

**California Department of Health Care Services  
Proposed May Revision Trailer Bill Legislation**

**Medi-Cal Cost Containment: Elimination of Selected OTC Drugs as Medi-Cal Benefits**

**FACT SHEET**

**Background**

Federal statute (section 1927 of the Social Security Act) allows for certain drugs or classes of drugs, or their medical uses, to be excluded from coverage under a state's Medicaid program. Non-legend drugs (better known as Over-The-Counter (OTC) drugs) is one of the optional classes. In addition to being optional for Medicaid, OTC drugs are not a covered benefit under the Medicare Part D program. Dual eligibles currently continue to receive OTC drugs through the Medi-Cal program.

OTC drugs have been covered by the Medi-Cal program for many years as inexpensive alternatives to prescription drugs. However, with the implementation of Medicare Part D, a shift from a less costly OTC drug (covered by Medi-Cal) to a prescription drug (covered by Medicare Part D) would create savings in the Medi-Cal program.

This proposal would eliminate nonprescription cough and cold products and select nonprescription acetaminophen containing products as Medi-Cal benefits.

**Why is this change needed (i.e., what problem is the language trying to address)?**

California is facing a multi-billion dollar shortfall, and Medi-Cal, as the second largest General Fund expenditure after education, must be part of the effort to reduce state costs. Federal statute already considers nonprescription drugs an optional Medicaid benefit. Removal of these selective drugs will reduce Medi-Cal expenditures.

**Potential for opposition, if yes, why.**

This proposal is likely to be opposed by the beneficiary advocacy community, since it is eliminating an existing benefit. It might also be opposed by Medicare Part D health plans since dual eligibles may switch from non-prescription drugs currently covered by Medi-Cal, to prescription drugs covered by Medicare Part D, thereby increasing the health plans' costs.

**Is there a BCP associated with this language (yes or no)?** No, there is not a BCP associated with this language; this item has been included in the May Estimate.

**Any other brief information that is relevant/important to highlight so that one can fully understand the issue that is being presented**

The bulk of the savings associated with this proposal would occur from the elimination of nonprescription acetaminophen-containing products, since most of its use is in the dual eligible population, who would likely switch to a prescription

product covered by Medicare Part D. Liquid Tylenol would remain a benefit for children.