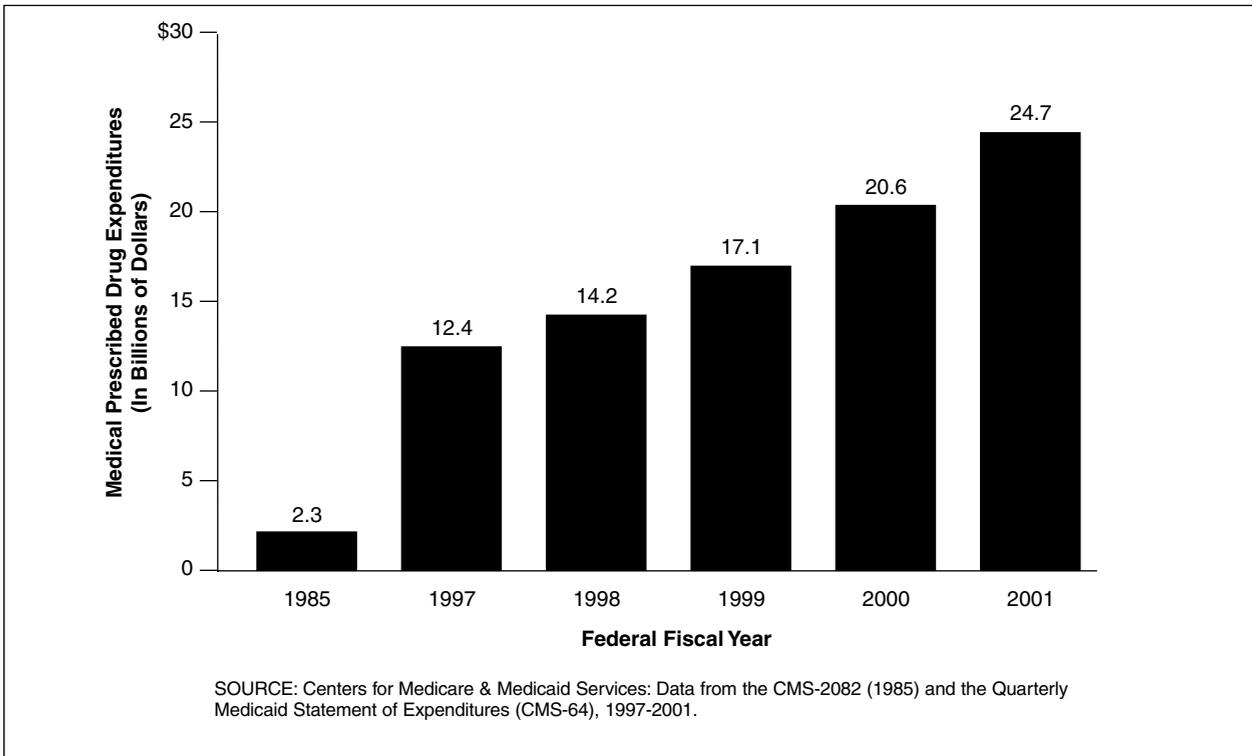
