



# Overview: Minnesota Medicaid Prescription Drug Purchasing

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# Pharmacy is a significant budget item for Medicaid



**\$560.2B**

In Health  
Services  
Spending

**\$60.8B**

In Gross  
Pharmacy  
Spending



**\$12.7B**

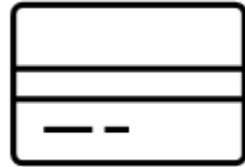
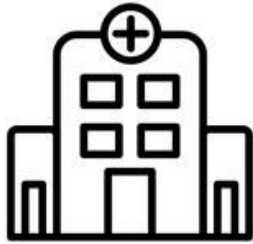
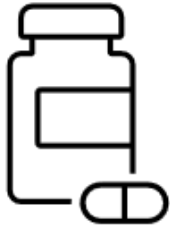
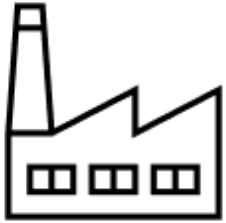
In Health  
Services  
Spending

**\$869M**

In Gross  
Pharmacy  
Spending

Source: [KFF](#), [MACPAC](#)

# Medicaid pharmacy is complex involving many actors



# Hypothetical Minnesotan

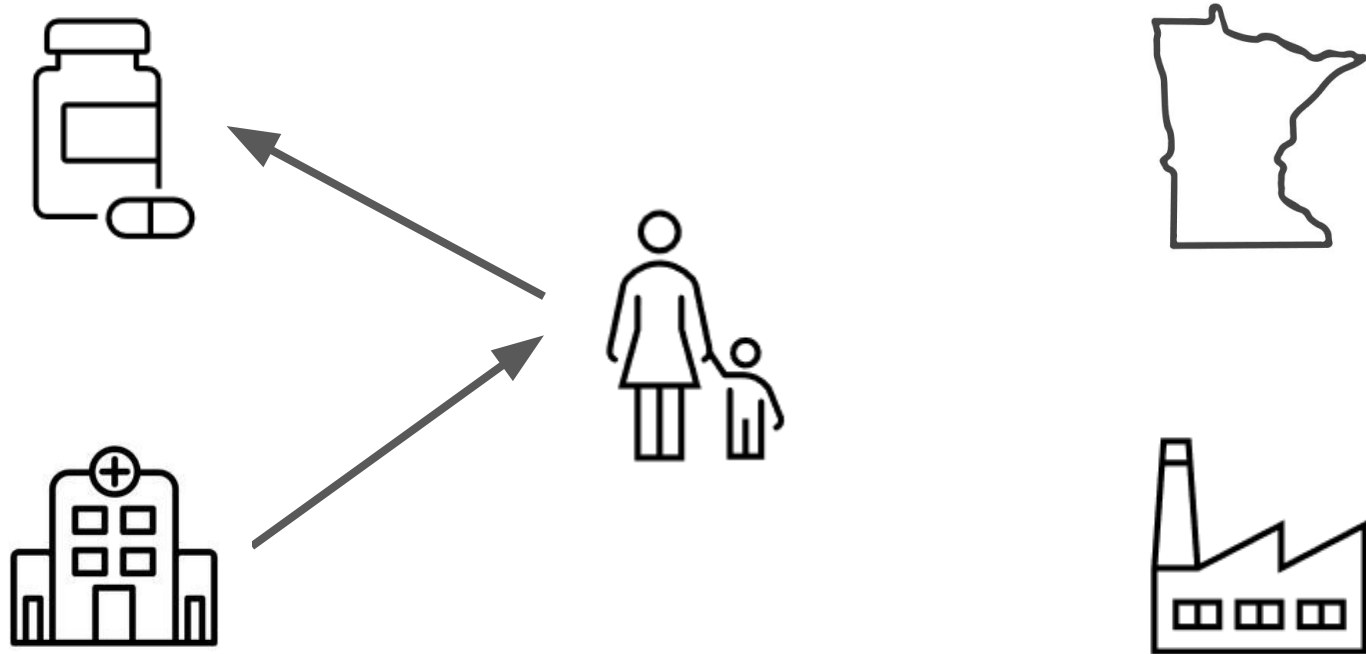


Nan is a 40-year old Medicaid patient

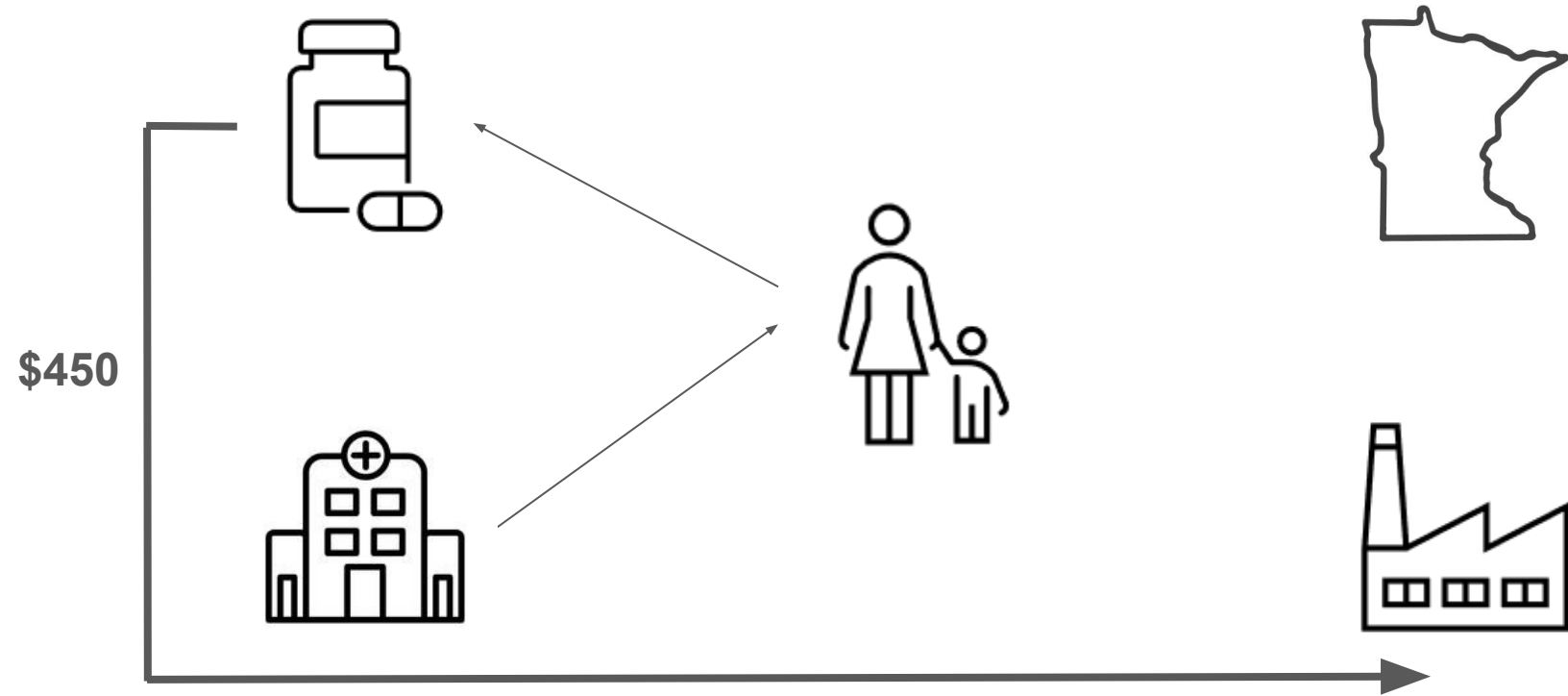
She takes oral Eliquis to treat atrial fibrillation

List price is approximately \$500/month

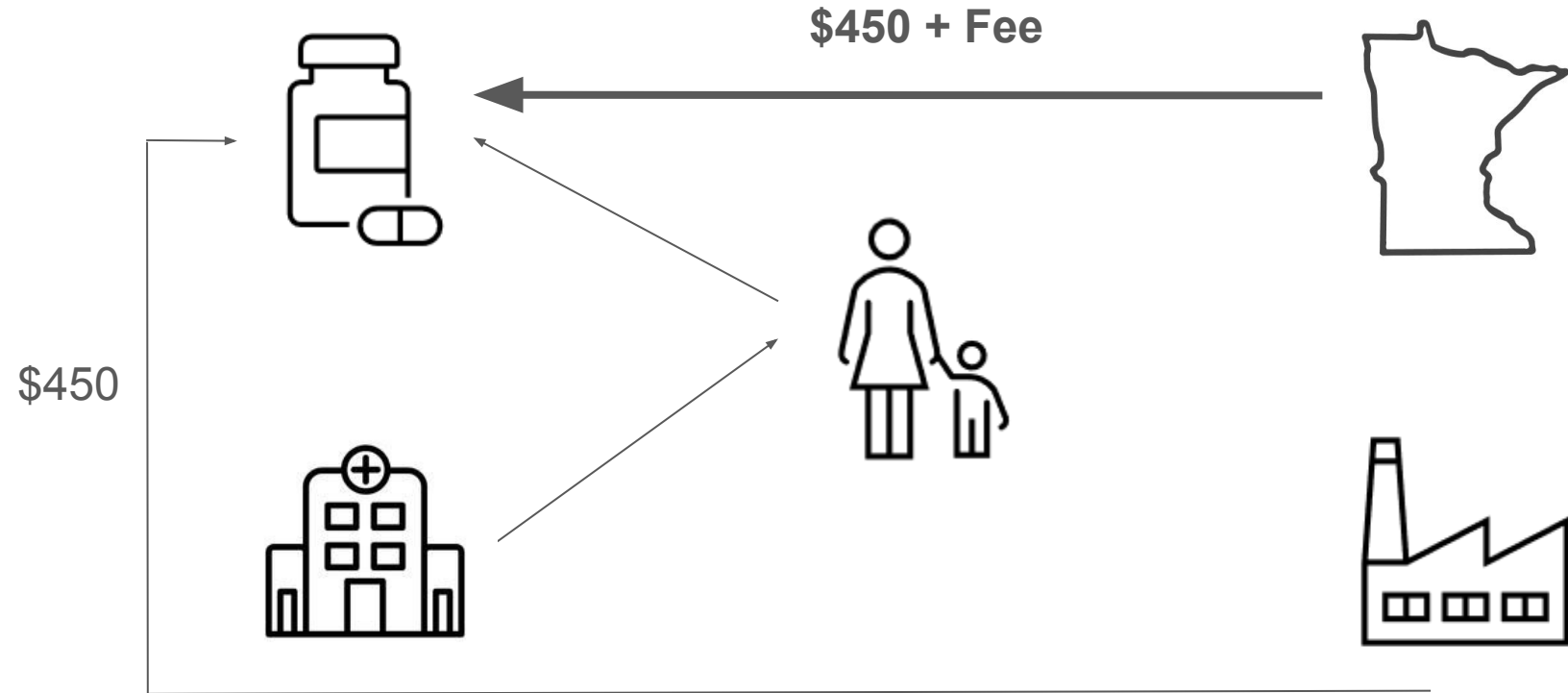
# How pharmacy benefits work in Minnesota under FFS



