



Press Release

Medicaid's Best Price: A Bad Calculation

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In an effort to reduce costs to Medicaid, the Centers for Medicare and Medicaid Services is expected to release its wide-ranging final rule on the Medicaid Drug Rebate Program changing how drug manufacturers calculate Medicaid's best price for medications. In a new insight, Director of Health Care Policy Laura Hobbs walks through what the proposed rule would do and considers its potential harmful impacts.

Key points:

- The rule will change how drug manufacturers calculate Medicaid's best price for medications from the current standard of the single lowest offered price to a price that includes all rebates offered to eligible entities on a single medication.
- Compounding this change, starting on January 1, 2024, the Biden Administration will, as required by the American Rescue Plan Act of 2021, eliminate the cap that prevented manufacturers paying more than a penny to Medicaid to dispense certain medications; additionally, drug manufacturers that have medicines with prices that increase greater than inflation could end up paying Medicaid to dispense their medications.
- Combined, these changes are likely to distort incentives for drug manufacturers in two ways: Drug manufacturers could end up reducing the number of rebates offered on a product and may also opt to increase list prices for new products to avoid future inflationary penalties.

[Read the analysis](#)