

**THE MEDICAID COMMISSION**  
**Report to Secretary Leavitt, DHHS and the U.S. Congress, September 1, 2005**  
The Honorable Don Sundquist, Chair; The Honorable Angus S. King, Jr., Vice-Chair

**Overview and Recommendations**

The federal Medicaid Commission was established in May 2005 by the Honorable Michael O. Leavitt, Secretary of the U.S. Department of Health and Human Services. The Commission was charged with (a) making recommendations by September 1, 2005, on options for saving \$10 billion over 5 years while making progress toward longer-term program changes to better serve Medicaid beneficiaries, and (b) making recommendations by December 31, 2006 to ensure the long-term sustainability of Medicaid. The following recommendations for \$11 billion in savings over 5 years were made in the commissions September 1, 2005 report.<sup>1</sup>

| <b>Subject</b>                                     | <b>Recommendation</b>  | <b>Estimated savings / 5 years</b> |
|--|--|------------------------------------|
| Prescription Drug Reimbursement Formula            | Allow states to establish prescription drug prices based on Average Manufacturer Price (AMP) rather than Average Wholesale Price (AWP) and implement reforms to ensure that manufacturers appropriately report data.   | \$4.3 billion                      |
| Prescription Drug Rebates in Medicaid Managed Care | Allow Medicaid managed care health plans access to the drug manufacturer rebate program, giving states the option of collecting the rebates or the managed care plan collecting the rebates and being paid a lower capitation rate. (Maine does not have Medicaid managed care.)   | \$2.0 billion                      |
| Estate Transfer Penalty Period                     | With respect to eligibility for nursing facility care, move the start date for the penalty period for non-allowed transfers from the date of transfer to the date of application for Medicaid or the date of nursing facility admission, whichever is later.   | \$1.4 billion                      |
| Estate Transfer "Look-back" Period                 | With respect to eligibility for nursing facility care, increase from 36 to 60 months the "look-back" period, during which transfers of assets may disqualify an applicant for care.  | \$100 million                      |
| Co-payments for Prescription Drugs                 | Allow states to develop tiered co-payment structures to encourage cost-effective drug utilization. Allow states to increase co-payments on non-preferred drugs above the nominal amount when a preferred drug is available. Retain nominal co-payments for persons below the poverty level. Require co-payments for preferred drugs to be enforceable. Allow states to waive co-payments for true hardship or when failure to take a non-preferred drug might create serious adverse health effects. | \$2.0 billion                      |
| Medicaid Managed Care Organizations provider taxes | Reform health care provider tax law for Medicaid managed care organizations so that they are treated like all other health care providers - uniformity among providers and no guarantee of return to the provider of taxes paid. (Maine does not have Medicaid managed care.)  | \$1.2 billion                      |

<sup>1</sup> With regard to the savings estimates, please note that the proposals may interact with each other, causing a reduction in savings of up to \$200 million.