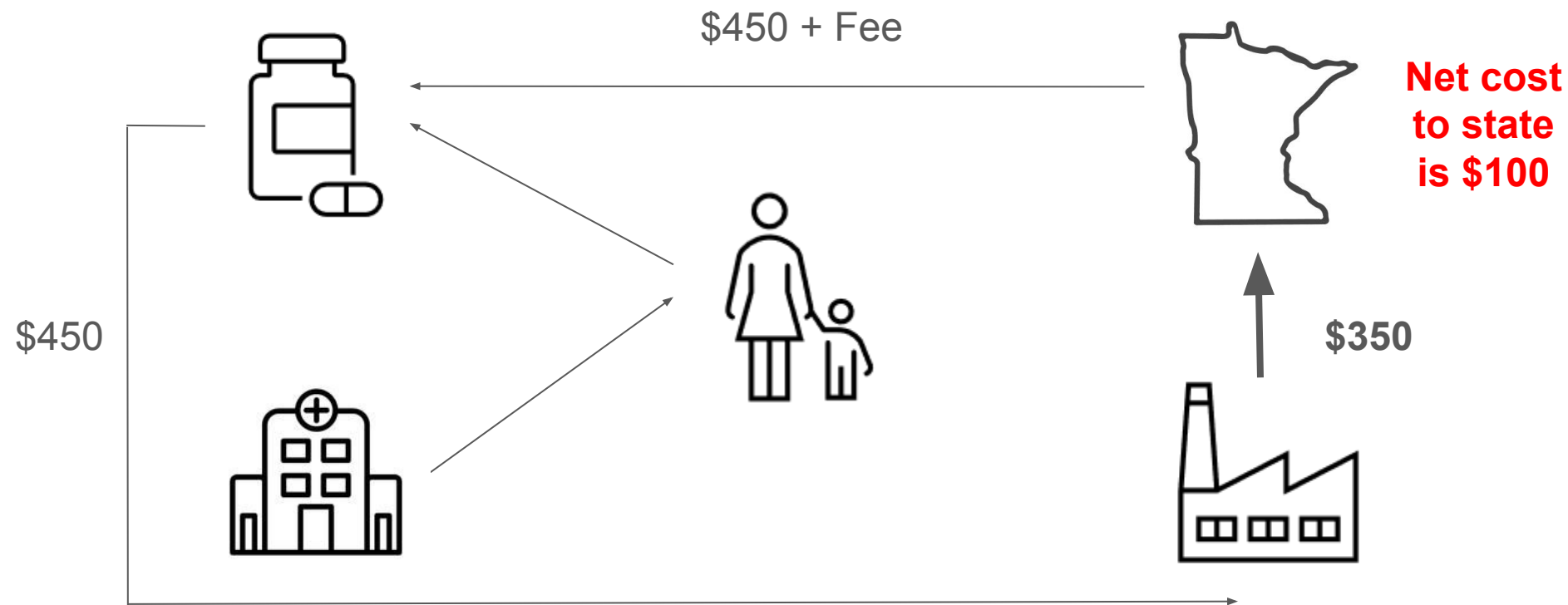
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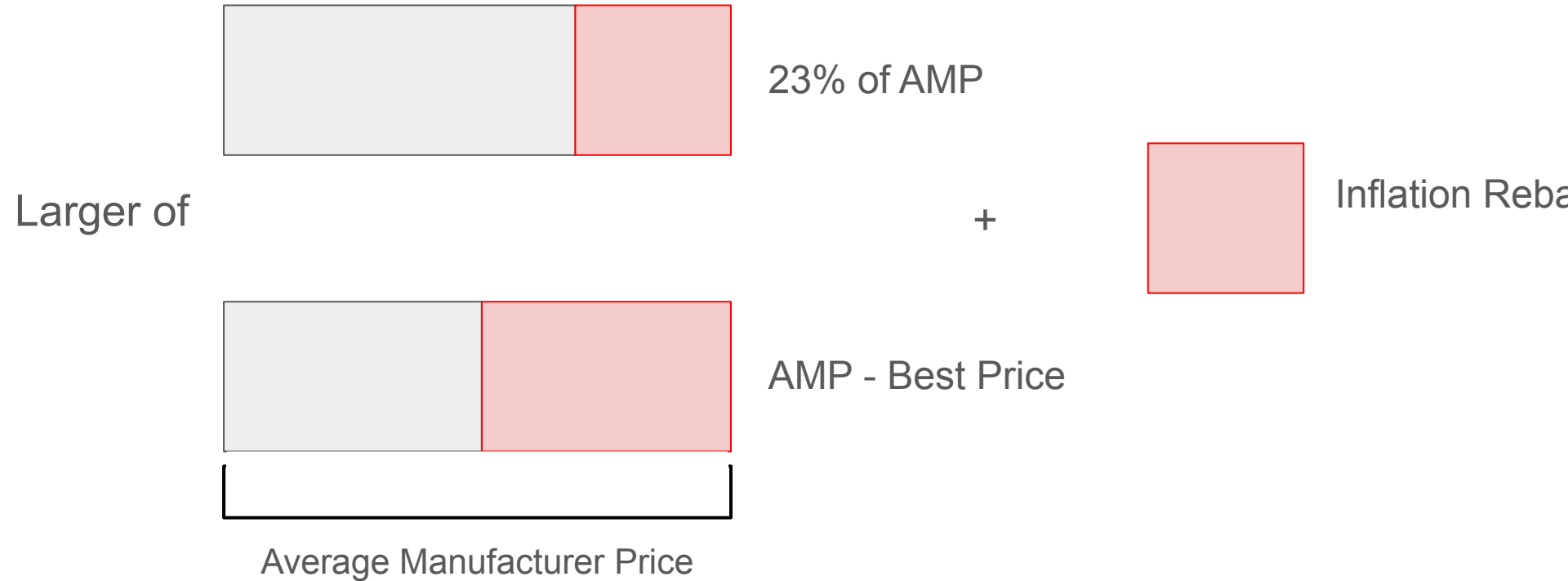


# How pharmacy benefits work in Minnesota under FFS





# How Medicaid drug rebates work



# How Medicaid drug rebates work



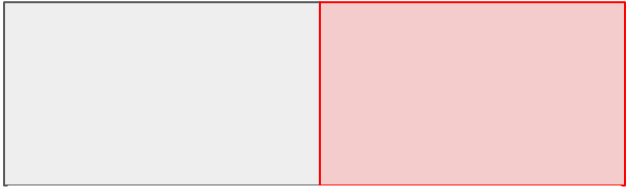
23% of AMP

Larger of

+



Inflation Reba



AMP - Best Price



Average Manufacturer Price

**51% price reduction**  
vs.  
**21% in Medicare**  
**12% in Commercial**

Source: [Altarum](#)

# Medicaid rebates are economically significant



SOURCE: MACPAC, *Medicaid Drug Spending Trends*, February 2019.