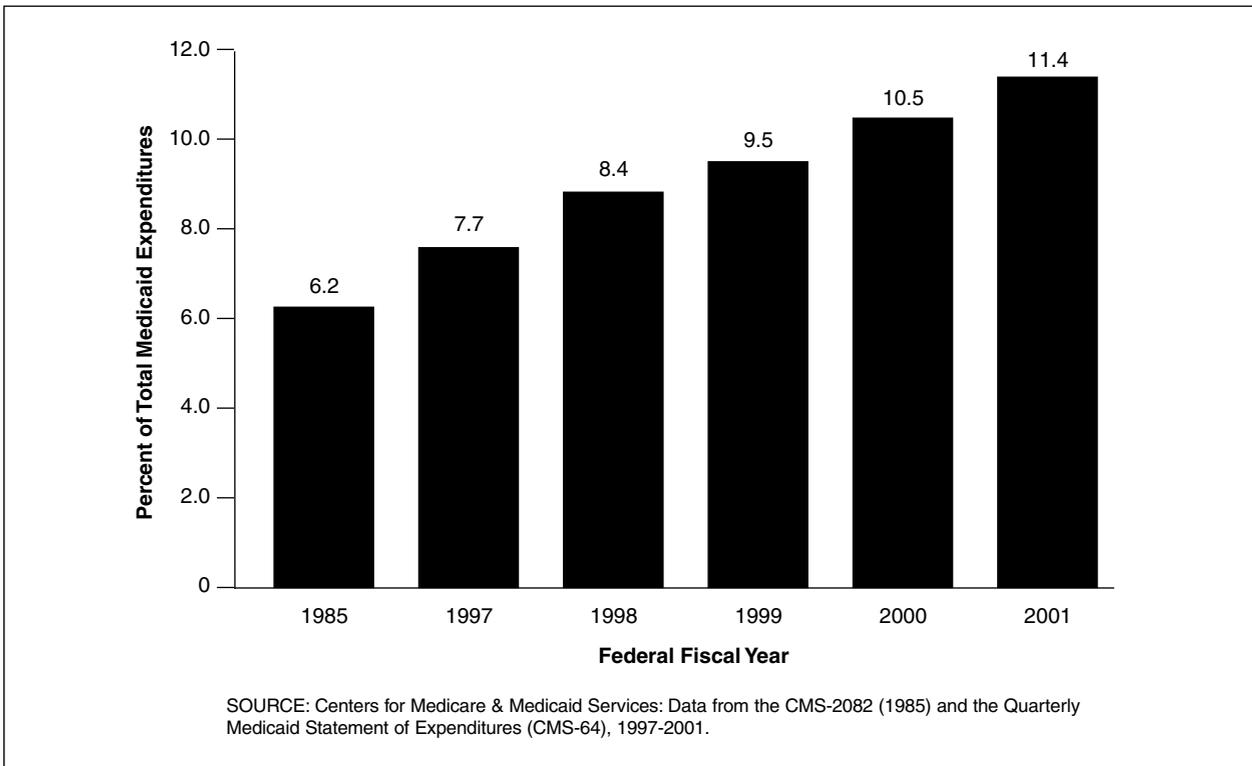


