

## Glossary of Prescription Drug Acronyms

- **EAC:** Estimated Acquisition Cost; EAC is a benchmark used by many state Medicaid programs to set payment for drug ingredient costs
- **AWP:** Stands for “Average Wholesale Price,” but is more akin to a sticker price; AWP is one benchmark used to calculate EAC
- **WAC:** Wholesale Acquisition Cost; WAC is one benchmark used to calculate EAC
- **AAC:** Actual Acquisition Cost
- **NADAC:** National Average Drug Acquisition Cost; NADAC can be used to calculate AAC
- **FUL:** Federal Upper Limit; FUL sets a reimbursement limit for some generic drugs
- **MAC:** Maximum Allowable Cost; MACs are reimbursement limits set by states in addition to the FUL
- **AMP:** Average Manufacturer Price; AMP is used to calculate drug rebates. The ACA also established that it would replace list prices as the basis for FULs, but this has not yet been implemented

Source: Kaiser Family Foundation | Paying for Prescribed Drugs in Medicaid: Current Policy and Upcoming Changes | May 23, 2014 | Brian Bruen and Katherine Young

**Table I. Common Terms and Acronyms Used in Drug Pricing**

<b>Term</b>	<b>Definition</b>
Federal upper limit (FUL)	A price ceiling used by the Centers for Medicare and Medicaid Services (CMS) to control prices for certain medications paid to pharmacies
Maximum allowable cost (MAC)	A price ceiling, similar to the FUL, established at the state level
Usual and customary price (U&C)	The average cash price paid at a retail pharmacy
Average wholesale price (AWP)	An estimate of the price retail pharmacies pay for drugs from their wholesale distributor. This price is calculated and published by companies such as Medi-Span and First Databank
Wholesale acquisition cost (WAC)	An estimate of the manufacturer's list price for a drug to wholesalers or other direct purchasers, not including discounts or rebates. This price is defined by federal law
Average manufacturer price (AMP)	The price a manufacturer charges wholesalers or pharmacies that purchase directly from the manufacturer after discounts. This price is defined by federal law
Average sales price (ASP)	A calculation of the weighted average of manufacturer's sales price for a drug for all purchasers, net of price adjustments. This price is defined by federal law
Estimated acquisition cost (EAC)	An estimate of the price generally paid by providers for a drug. Formula specific for each state as defined by the state Medicaid agency
Average Actual cost (AAC)	An estimate of retail pharmacy acquisition costs for drugs through a review of actual pharmacy invoices
Dispensing fee	The amount reimbursed to the pharmacy to cover the charge for professional services and overhead costs
National Drug Code (NDC)	An 11-digit code used by Medicaid to identify a drug based on its manufacturer, strength, and package size

Source: References 3-5, 7, 14.

Source: [www.uspharmacist.com](http://www.uspharmacist.com); **Understanding Drug Pricing**; Joey Mattingly, PharmD, MBA; 6/20/2012