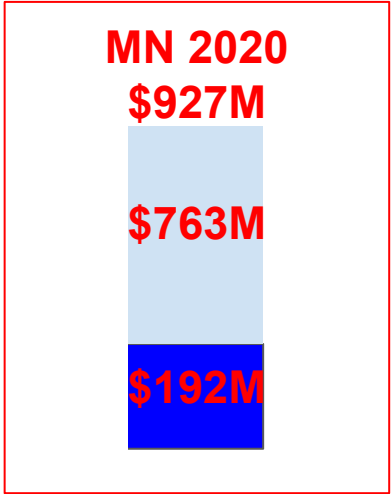


Source: [KFF](#), CMS-64

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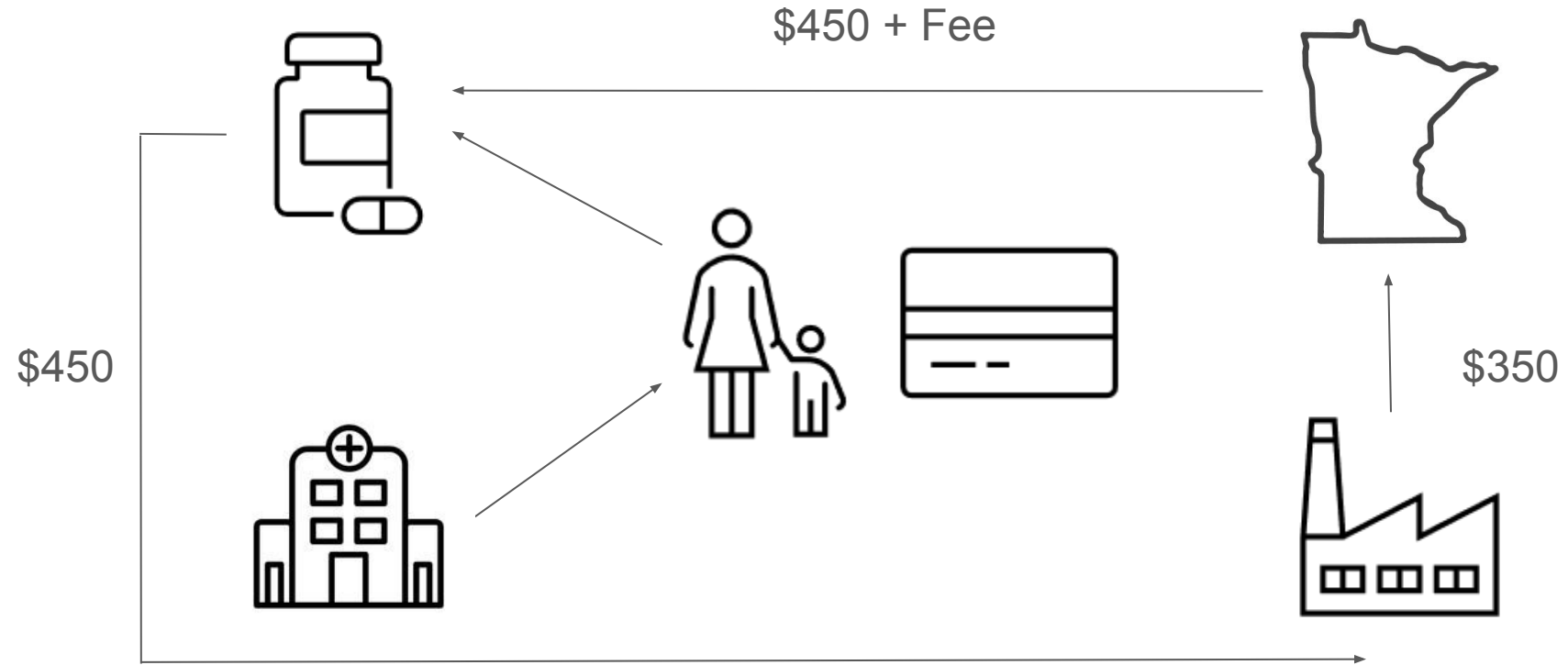


SOURCE: MACPAC, *Medicaid Drug Spending Trends*, February 2019.

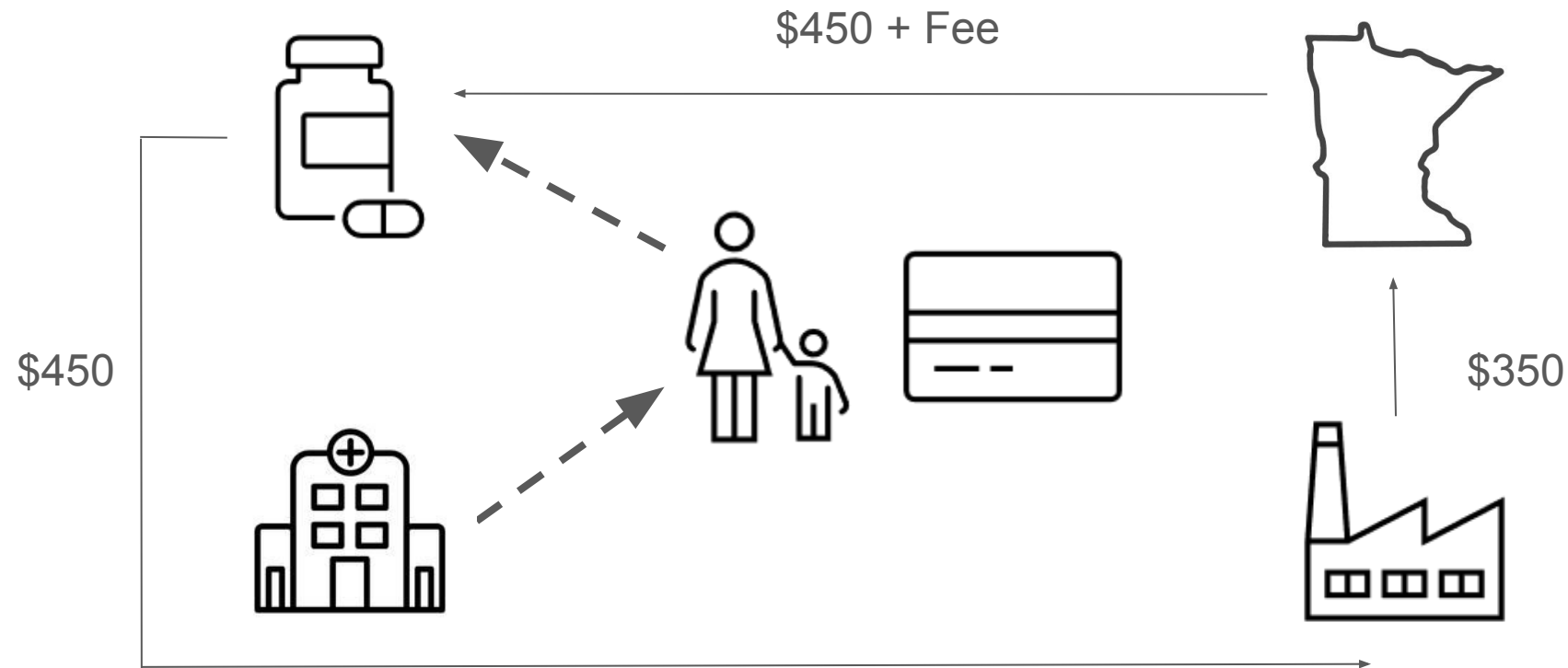


Source: [KFF](#), CMS-64

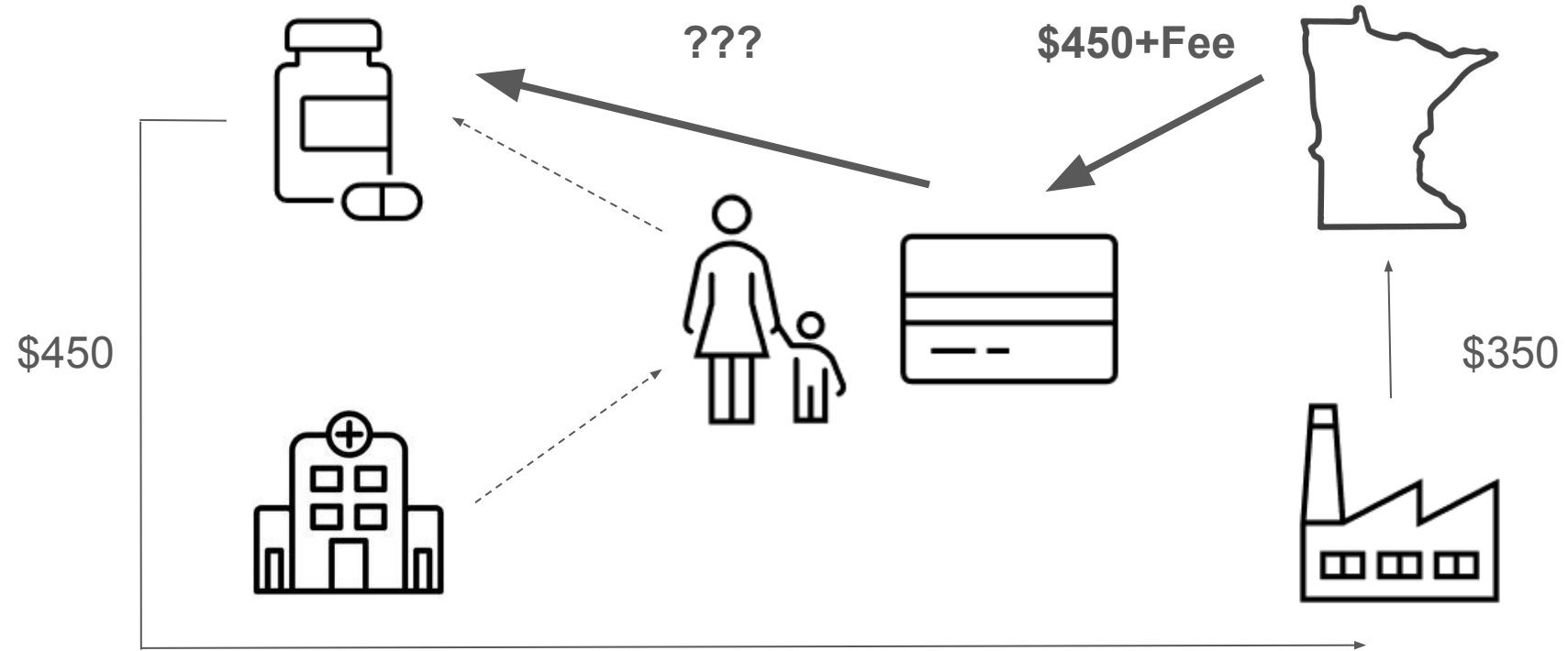
# How pharmacy benefits work in Minnesota under MC