Figure 2
FFS Medicaid Prescribed Drug Expenditures as Percent of Total FFS Medicaid Expenditures, by Federal Fiscal Year: 1985-2001



GROWTH IN MEDICAID PRESCRIBED DRUG EXPENDITURES

Figures 1 and 2 display trends expenditure data on Medicaid prescribed drugs under FFS payment arrangements.

- Between FFYs 1985 and 2001, Medicaid FFS expenditures for prescribed drugs increased from \$2.3 to \$24.7 billion, approximately a 10-fold increase. During the same period, Medicaid FFS expenditures for all service types increased from \$37.5 to \$216.2 billion, slightly less than a 6-fold increase.
- Between FFYs 1997 and 2001, Medicaid FFS prescribed drug expenditures nearly doubled from \$12.4 to \$24.7 billion. During the same period, total Medicaid expenditures increased from \$160.3 to \$216.2 billion, a growth of 35 percent.
- In FFY 1985, prescribed drug expenditures in FFS comprised about 6 percent of total FFS Medicaid expenditures. By FFY 2001, FFS prescribed drug expenditures comprised about 11 percent of total FFS Medicaid expenditures. In that same year, the Medicaid FFS program provided pharmaceuticals to over 20 million beneficiaries.
- Twenty-two percent of the increase in total Medicaid expenditures between FFYs 1997 and 2001 was accounted for by increases in expenditures for FFS prescribed drugs.

