Press Release

New Primer: The Medicaid Drug Rebate Program

ANDREW EVANS | FEBRUARY 7, 2019

To ensure that Medicaid received the best price for drugs, Congress created the Medicaid Drug Rebate Program, also known as the Medicaid "best price" rule. The program has largely succeeded in securing low prices for Medicaid, but these savings have come at a cost elsewhere in the economy. In a new primer, AAF's Deputy Director of Health Care Policy Tara O'Neill Hayes explains the structure of the Medicaid best price rule.

Her central points:

- The Medicaid Drug Rebate Program requires drug manufacturers to pay a rebate for all drugs dispensed to Medicaid beneficiaries, with brand-name drugs requiring the greatest rebate and generic drugs the lowest;
- While the core of the program has remained intact since its inception, Congress has made numerous changes that have predominantly raised the rebate amount that manufacturers pay; and

The program has led to market distortions elsewhere in the health care sector and might be partly responsible for rising drug prices in the United States.

Read the primer.