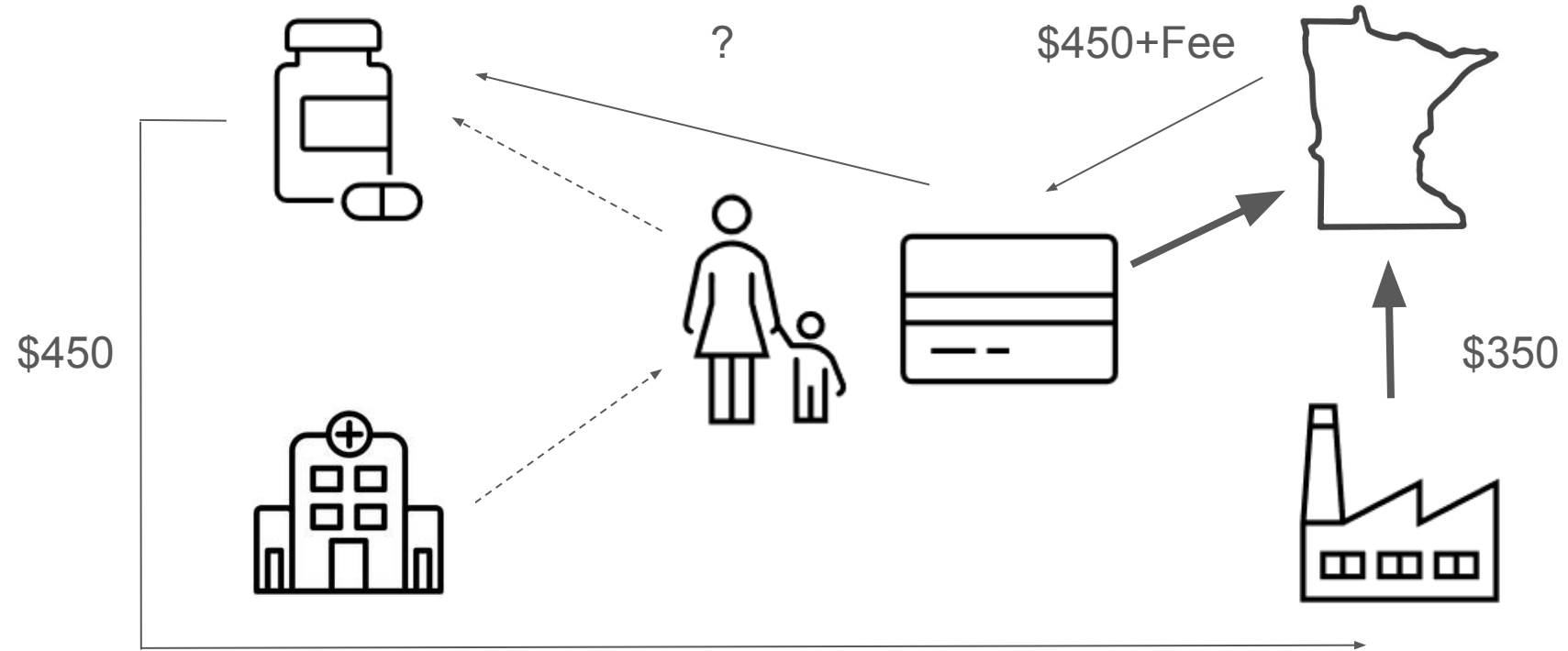
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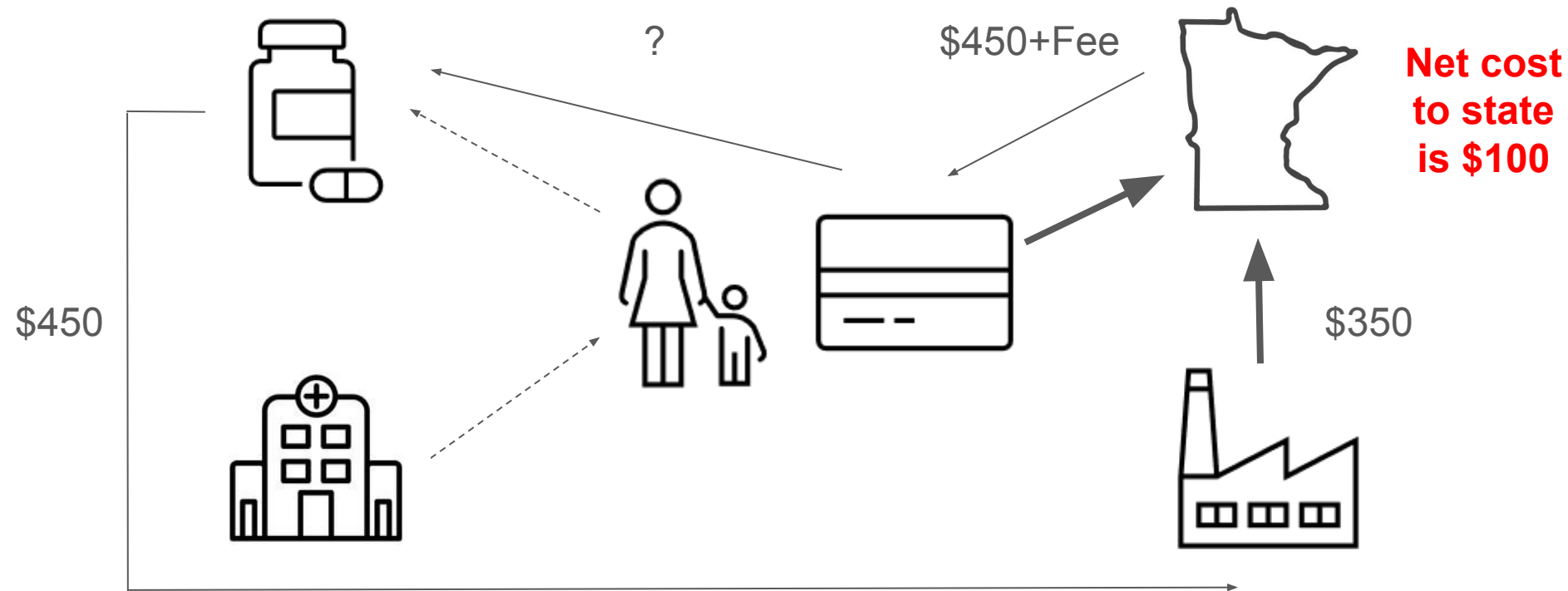


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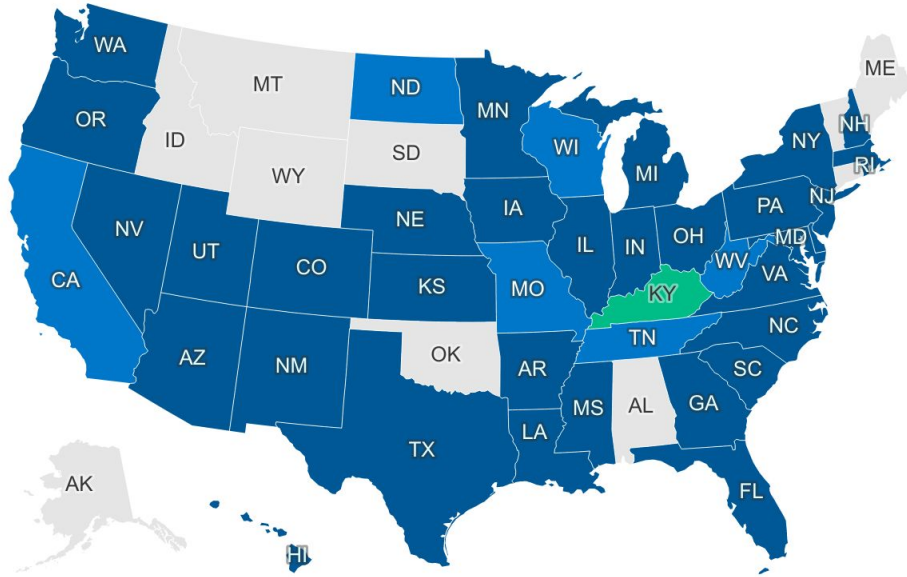


# How pharmacy benefits work in Minnesota under MC



# Administering pharmacy through MC is a popular option

■ Generally carved in (34 states including DC) ■ Carved out (6 states) ■ Hybrid model (1 state) ■ No comprehensive capitated MCOs (10 states)



## Advantages

Predictable expenditures

Continuity for beneficiaries

Administrative support and flexibility

Supplemental rebates

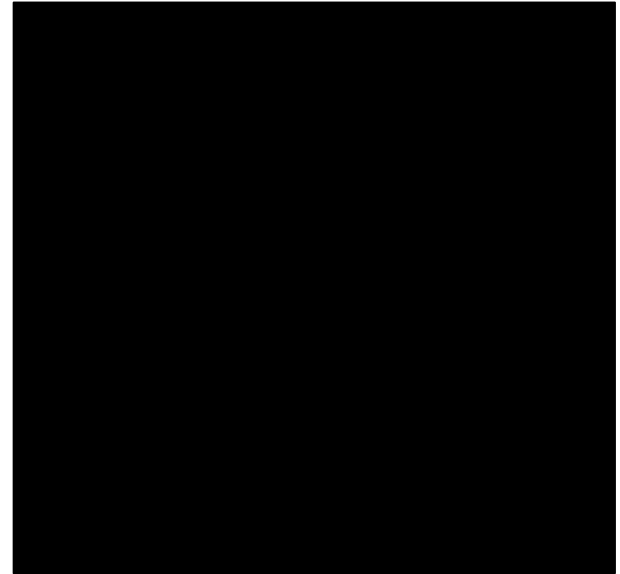
Source: [KFF](#)

# Disadvantages of MC pharmacy administration

Lack of transparency and control for states

Leakage of state dollars to a complex pharmaceutical supply chain (PBM spread pricing)

Interactions with other drug discount programs



# The 340B Program

Requires manufacturers to provide discounts on drugs to certain safety-net providers so that they can ...

“stretch scarce federal resources as far as possible **reaching more eligible patients** and providing **more comprehensive services.**”