Figure 3
Percent FFS Prescribed Drug Expenditures, by Age: Federal Fiscal Year 2000

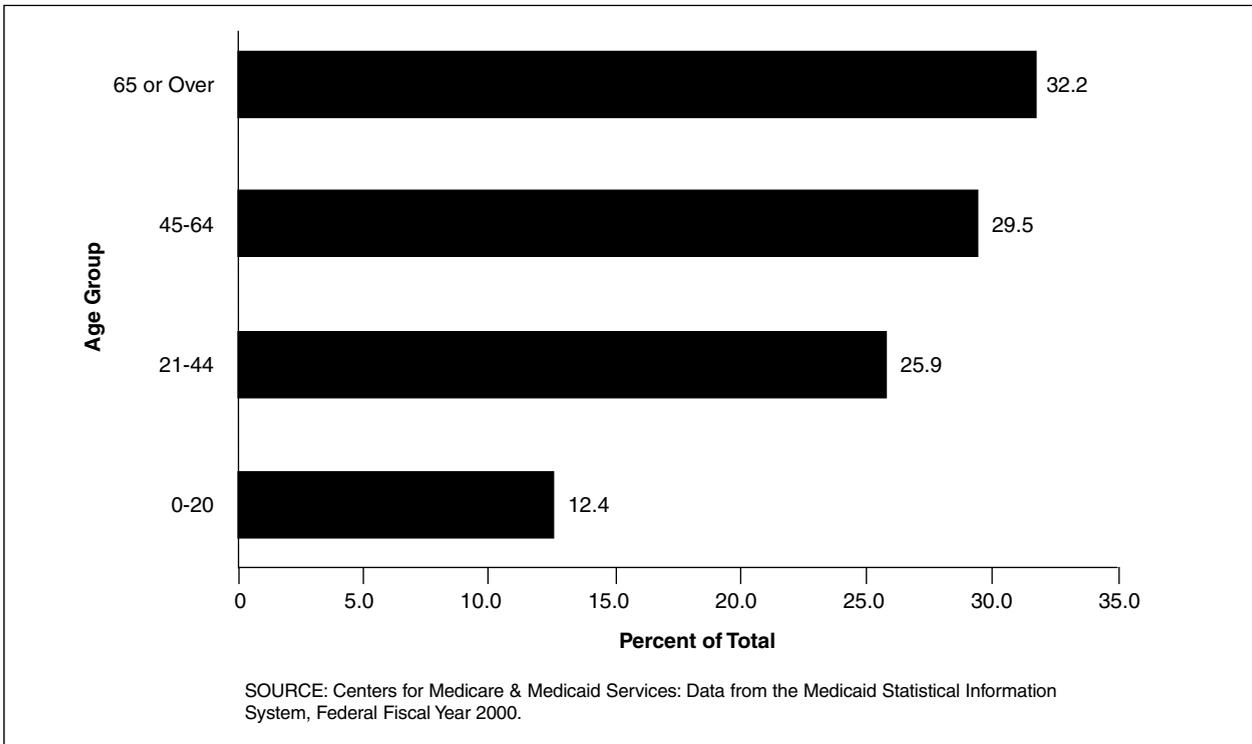
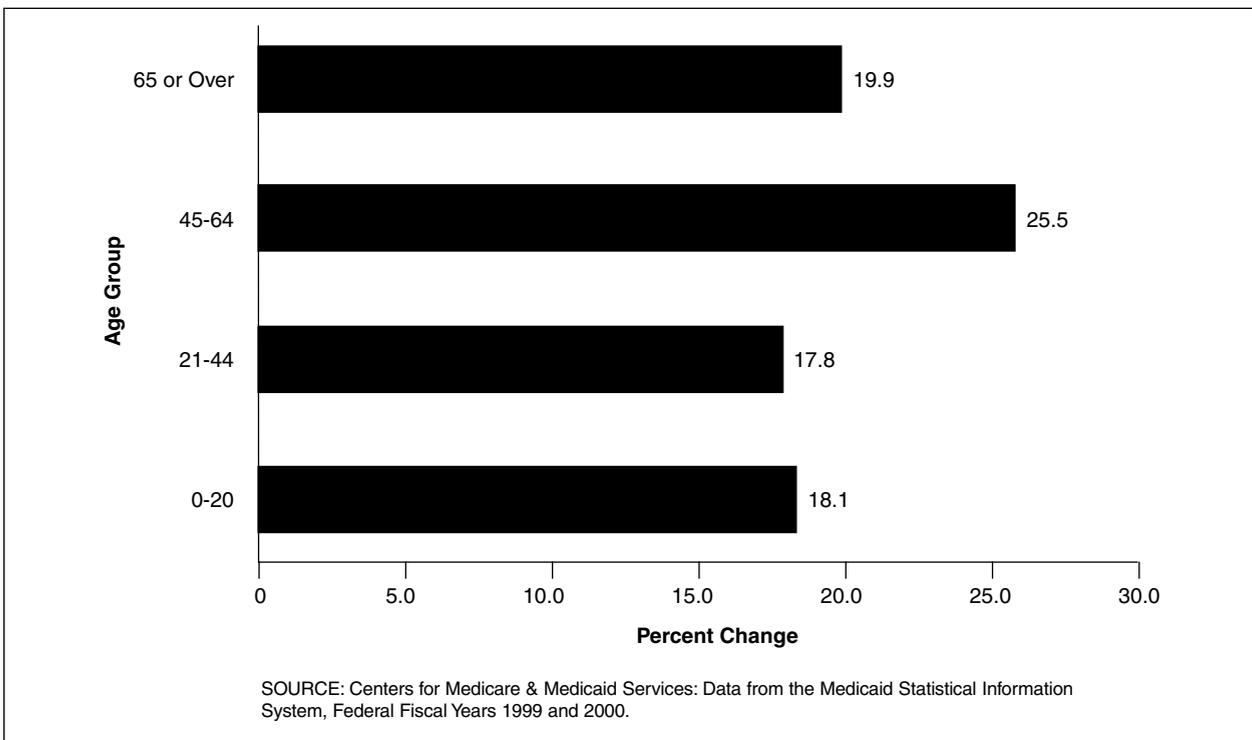


