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Medicaid Pharmacy Carve Out

After an actuarial analysis from Optum Actuarial Services predicted \$30 million in savings for the West Virginia (WV) Medicaid program and an additional injection of \$34 million into the pharmacy community in the form of dispensing fees, West Virginia Medicaid carved out the pharmacy benefit from their managed care organizations (MCO) on July 1, 2017.

Preparation for Carve Out:

Four main components ensured a successful migration from managed care to the Fee for Service (FFS) Program:

1. **Medicaid Point of Sale (POS) System Capacity Assurance** – The WV Medicaid POS system needed to handle an increase in prescription claims from 132,000 members to 569,000 members. To provide assurance that the POS system would function timely and accurately, the POS system was stressed tested several times and determined to be capable of handling the potential claim volume.
2. **Prior Authorization (PA) and Claims History Transfer** – WV Medicaid committed to transferring and honoring all PAs that were in effect for 12 months and transferred 12 months of prescription claims history to the Fee for Service claims system. This ensured that Medicaid members did not have to obtain new prior authorizations and their prescription history was used to provide the benefit of drug utilization review. **Neither patients nor prescribers were inconvenienced by redoing prior authorizations and patients were not put at risk for adverse drug interactions.**
3. **Advance Pharmacy Notification** – Early and advance communication with pharmacies regarding the carve out facilitated easy pharmacy implementation. Pharmacies only had to change the BIN and PCN numbers they used to direct claims.
4. **Establish Clinical Portal** – WV Medicaid established a clinical portal allowing access to prescription claims history for MCO case managers to address care coordination. Each MCO was also provided a summary of pharmacy claims for their members at the end of each day.

WV Medicaid completed and established the four main components necessary for the carve out within four months.

Results:

1. **WV Medicaid members experienced no disruption in services when the carve out was implemented.** Since WV Medicaid members were able to use the same pharmacy as they did prior to the carve out, they simply presented their card to their regular pharmacist and obtained their prescriptions. Access for members was improved since pharmacies were able to afford to dispense all classes of medications to all Medicaid members. Before the carve out, many pharmacies reported being unable to dispense certain classes of drugs to Medicaid members because of inadequate reimbursement.
2. **Pharmacies experienced no interruption in their workflow filling prescriptions for Medicaid members.** Pharmacists had only to change the route of billing to submit prescriptions to Fee for Service Medicaid instead of the MCO PBMs. They were appreciative of the \$10.49 per prescription professional dispensing fee after years of underpayments through the managed care program.
3. **Prescribers were not affected by the carve out in West Virginia since the State had always had a common Preferred Drug List in place.** In Minnesota, the move to a common Preferred Drug List will reduce the administrative burden of dealing with multiple Preferred Drugs Lists, multiple prior authorization criteria and prior authorization help desks, and expedite prior authorization service for pharmacy providers, Medicaid prescribers and Minnesota Medicaid members.
4. **An actuarial report released in February 2019 by Navigant showed the following:**
 - **\$54.5 million in savings for WV Medicaid for SFY 2018**
 - **\$122 million injected into the pharmacy business community through dispensing fees.**

Concerns raised:

1. **MCOs had concerns regarding compromised Clinical Care Coordination** – From the outset, MCOs raised concerns that the WV Medicaid carve out would result in reduced clinical care coordination. WV Medicaid addressed this concern by opening their clinical portal to MCO care managers. The WV Medicaid portal is refreshed 4 times daily, ensuring that care managers have up-to-date prescription information for their patients. In addition, each MCO is provided a file of ‘prescriptions dispensed’ daily.
2. **MCOs raised the issue of disruption of services**-This was not an issue in West Virginia and should not be with adequate preparation, including system testing, loading patient history and prior authorization files. Adequate notifications to pharmacies and prescribers will prevent any disruption of services to members.

3. **340B entities may have concerns about FFS payment methodologies**-This was not an issue in WV, but solutions have been found in other states in working toward a carve out and Fee for Service (FFS) payment methodology.

Carve Out Advantages:

1. The Medicaid Program has one Preferred Drug List which is advantageous for prescribers, pharmacy providers and patients. State run Preferred Drug Lists are generally inclusive than most PBM formularies since the State Medicaid Program is negotiating for all members.
2. Rebate files are generated from one source and are more accurate, resulting in increased Federal rebates for the State.
3. With one Preferred Drug List, all covered lives can be included in negotiations for supplemental rebates from manufacturers, further increasing revenue for the State.
4. Membership in a multi-state purchasing pool becomes an option and can substantially increase the number of lives included in the negotiations with resulting increases in rebates.
5. Pharmacies are paid at a fair rate and the revenue supports their business, their community, and the State.
6. Access for Medicaid members is increased because all enrolled pharmacies can afford to dispense medications to all Medicaid members.
7. Significant savings for the Medicaid Program and taxpayers.

Submitted by,

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