

Iowa Citizen Action Network

Fact Sheet --- State Prescription Rx Frequently Asked Questions

What can Iowa do to lower the cost of prescription drugs without spending more money?

A Fair Market Drug Pricing Act lowers prices for the state Medicaid program and for uninsured state residents by directing the appropriate state agency to negotiate discounts and rebates from drug companies and to administer an Rx Card program, passing negotiated discounts to the uninsured.

What are the benefits of a state prescription drug benefit?

Discounts for individuals:

The **Maine Rx** and **Healthy Maine** programs are two distinctly different legal approaches to accomplish the same goal of lowering drug prices for uninsured residents. Healthy Maine is a section 1115 waiver which must be granted by the federal Department of Health and Human Services. Healthy Maine extends the state Medicaid program to include these drug discounts. Because it is part of Medicaid, all drug manufacturers are compelled to participate—there is no negotiation. The Maine Rx program, in contrast, is a state program that uses the leverage of prior authorization to persuade drug manufacturers to negotiate discounts.

Discounts for the state:

A **Florida-style** discount is one that lowers drug prices for the state Medicaid program, not for individual residents. Florida adopted its program in 2001. California, Michigan, Illinois and Louisiana currently operate similar programs, and a dozen other states are moving to implement such programs as well.

Discounts for both individuals and the state:

A **Fair Market Drug Pricing Act** combining the Maine Rx and the Florida laws addressing the legal arguments made against each. Illinois is implementing this approach. This is a way for the state to save money and for the state to extend to targeted individuals discounted prices for prescription drugs.

How would a Fair Market Drug Pricing Act work?

- Directs the appropriate state Secretary to negotiate voluntary drug discounts or rebates from prescription drug manufacturers and labelers.
- Gives the Secretary the leverage to negotiate with drug companies in much the same way HMOs and health insurance companies negotiate—allowing the Secretary to place on the state Medicaid “prior authorization” list the products of any drug company that refuses to offer a substantial discount that is at least as favorable as the “340B” price.
- Directs the Secretary to set up and administer an Rx Card program, passing negotiated discounts to the people who need them—uninsured seniors on Medicare, and residents under 300 percent of the poverty level.
- Empowers the Secretary to combine drug pricing negotiations for Medicaid, the Rx Card program, and any other state health programs, to maximize the Secretary’s market clout.

Questions?

Check out ICAN’s website at www.IowaCAN.org

Or Contact: Matt Russell
Iowa Citizen Action Network
Mrussell@IowaCAN.org
515-277-5077 ext. 15

INEQUITIES IN PRESCRIPTION DRUG PRICES

If the retail cost for a particular dosage and quantity of a brand name prescription drug is \$100, on average:

- An uninsured resident pays \$100 for that prescription.
- HMOs and insurance companies pay \$65-\$80.
- The federal government and federally-qualified health centers pay about \$50.
- The Department of Veterans Affairs pays \$45 or less.

Drug manufacturers make a healthy profit on all of these prices.