Figure 4
Percent Change in FFS Medicaid Prescribed Drug Expenditures, by Age: Federal Fiscal Years 1999 Versus 2000



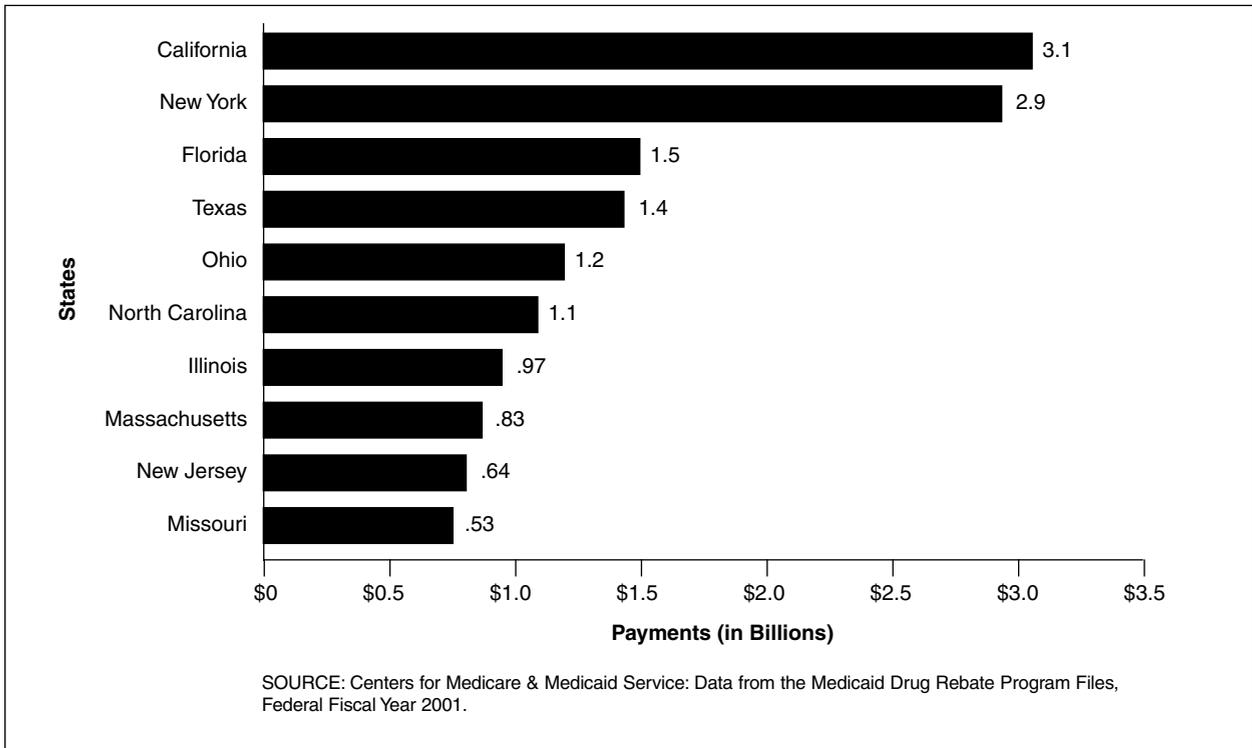
PRESCRIBED DRUG EXPENDITURES AND AGE OF BENEFICIARY

Figure 3 displays FFS Medicaid prescribed drug expenditures by age in FFY 2000, and Figure 4 shows the percent change by age in FFS Medicaid drug expenditures between FFYs 1999 and 2000.

- Beneficiaries age 65 or over accounted for the largest share of total Medicaid FFS prescribed drug expenditures in FFY 2000 (32 percent of the total).
- Beneficiaries age 45-64 accounted for 30 percent of the total Medicaid FFS prescribed drug expenditures followed by beneficiaries age 21-44 (26 percent of total), and beneficiaries age 0-20 (12 percent of the total).
- Between FFYs 1999 and 2000, Medicaid FFS expenditures for prescribed drugs increased by 20 percent for the age group 65 or over.
- Age group 45-64 beneficiaries experienced the greatest increase in Medicaid FFS prescription drug expenditures between FFYs 1999 and 2000 (26 percent) followed by the age group 0-20 (18 percent), and the age group 21-44 (18 percent).

Figure 5

Top 10 States in Medicaid FFS Expenditures for Prescribed Drugs: Federal Fiscal Year 2001



TRENDS IN MEDICAID FFS PHARMACY EXPENDITURES

The following information relates to the Medicaid FFS population for FFY 2001 (October 1, 2000-September 30, 2001), unless otherwise stated (Figure 5). This section looks at the 10 States with the highest FFS prescribed drug expenditures in FFY 2001. Prescription payment data in Medicaid FFS includes services to individuals in primary care case management. The composition and characteristics of the beneficiaries vary by State, in large part because the proportion of beneficiaries in capitated M+C varies by State. Because most beneficiaries in capitated M+C are children and non-elderly adults, States with predominantly FFS populations will have a disproportionate number of elderly Medicaid beneficiaries included in the data reported.

- There were \$14.1 billion in FFS pharmaceutical expenditures for the top 10 States in FFY 2001.
- The \$14.1 billion figure represented 57 percent of the total FFS Medicaid prescribed drug expenditures for that year.
- California had the greatest amount of prescribed drug expenditures at \$3.1 billion followed by New York at \$2.9 billion.
- Florida was third in expenditures at \$1.5 billion, slightly more than one-half of that of California.
- Missouri was tenth in expenditures at \$0.5 billion, less than one-fifth that of the top two States, California and New York.

