

HEALTHCARE REFORM UPDATE

On March 23rd, 2010 President Obama signed into law historical changes to our nation's health care system: The Patient Protection and Affordable Care Act (P.L. 111- 148, H.R. 3590), amended by The Health Care and Education Affordability Reconciliation Act of 2010 (H.R. 4872). The signed legislation would result in an estimated 32 million additional citizens being insured by 2019.

The provisions of the legislation make significant changes to government contracting programs, particularly Medicaid, Medicare Part D and the 340B program. Medicaid reforms include new definitions for the wholesaler, retail community pharmacy, multiple source drug and AMP as well as baseline AMP calculation changes for line extensions. Perhaps most significant is the change in the base medicaid rebate calculation, which increases the rebate percent for single and multi-source drugs from 15.1% to 23.1% and generics from 11% to 13%. Manufacturers will also see higher utilization as the beneficiary pool will expand due to a new definition of the poverty line. Also adding to utilization will be the new inclusion of Medicaid Managed Care claims in the rebate calculation.

Medicare will see a significant change as manufacturers will need to provide a discount to Part D beneficiaries in the donut hole. The 340B program will face a major overhaul as well. These changes will affect the manufacturer's systems for managing government pricing calculations, Medicaid rebates processing and commercial contracting. As some of these provisions are effective as early as early Q1 2010, manufacturers will need to respond quickly to evaluate their current environment, assess their systems and the financial impact of the reforms and develop a plan to implement the necessary changes.

Stay tuned for updates to the Healthcare Reform that may affect you.