Source: HRSA

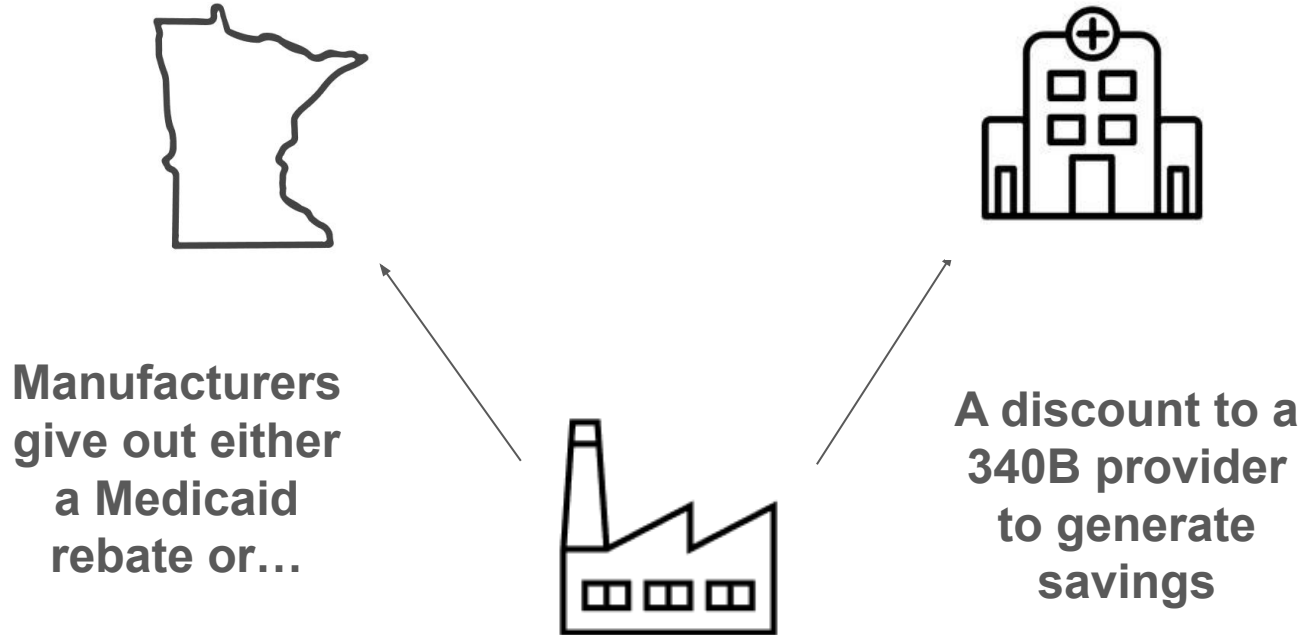
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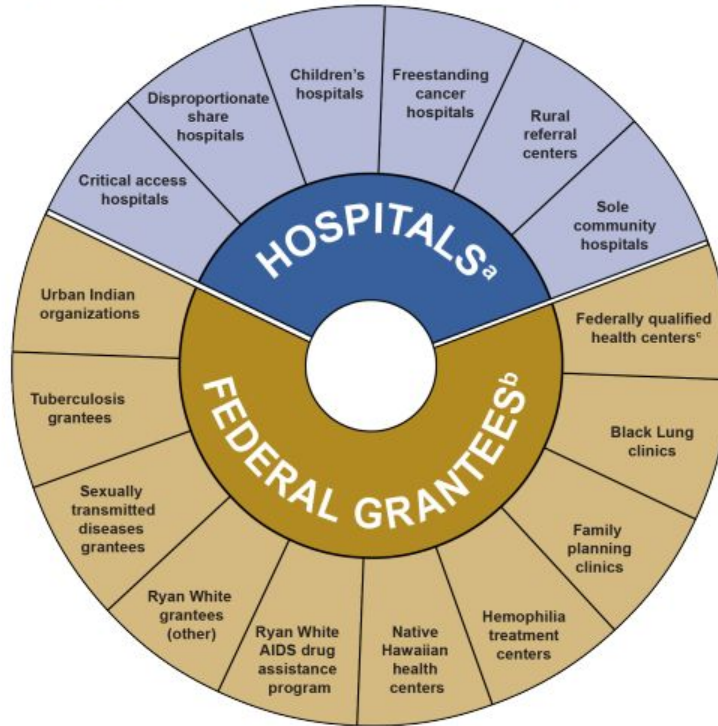
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**340B discounts ~ Medicaid Rebates**

# 340B savings compete with Medicaid rebates

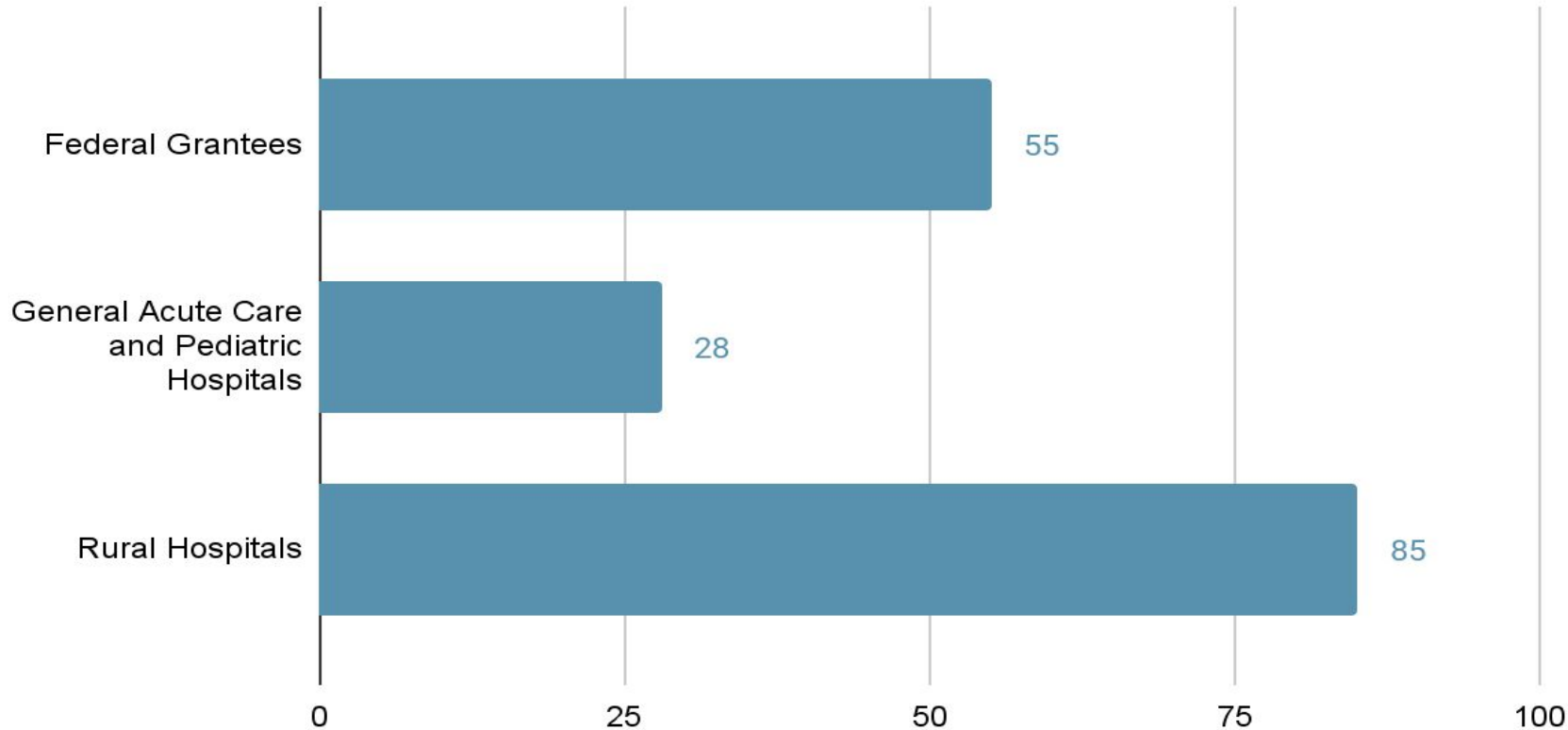


# Types of providers eligible to participate in 340B



Source: GAO

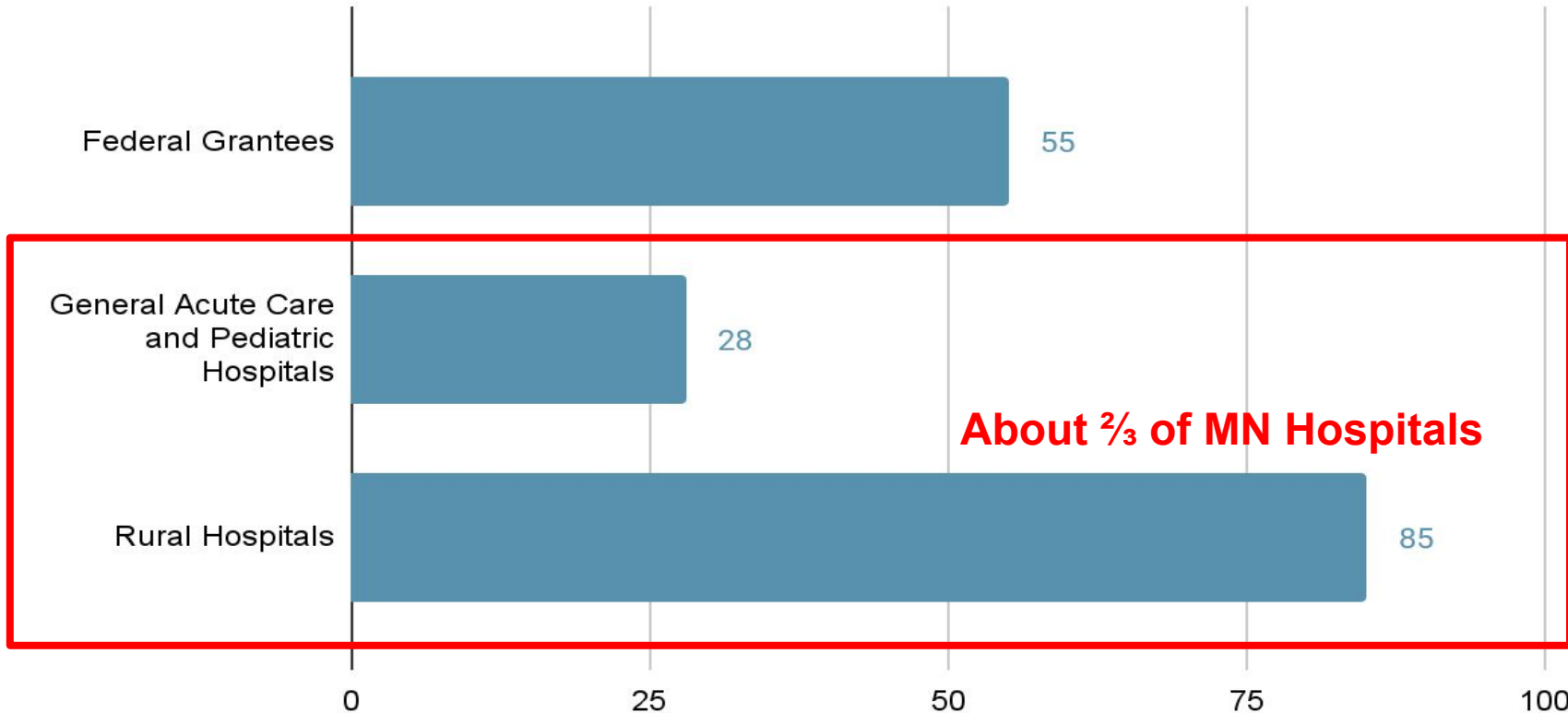
## 340B Participants in Minnesota by Type



