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Economic Consequences of Underuse of Generic Drugs: Evidence from Medicaid and Implications for Prescription Drug Benefit Plans

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Abstract

Objective. To calculate the financial impact of underuse of generic medications in state Medicaid programs.

Data Sources/Study Setting. State-by-state data on Medicaid drug spending for 48 states and the District of Columbia in calendar year 2000.

Study Design. We compared the total amount paid by each state Medicaid program for brand name prescriptions with the amount that would have been paid for generic versions of the same agent, to estimate the level of unrealized savings from use of substitutable generic drugs. We also examined whether variation in prices between states represented a potential source of unrealized savings.

Principal Findings. Analysis of state-by-state Medicaid prescription drug spending in 2000 identified potential savings of $229 million that could have been realized from greater use of generic drugs. If the best available prices from each state had been used nationally, savings would

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