NEW YORK STATE | Department of Health | Office of Health Insurance Programs

The New York State Medicaid Drug Cap Annual Report to the Drug Utilization Review Board, the Governor, the Speaker of the Assembly and the Temporary President of the Senate

Reporting Period: January 2025 through December 2025

I. Introduction

The New York State Department of Health (DOH), Office of Health Insurance Programs submits an annual report to the Governor and Legislature pursuant to the requirements in New York State Public Health Law Public Health Law § 280 - Medicaid Drug Cap.

II. Background

The State Fiscal Year (SFY) 2018 enacted budget established a Medicaid Drug Cap (Drug Cap) that limits pharmacy spending growth in the Medicaid program tied to the annual growth rate of the Medicaid Global Cap (Global Cap), which is determined annually according to statute. As detailed in the first paragraph of the statute, there is a significant public interest for the Medicaid program to manage drug costs in a manner that ensures patient access while providing financial stability for the state and participating providers. Therefore, the DOH established a supplemental rebate program as part of a focused and sustained effort to balance the growth of drug expenditures with the growth of total Medicaid expenditures.

In SFY 2025, the enacted budget streamlined the Medicaid Drug Cap into a supplemental rebate program to allow for expanded supplemental rebate negotiations.

As of October 1, 2024, the DOH currently reviews, at least annually, Medicaid drug expenditures to identify drugs in the eightieth percentile or higher of total spend, net of rebate or in the eightieth percentile or higher based on cost per claim, net of rebate.

The Commissioner of Health may refer drugs in the eightieth percentile or higher of total spend, net of rebate or in the eightieth percentile or higher based on cost per claim, net of rebate to the State's Drug Utilization Review Board for a recommendation as to whether a supplemental rebate should be paid by the manufacturer. If the DOH intends to refer drugs to the Drug Utilization Review Board, it will notify affected manufacturers and will attempt to reach agreement on rebate amounts prior to Drug Utilization Review Board referral.

Also prior to Drug Utilization Review Board referral, if DOH and the manufacturer are unable to reach an agreement regarding supplemental rebate amounts, the manufacturer will be required to provide DOH with certain information including, but not limited to, marketing, research, and development costs for the drug.

In determining whether to recommend a target supplemental rebate for a drug, the Drug Utilization Review Board must consider the cost of the drug to the Medicaid program and may consider, among other factors including, but not limited to, the drug's impact on the Medicaid drug spending,

significant and unjustified increases in the price of the drug, and whether the drug may be priced disproportionally to its therapeutic benefits.

In formulating a recommendation, the Drug Utilization Review Board may consider, publicly available and DOH supplied pricing information, the seriousness and prevalence of the disease or condition being treated, Medicaid utilization, the drug's effectiveness or impact on improving health, quality of life, or overall health outcomes, the likelihood that the drug will reduce the need for other medical care, the average wholesale price, wholesale acquisition cost, and retail price of the drug, and the cost of the drug to Medicaid minus rebates.

III. Estimate of Savings Achieved

The DOH reviewed drugs in eightieth percentile or higher of total spend, net of rebate or in the eightieth percentile or higher based on cost per claim, net of rebate. After factoring multiple variables including current rebate amounts, existing supplemental rebate agreements and status on the preferred drug list, DOH identified eleven drugs, resulting in eleven notification letters sent to manufacturers in SFY 2025.

For calendar year 2025 (January – December), the savings achieved under the Medicaid Drug Cap are estimated at $396 million. The estimate is based on the supplemental rebate invoiced amount during calendar year 2025 for drugs subject to this provision (since its original enactment date of April 2017).[1]

During the reporting period, the estimate of savings achieved its attributable to successful rebate negotiations whereas the DOH and manufacturers entered into a supplemental rebate agreement without the need for Drug Utilization Review Board referral.

IV. Conclusion

The Drug Cap initiative continues to address drug costs in a manner that ensures patient access while providing financial stability for the State and Medicaid providers. The Drug Cap has proven to be a valuable authority to assist the New York State Medicaid program in ultimately reducing the cost of prescription drugs.

[1] The annual report submission date, as per Public Health Law § 280, is July 1st. Given the July 1st reporting date and the supplemental rebate invoicing cycle having a quarterly data aggregation lag, the reporting period used for savings achieved is the most recent calendar year (rather than the last State fiscal year).