



DEPARTMENT OF HEALTH AND HUMAN SERVICES  
**OFFICE OF INSPECTOR GENERAL**

WASHINGTON, DC 20201



The Honorable Bernard Sanders  
Ranking Member  
Subcommittee on Primary Health  
and Retirement Security  
Committee on Health, Education, Labor,  
and Pensions  
United States Senate  
Washington, DC 20510

APR 13 2015

Dear Senator Sanders:

I am writing in response to your February 24, 2015, letter in which you asked the Office of Inspector General to examine recent increases in the prices being charged for generic drugs and the effect these price increases have had on generic drug spending within the Medicare and Medicaid programs. Our staffs have had ongoing conversations regarding this request.

Specifically, you asked that we determine whether the number and size of generic drug price increases have accelerated since our office previously examined this issue.<sup>1</sup> You also asked that we evaluate the total cost to the Medicare and Medicaid programs due to these price increases and make recommendations as appropriate. Lastly, you asked that we examine the extent to which generic drug price increases have exceeded the specific statutory inflation factor under section 1927(c)(2) of the Social Security Act and evaluate the potential savings to the Federal Government if that requirement were applied to generic drugs.

We are developing a plan to update our previous review of generic drug price increases under the Medicaid drug rebate program. In that review, we examined the quarterly average manufacturer prices (AMP) for the top 200 generic drugs, as ranked by Medicaid reimbursement, for each year from 1991 through 2004. We compared each quarterly AMP to an inflation-adjusted baseline AMP to determine the extent to which generic drug price increases exceeded the specified inflation factor.

Our upcoming review will again examine quarterly AMPs reported under the Medicaid drug rebate program. We will review AMPs from 2005 through 2014 and determine the extent to which the quarterly AMPs exceeded the specified inflation factor. We will also determine the amount of additional rebates that the Medicaid program would have received if the specified statutory inflation factor had been applied to generic drugs. We will keep your staff apprised of the status of this work as it progresses. We currently do not have work planned to review the effect of generic drug price increases on the Medicare program; however, we will continue to analyze whether we can perform such a review.

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<sup>1</sup>*Review of Generic Drug Price Increases*, A-06-07-00042 (October 2007).

A similar letter is being sent to the Honorable Elijah E. Cummings. Should you have any questions, please contact me or your staff may contact Patrice Drew, Congressional Affairs, at 202-619-1368 or [Patrice.Drew@oig.hhs.gov](mailto:Patrice.Drew@oig.hhs.gov).

Sincerely,

A handwritten signature in black ink that reads "Daniel R. Levinson". The signature is written in a cursive style with a large, looped initial 'D'.

Daniel R. Levinson  
Inspector General