Figure 6

Relationship Between Percent Aged and Average FFS Prescriptions Per Medicaid Beneficiary, by Top 10 States in Prescribed Drug Expenditures: Federal Fiscal Year 2001

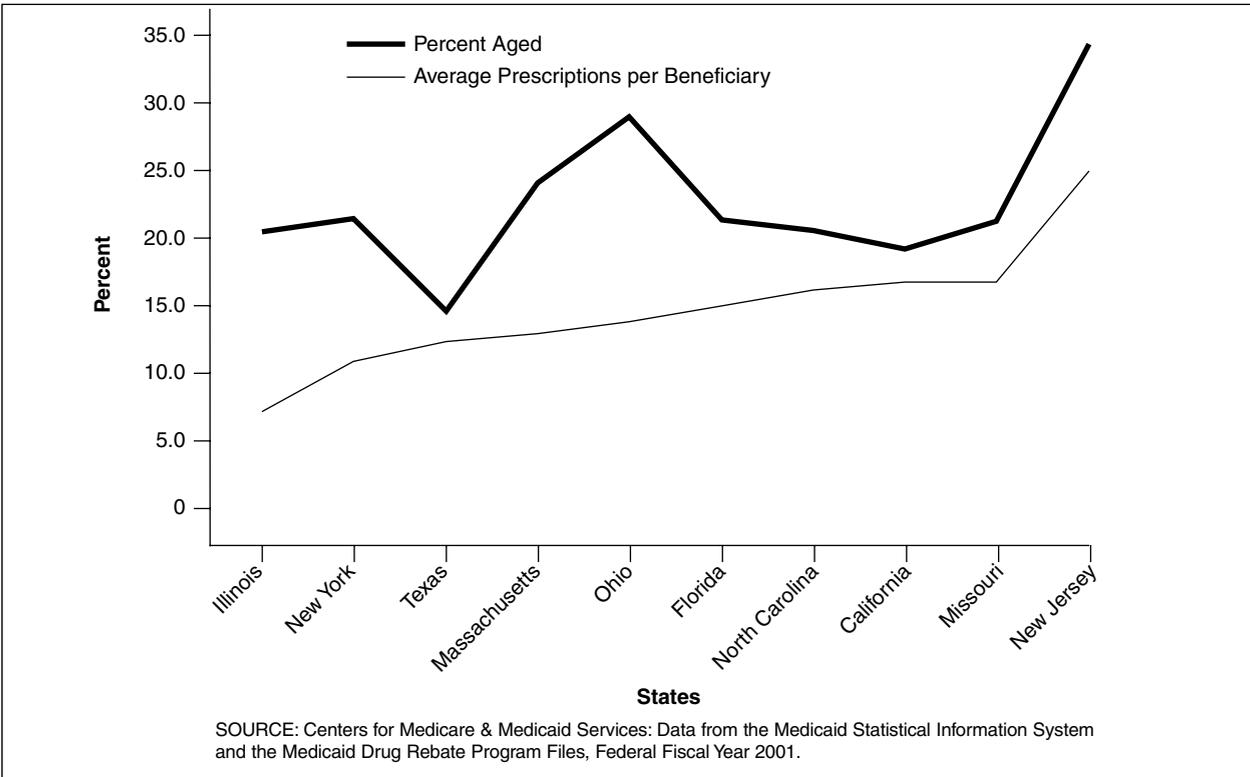
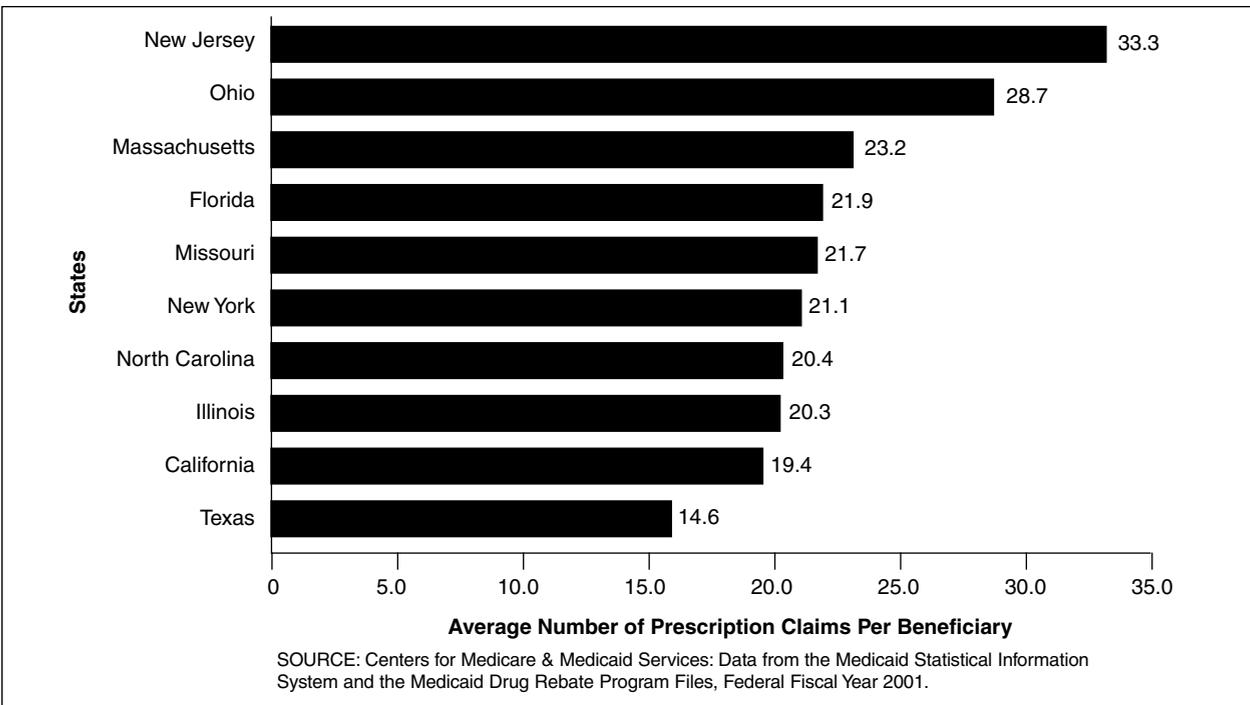