Source: HRSA

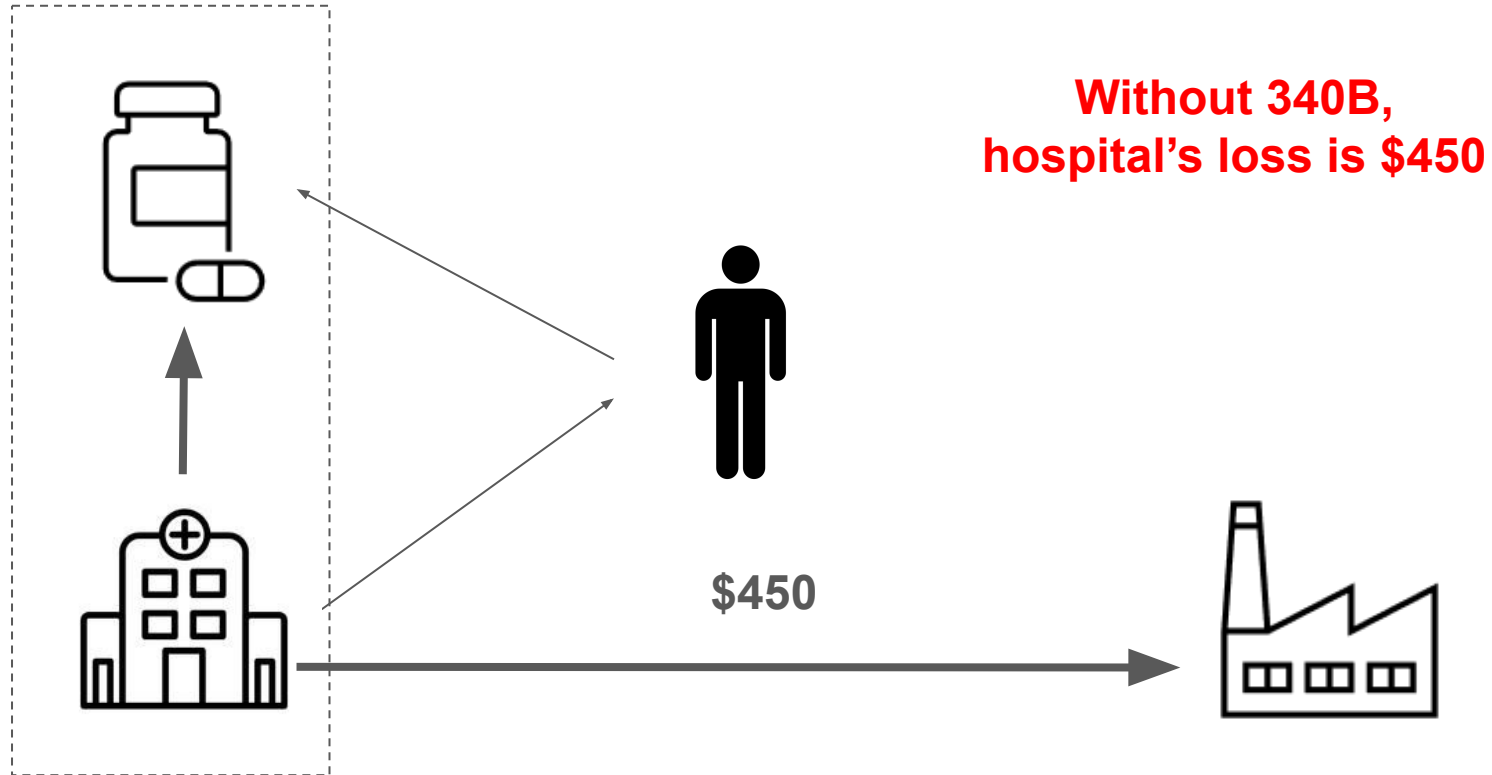


## 340B Participants in Minnesota by Type

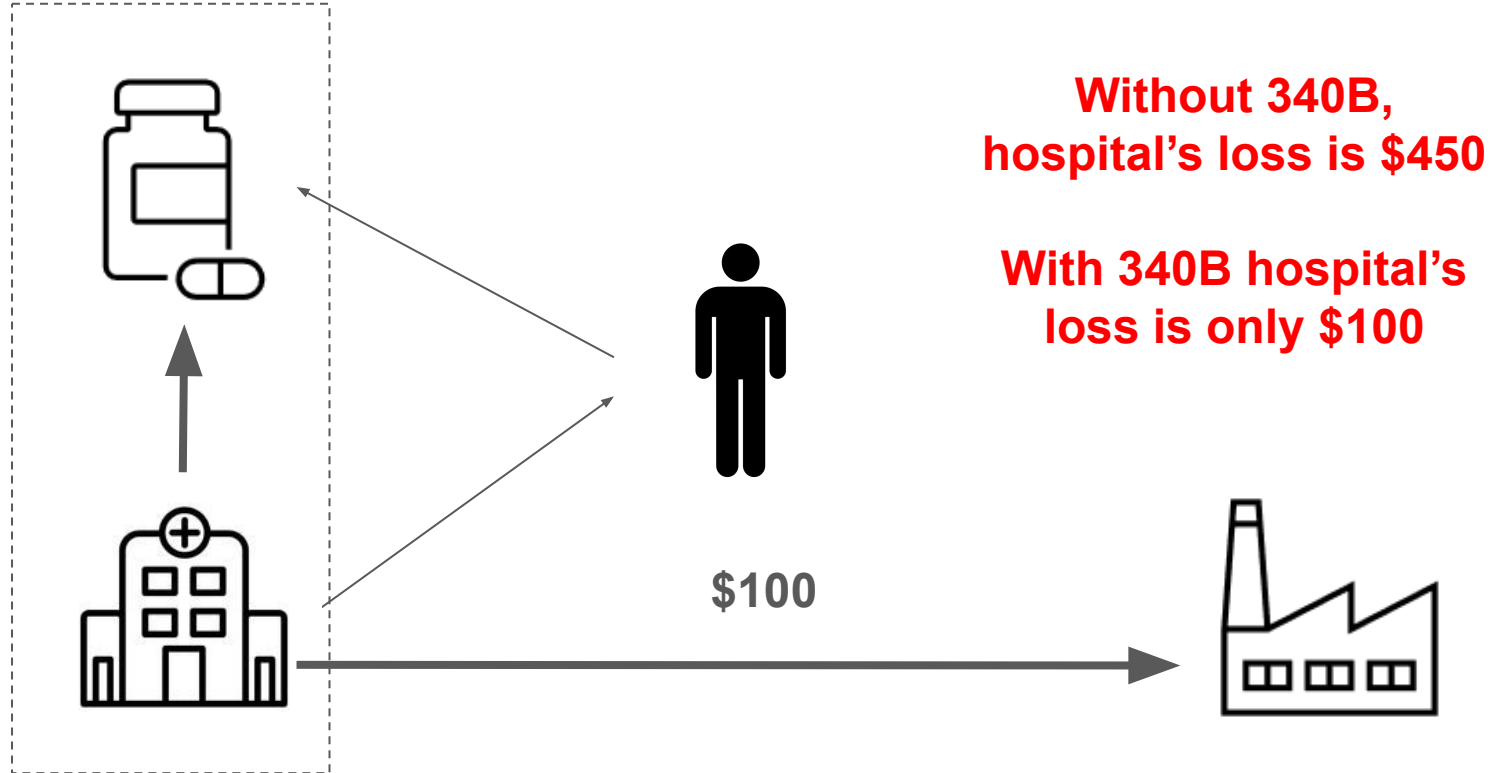


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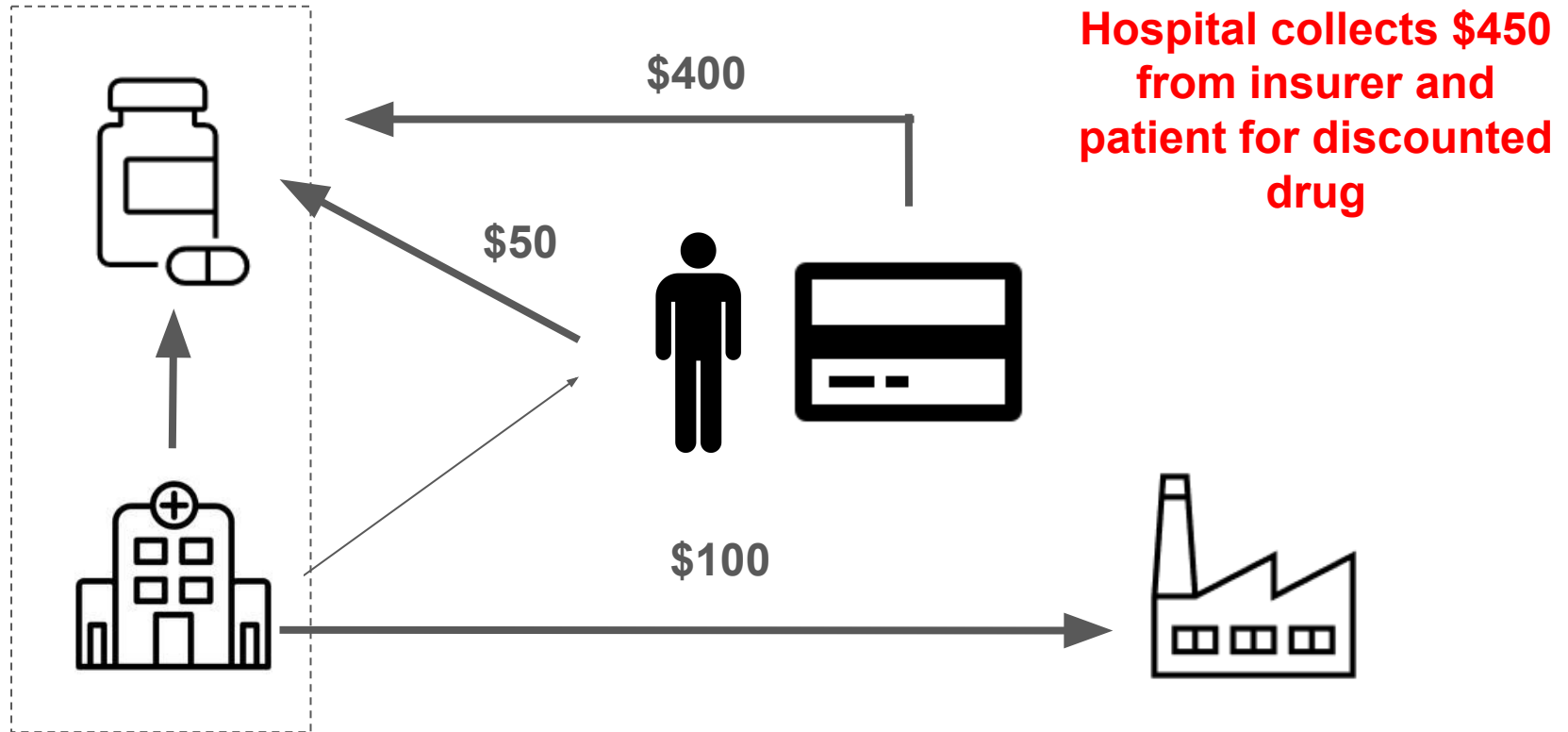
# 340B lowers cost of providing care to indigent patients



