

## Report in Brief

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U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES  
**OFFICE OF INSPECTOR GENERAL**



### Why OIG Did This Review

The 2017 U.S. Department of Health and Human Services (HHS) Budget in Brief states that excluding authorized generics from average manufacturer price (AMP) calculations could save the Federal Government \$20 million per year. A prior Office of Inspector General (OIG) report indicated that this is a low estimate.

Our objective was to determine the impact on Medicaid drug rebates from including authorized generic drug transactions in the brand name drugs' AMP calculations.

### How OIG Did This Review

Our review covered nine brand name drugs that included authorized generic drugs to secondary manufacturers in their AMP calculations. The nine brand name drugs included 40 nine-digit national drug codes that made up approximately 45 percent of the total Medicaid dollars reimbursed for drugs with authorized generics for 2017.

After the manufacturers provided the AMP data for each drug, we verified the data, removed the authorized generic transactions, and recalculated the AMP. Next, we recalculated rebate amounts based on the recalculated AMP. We compared the recalculated rebates to the original rebates to determine the impact on Medicaid rebate amounts for the nine drugs.

## Medicaid Could Save Hundreds of Millions by Excluding Authorized Generic Drug Transactions to Secondary Manufacturers from Brand Name Drugs' Average Manufacturer Price Calculations

### What OIG Found

By including authorized generic drug transactions to secondary manufacturers in the brand name drug's AMP calculations, Medicaid received 46 percent less in rebates than it otherwise would have for the nine brand name drugs we reviewed, amounting to \$595 million for calendar year 2017.

### What OIG Recommends and CMS Comments

We recommend that the Centers for Medicare & Medicaid Services (CMS) seek legislative change to exclude authorized generic drug transactions to secondary manufacturers from the AMP calculation of the brand name drug, which may increase manufacturer Medicaid rebate obligations by hundreds of millions each year.

CMS concurred with our recommendation. CMS stated that it informs HHS of OIG recommendations for legislative change through the development of the President's Budget. CMS noted the President's Fiscal Year 2020 Budget includes a legislative proposal to exclude the authorized generic sales from the primary manufacturer's average price.