Figure 7

Average Number of FFS Medicaid Prescription Claims Per Beneficiary: Top 10 States in FFS Medicaid Prescribed Drug Expenditures, Federal Fiscal Year 2001

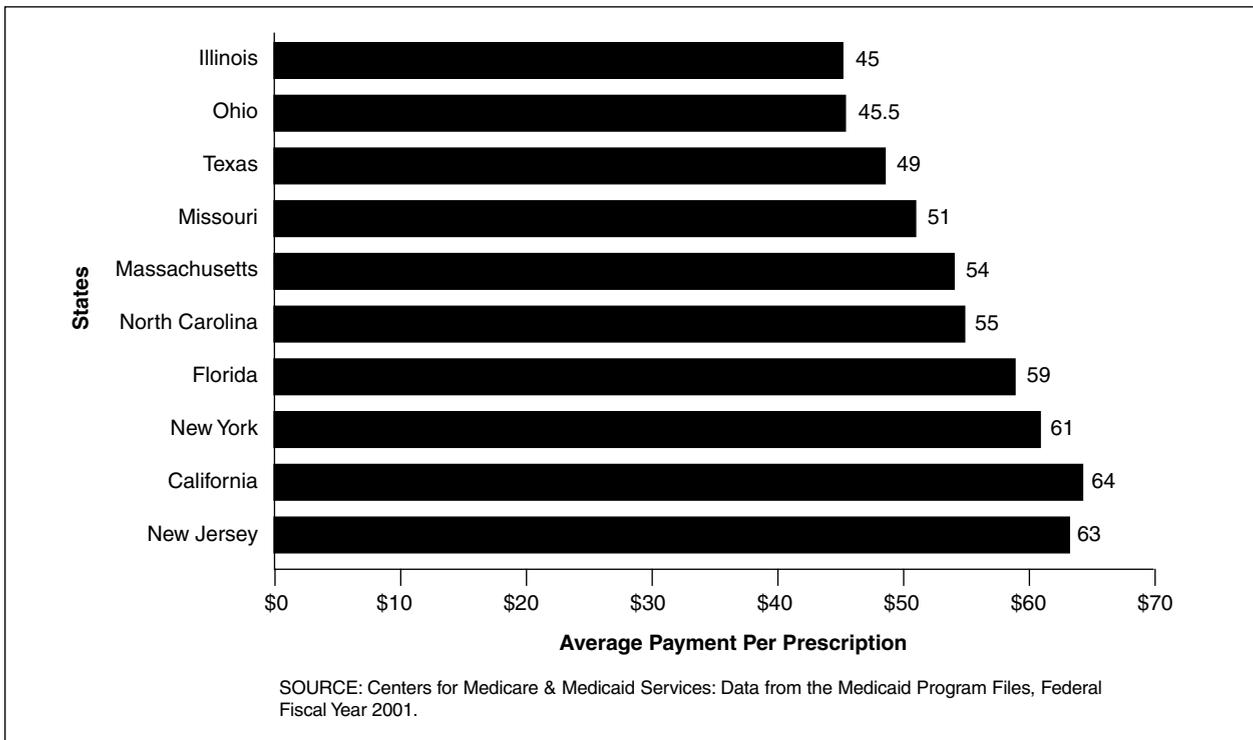


DRUG UTILIZATION

Figure 6 shows the relationship between percent of the Medicaid population who were (age 65 or over) by State, and the average number of prescriptions per Medicaid beneficiary. Figure 7 demonstrates the average number of claims per FFS beneficiary for the top 10 States. (State quantity dispensing limits may vary and significantly impact this average.) The number of pharmacy beneficiaries listed represents Medicaid enrollees who received at least 1 prescription through a State's FFS program.

- New Jersey had the highest average number of prescriptions per beneficiary in 2001 at 33, followed by Ohio at 28, and Massachusetts at 23.
- There appears to be a relationship between percent aged in the Medicaid population and FFS pharmacy utilization (Figure 8); however this relationship is not necessarily a simple linear one. Medicaid FFS beneficiaries (age 65 or over) accounted for 14 percent of the population and 33 percent of the expenditures.
- New Jersey had both the highest average number of prescriptions per beneficiary and the highest percent aged in the Medicaid population among the top 10 States.
- Texas was lowest in average claims per beneficiary and third lowest in percent aged among the top 10 States. (Texas plans limit their pharmacy benefit to three prescriptions per month.)

Figure 8
Average Payment Per FFS Prescriptions: Top 10 States in FFS Prescribed Drug Expenditures, Federal Fiscal Year 2001



MEDICAID DRUG REBATE PROGRAM

The Medicaid drug rebate program operates according to the statutory requirements found in Section 1927 of the Social Security Act (Social Security Administration, 2003). States invoice pharmaceutical manufacturers for both innovator or brand-name drugs, as well as non-innovator or generic drugs. States have the authority to obtain supplemental rebate agreements with pharmaceutical manufacturers. While other States have established State supplemental rebate programs, California is the only State that showed an appreciable collection in FFY 2001. During that year, the State of California collected additional State rebate amounts that totaled 7 percent of their entire pharmacy expenditure (Figure 8).

- In FFY 2001, nationwide, the Federal rebate program collected approximately \$4.9 billion.
- The average payment per prescription nationwide was roughly \$55 without the rebate.
- When the Federal rebate program is taken into consideration, the average cost per FFS Medicaid prescription nationwide was reduced by approximately 20 percent to \$44.

REFERENCE

Social Security Administration: *Compilation of the Social Security Laws. Social Security Act, Section 1927(a)(1)*. Baltimore, Maryland. Internet address: http://www.ssa.gov/OP_Home/ssact/title19/1927.htm (Accessed September 2003.)

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