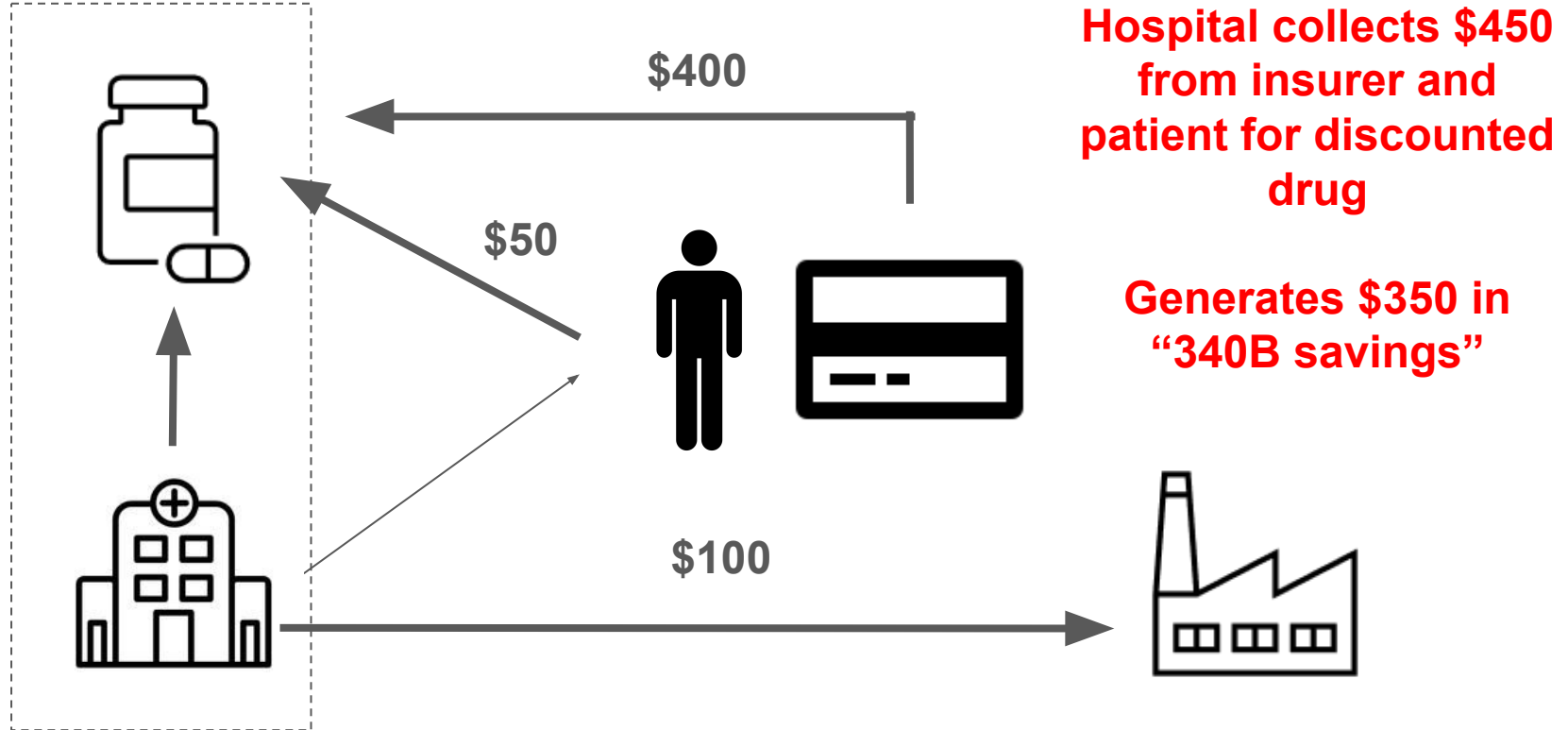
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# 340B also provides a subsidy from billing insurers



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# The size of total 340B savings is unknown

## 340B DRUG PRICING PROGRAM, PURCHASES BY COVERED ENTITIES, 2022

Entity type	Total 2022 purchases at 340B discounted prices	Share of total 2022 purchases	Change in total purchases vs. 2021
<b>Hospital</b>			
• Disproportionate Share Hospitals	\$41,818,751,617	77.9%	+22.0%
• Children's Hospitals	\$1,662,587,169	3.1%	+25.0%
• Rural Referral Centers	\$1,327,392,962	2.5%	+13.1%
• Critical Access Hospitals	\$743,195,969	1.4%	+19.7%
• Sole Community Hospitals	\$516,652,406	1.0%	+14.4%
• Free-standing Cancer Centers	\$420,119,631	0.8%	+38.2%
<i>Subtotal</i>	\$46,488,699,754	86.5%	+21.8%
<b>Federal Grantee</b>			
• Consolidated Health Center Programs	\$2,766,861,692	5.2%	+24.9%
• Ryan White HIV/AIDS Program Grantees	\$2,583,009,095	4.8%	+18.5%
• Sexually Transmitted Disease Clinics	\$1,200,458,142	2.2%	+37.8%
• Comprehensive Hemophilia Treatment Center	\$317,598,376	0.6%	+65.3%
• All other	\$359,191,705	0.7%	+26.2%
<i>Subtotal</i>	\$7,227,119,010	13.5%	+25.8%
<b>Total</b>	<b>\$53,715,818,764</b>	<b>100.0%</b>	<b>+22.3%</b>

Source: Drug Channels Institute analysis of data from Health Resources and Services Administration. Purchases exclude sales made directly to healthcare institutions by manufacturers and some sales by specialty distributors. Data for purchases at discounted prices show value of purchases at or below the discounted 340B ceiling prices.

Source: [Drug Channels](#)

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List price value of purchases was \$106B in 2022

Implies 340B savings *could* be as large as \$52B per year

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Total spent on Medicaid DSH in 2022 was \$18B

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Source: [Drug Channels](#)



# How do states handle 340B discounts in Medicaid FFS?

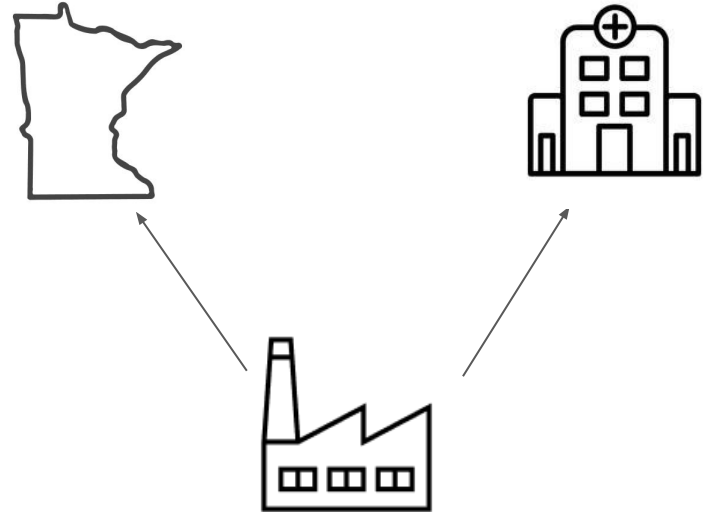
Duplicate discounts are not allowed

States decide if and when 340B discounts are used and require price passthrough

Rising number of states with written policies on 340B over time:

