

Maximum Allowable Cost (MAC) Lists: Driving Value for Generic Drugs

What is a MAC list?

Identical generic drugs can be made by multiple manufacturers, which sell them at different prices to pharmacies. A MAC list specifies the most a pharmacy benefit manager (PBM) will reimburse a pharmacy for a particular generic drug. PBMs set and regularly update MAC lists to reflect a market-based average acquisition cost of a well-run independent or chain pharmacy.

MAC lists encourage pharmacies to purchase generics at the lowest possible cost—driving competition among wholesalers and generic drug manufacturers—which ultimately provides value to health plan sponsors and consumers.

Who uses MAC lists, and why?

Both public and private payers use MAC lists to determine pharmacy reimbursement for generic prescriptions, including state Medicaid programs, Medicare Part D plans, unions, and 79 percent of private employer plans.¹

Why? MAC lists help PBMs fairly compensate both independent and chain pharmacies while providing cost-effective drug benefits to payers.

How is MAC calculated?

Independent pharmacies² and chains buy drugs at different prices and terms from various wholesalers. PBMs are **not** involved in these transactions and have no insight into the prices that pharmacies pay.

To determine a fair reimbursement for the generic drugs that pharmacies dispense, PBMs survey market data to calculate the average cost for those drugs, including information from nationally recognized pricing reference services (e.g., Medi-Span), wholesalers, and drug manufacturers.

The resulting MAC reimbursement for a given generic drug product is established using that estimated market price while balancing the contractual requirements established by each unique pharmacy and plan sponsor.

- Each PBM develops and maintains its own confidential MAC lists using its own proprietary methodologies. Market pricing is reviewed on a regular basis, and MAC lists are adjusted and made available to pharmacies, typically at least every seven days.

What happens if a MAC list price doesn't cover the cost of a drug?

Like in any business, it is possible that a pharmacy's costs on every single product may not be fully covered by a consumer or PBM payment. Some drugs will cost more than the MAC price, and some will cost less, but overall, the MAC list should balance a pharmacy's profitability on generic drugs with the payer's desire not to overpay for drugs. PBMs have appeal processes that pharmacies may access to dispute MAC reimbursements in the event the MAC list was significantly out of sync with market fluctuations in price.

Why might a PBM have multiple MAC lists?

PBMs and their clients contract in different ways to meet individual plan needs, and PBMs' multiple MAC lists reflect those differences. For example, a large national employer would bring a larger volume of business to pharmacies than a small employer, and would thus have a different reimbursement list. A state employee/retiree health program may have different reimbursement objectives than commercial health programs or Medicaid. These varying objectives cannot be achieved with a single MAC list.

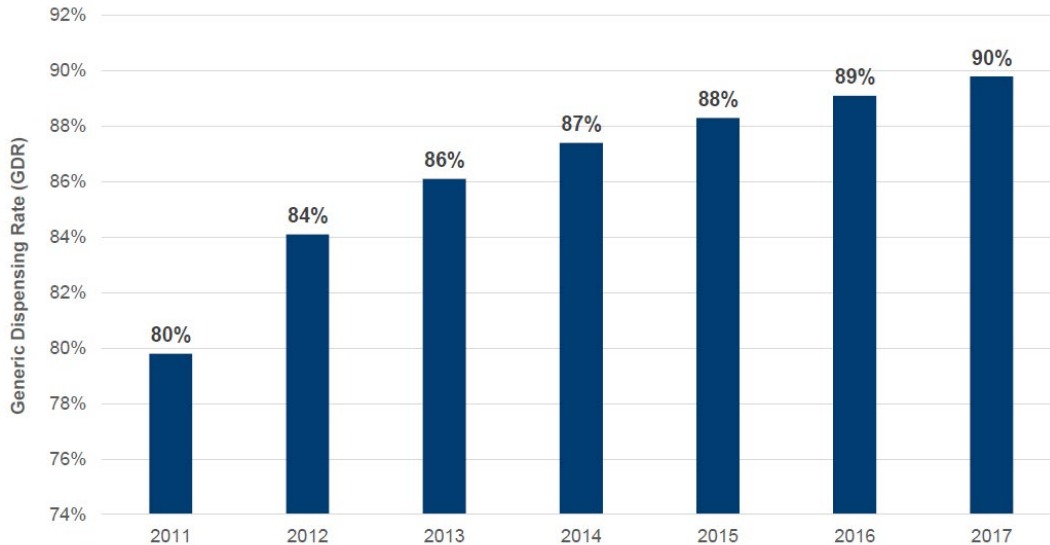
Why do MAC lists matter?

PBMs have helped drive generic dispensing rates to 90 percent,³ yet generic drugs account for only 23 percent of drug expenditures, **saving U.S. consumers \$265 billion.**⁴ Given the volume of generic drug scripts, it is critical that generic drug prices remain low.

A 2015 analysis of more than 800 generic drugs found that legislative restrictions on MAC lists could:

- Increase costs by **31 percent to 56 percent** for affected generic prescriptions, and
- Increase drug expenditures nationally by up to **\$6.2 billion** annually.⁵

PBMs Aggressively Encourage Generic Drug Use; Generic Dispensing Increasing as a Result



Source: IQVIA

¹ Express Scripts. (2016). Available at: <http://lab.express-scripts.com/lab/insights/drug-options/mac-pricing-incents-more-affordable-rx>.

² Over 80 percent of independent pharmacies use large bargaining groups called pharmacy services administrative organizations (PSAOs), which are oftentimes owned by drug wholesalers, to provide access to pooled purchasing power, negotiating leverage, and contracting strategies similar to chain pharmacies. PSAOs negotiate and enter into contracts with third-party payers on behalf of independent pharmacies, providing independent pharmacies with significant bargaining clout in negotiations with payers.

³ Association for Accessible Medicines. (2018). "Generic Drug Access & Savings in the U.S." Available at: https://accessiblemeds.org/sites/default/files/2018_aam_generic_drug_access_and_savings_report.pdf.

⁴ *Id.*

⁵ Visante. (2015). *Proposed MAC Legislation May Increase Costs of Affected Generic Drugs By More Than 50 Percent*. Available at: <https://www.pcmnet.org/wp-content/uploads/2016/08/visante-pcma-mac-legislation-study-2015-update.pdf>.