Medicaid Could Have Saved $1 Billion If Medical Marijuana Was Legalized

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A new report published in Health Affairs found that if all states had legalized medical marijuana in 2014, Medicaid could have saved $1 billion in spending on prescriptions.

The study by Ashley C. Bradford and W. David Bradford examined whether states with medical marijuana laws saw changes for prescription drugs among Medicare Part D enrollees. Their analysis covered data between 2007 to 2014 and found that patients did indeed substitute medical marijuana for FDA-approved prescription drugs in these states.

“Total estimated Medicaid savings associated with these laws ranged from $260.8 million in 2007 to $475.8 million in 2014,” the study states. Granted this is only 2% of the total Medicaid drug spending for 2014, which was $23.9 billion, but it is still substantial savings. The Bradfords estimate that if all states had legalized medical marijuana in 2014, “The national savings for fee-for-service Medicaid would have been approximately $1.01 billion.” This works out to an average per state savings of $19.825 million a year.

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However, only 26% of Medicaid customers are enrolled in the fee-for-service program. The study notes that if they applied
their analysis equally to Medicaid managed care, then the savings could jump to a whopping $3.89 billion. Again, this is only if all states legalized medical marijuana.

Granted the savings are mostly enjoyed by private insurers that run the plans, but the Bradfords suggest that state governments could reduce their payments to the insurers as prescription drug costs fall.

The study only looked at conditions that could be treated with medical marijuana and the prescription drugs that would be affected. This included anxiety, depression, glaucoma, nausea, pain, psychosis, seizures, sleep disorders and spasticity. According to the study, “the differences ranged from a 42% reduction for prescriptions used to treat nausea to a 15% reduction for spasticity.” The Bradfords also found a 13% decline in depression drug prescriptions, a 12% drop in psychosis drug prescriptions and an 11% slide in pain drugs. There was no significant drop in drugs used for anxiety, glaucoma or sleep disorders.

The Bradfords noted that their study was challenged by the fact that states keep changing their medical marijuana laws and expanding approved conditions. Furthermore, they only had data available from fee-for-service Medicaid prescriptions. Managed care patient data was inconsistent. Thus, their findings
are really lower than what the true savings could really be, suggesting it could be in the billions.

The researchers took the Drug Enforcement Agency to task for maintaining marijuana as a Schedule I drug. “The common state requirement that physicians certify that patients are eligible for medical marijuana use provides significant prima facie evidence that there is currently accepted medical use,” the study states. The Bradfords also cited substantial and growing evidence that marijuana does have accepted medical uses, which is in direct conflict with the requirement that a Schedule I drug has no such properties.

“In times of significant budget pressure, the possible savings of $1.01 billion nationally in spending on prescriptions in fee-for-service Medicaid is significant,” said the researchers.
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I am the Co-Founder, CEO, and Editor-In-Chief of www.GreenMarketReport, a financial news site for the cannabis industry. Prior to this, I spent over 15 years working in a... Read More