Drug Pricing Terms

**340B (PHS) Price:** The maximum price that manufacturers can charge covered entities participating in the Public Health Service’s 340B drug discount program.

**Acquisition Cost (AC):** The net cost of a drug paid by a pharmacy. It varies with the size of container purchased (e.g., ten bottles of 100 tablets typically costs more than one bottle of 1,000 tablets) and the source of purchase (manufacturer or wholesaler).

**AIDS Drug Assistance Program (ADAP):** A federal program established in 1987 to provide anti-HIV and related medications to low-income Americans.

**Average Manufacturer Price (AMP):** The average price paid to a manufacturer by wholesalers for drugs distributed to retail pharmacies. The Congressional Budget Office estimates AMP to be about 20% below AWP for more than 200 drugs frequently purchased by Medicaid beneficiaries.

**Average Sales Price (ASP):** A new system created by federal and state governments to ensure more accurate price reporting. ASP is the weighted average of all non-federal sales to wholesalers and is the net of chargebacks, discounts, rebates, and other benefits tied to the purchase of the drug product, whether it is paid to the wholesaler or the retailer.

**Average Wholesale Price (AWP):** A national average of list prices charged by wholesalers to pharmacies. AWP is sometimes referred to as a “sticker price” because it is not the actual price that larger purchasers normally pay, which is often considerably lower. AWP information is publicly available.

**Best Price:** The lowest price paid to a manufacturer for a brand name drug, taking into account rebates, chargebacks, discounts or other pricing adjustments, excluding nominal prices. Best price data are not publicly available.

**Big 4:** The four largest purchasers of pharmaceuticals within the federal government: the Department of Veterans Affairs, the Department of Defense, the Public Health Service, and the Coast Guard. The Big 4 often get pricing below FSS on brand name drugs.

**Covered Entities:** Facilities and programs eligible to purchase discounted drugs through the Public Health Service’s 340B drug discount program. Covered entities include state AIDS Drug Assistance Programs (ADAPs) and hospitals owned by state and local governments.

**Dispensing Fee:** The charge for the professional services provided by the pharmacist when dispensing a prescription, which may include overhead expenses and profit.
Federal Ceiling Price (FCP): The maximum price manufacturers can charge for FSS-listed brand name drugs to the Big 4, even if the FSS price is higher. FCP information is not publicly available.

Federal Supply Schedule (FSS): The collection of multiple award contracts used by federal agencies, U.S. territories, Indian tribes, and others to purchase supplies and services from outside vendors. FSS prices for the pharmaceutical schedule are based on the prices that manufacturers charge their “most-favored” non-federal customers, which may not be the lowest prices on the market. FSS prices are publicly available.

Federal Upper Limit Price (FUL): The federally established maximum price for a drug if at least three equivalent generic versions of the product are available and at least three current suppliers. FUL equals 150% of the published price for the least costly therapeutic.

Medicaid: A program using state and federal funds to reimburse providers that offer medical care to low-income people who cannot afford health insurance. Medicaid serves 55 percent of people with AIDS and 90 percent of children with HIV/AIDS nationally.

Medicare: A federally administered system of health insurance available to people aged 65 and over and to people with severe disabilities.

Non-Federal Average Manufacturer Price (Non-FAMP): The average price paid to a manufacturer by wholesalers for drugs distributed to non-federal purchasers. The Big 4 are entitled to discounts on brand name drugs of at least 24 percent off of Non-FAMP. Non-FAMP is not publicly available.

Pharmacy Discount Price: The price paid to the pharmacy by a program (i.e., ADAP, Medicaid) for drugs. Brand name drug prices are typically paid relative to AWP (for example, AWP minus 10%). The price covers the pharmacy’s payment to the wholesaler, operating costs, and profit.

Unit Rebate Amount (URA): The rebate amount paid by a manufacturer to ADAP/Medicaid for each unit (e.g., capsule) of drug. Information on URA is not publicly available.

VA National Contract Price: The price the Department of Veterans Affairs has obtained though competitive bids from manufacturers for select drugs in exchange for their inclusion on the VA formulary. Because the VA is entitled to FCP prices under federal law, VA national contract prices are even lower than FCP prices and are often the lowest prices in the nation. These prices are publicly available.

Wholesale Acquisition Cost (WAC): The price paid by a wholesaler for drugs purchased from the wholesaler’s supplier, typically the manufacturer of the drug. WAC is the price manufacturers release publicly, and is sometimes called the “list price.” Publicly disclosed or listed WAC amounts may not reflect all available discounts.