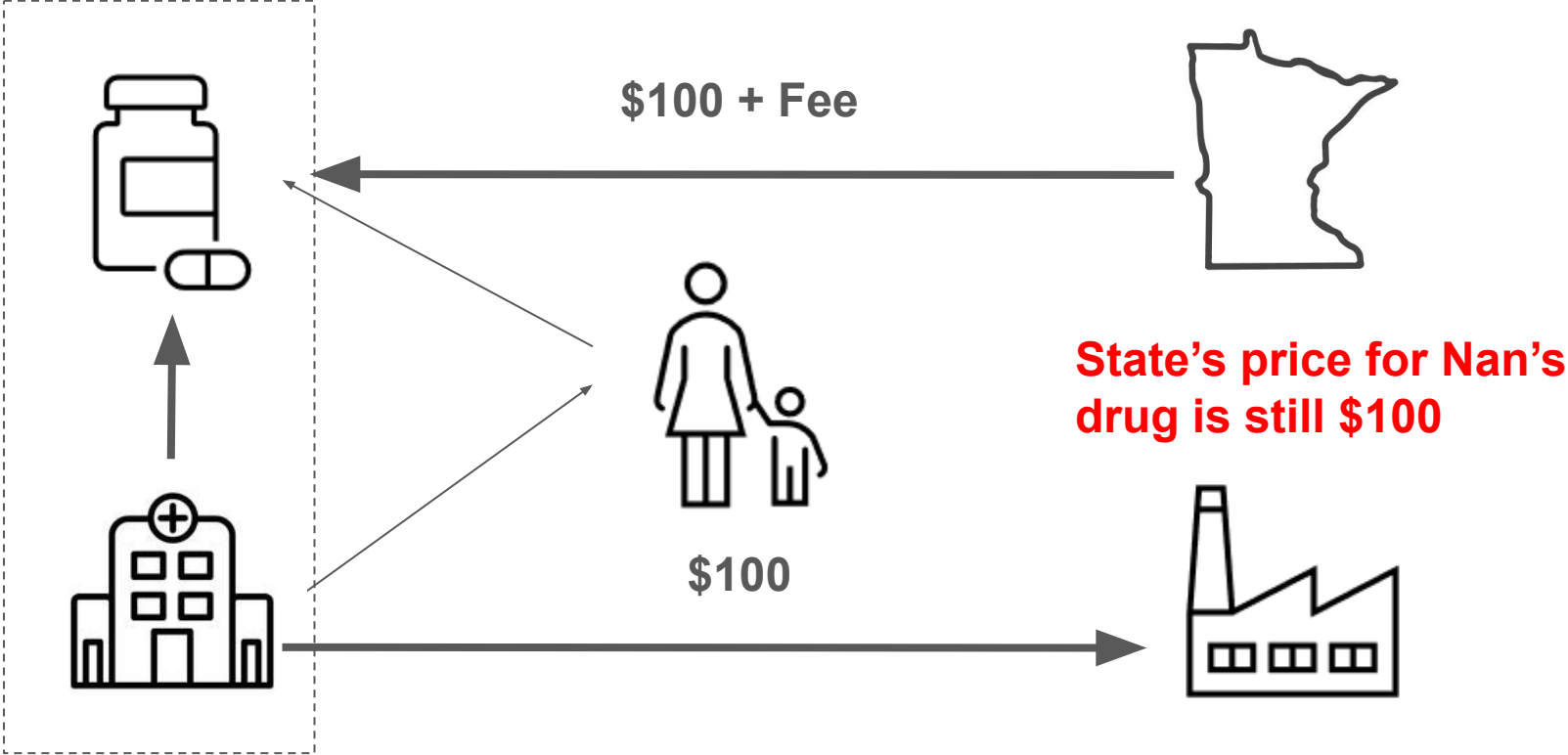
26 in 2011

48 in 2019

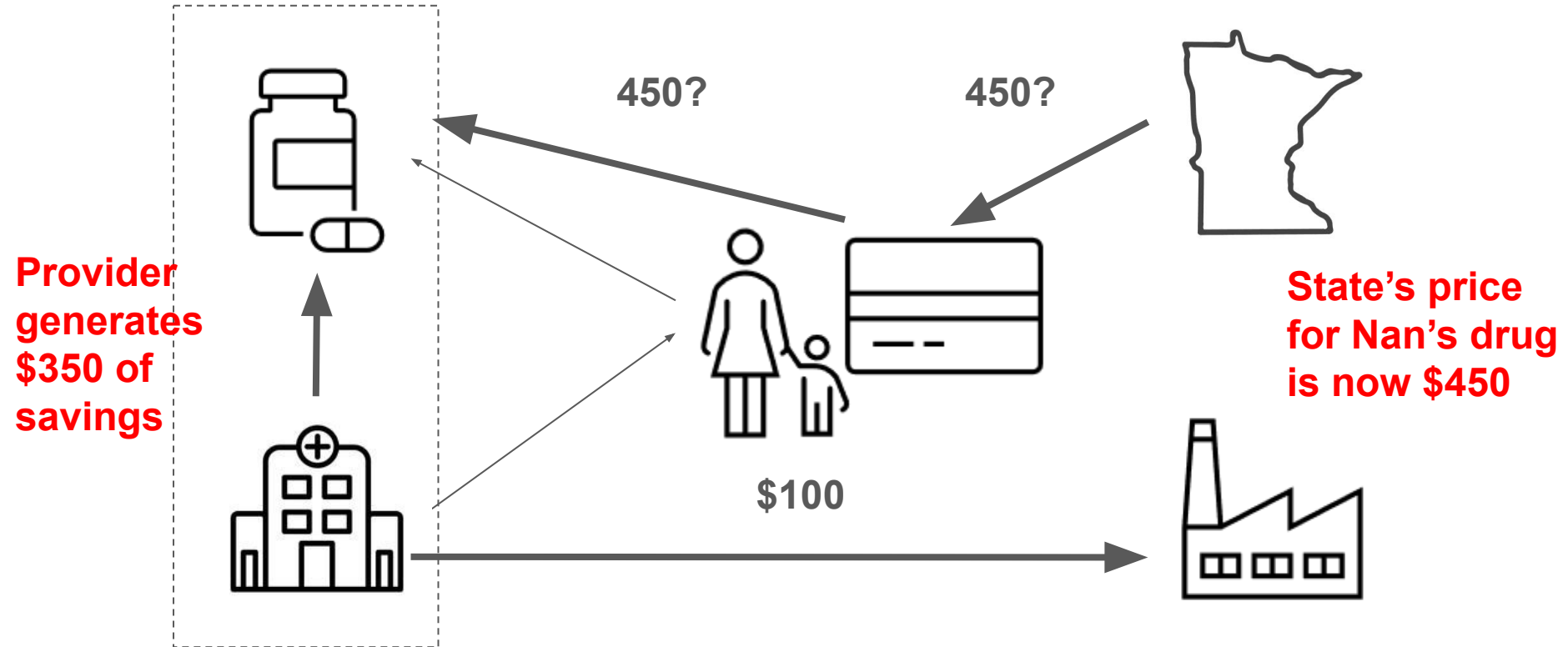


Source: [KFF](#), [OIG](#)

# Since 2017, Feds set reimbursement at 340B price in FFS



# Fed policy does not appear to apply to MC



# Law prevent MCOs from passing 340B savings to state

A pharmacy benefit manager or health carrier must not reimburse an entity or a pharmacy under contract with such an entity participating in the federal 340B Drug Pricing Program differently than other similarly situated pharmacies.



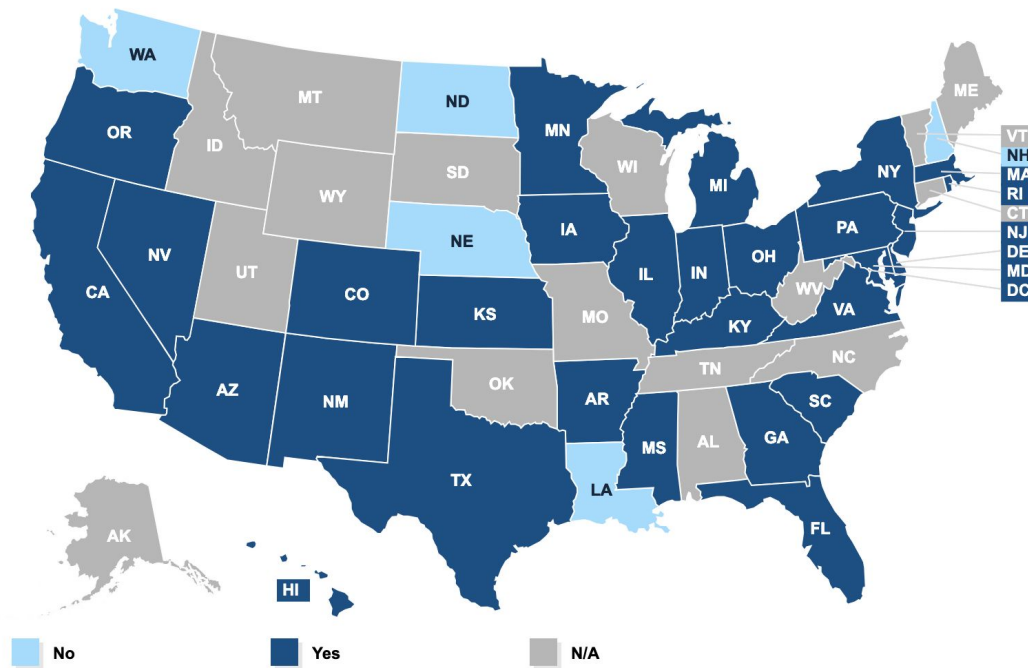
MN Revisor's Office (.gov)

<https://www.revisor.mn.gov> › statutes › cite ›

## Sec. 62W.07 MN Statutes

# Fewer states allow 340B discounts in Medicaid MC

## States allowing 340B Discounts in Medicaid MC, 2019



Source: [KFF](#)

# Key Questions

How big are 340B savings generated from Medicaid patients and how do 340B providers use these savings?

What do MCOs pay 340B providers?

How have MCOs reflected 340B pricing in their bids for MC contracts?

# New covered entity report will provide key information

685.22 Subd. 6. **340B covered entity report.** (a) Beginning April 1, 2024, each 340B covered  
685.23 entity, as defined by section 340B(a)(4) of the Public Health Service Act, must report to  
685.24 the commissioner of health by April 1 of each year the following information related to its  
685.25 participation in the federal 340B program for the previous calendar year:

685.26 (1) the National Provider Identification (NPI) number;

685.27 (2) the name of the 340B covered entity;

685.28 (3) the servicing address of the 340B covered entity;

685.29 (4) the classification of the 340B covered entity;

685.30 (5) the aggregated acquisition cost for prescription drugs obtained under the 340B  
685.31 program;

Federal attempts at 340B transparency in 2018 and 2022 have been unsuccessful.

Four states attempted 340B transparency legislation last session

Only one other state has passed transparency legislation

# Studies suggest no impact of 340B on safety-net care

Multiple **peer reviewed** studies find **no change** in a wide set of **safety-net engagement** measures **after hospitals participate in 340B**.

Several **peer reviewed** studies *do* find evidence of **strategic hospital behavior** to maximize **340B savings**

Hospitals are ***not*** required to share discounts with patients  
Hospital **eligibility** not based on safety-net engagement



# Key Takeaways

Medicaid drug procurement is complicated

Medicaid drug rebates are large and states

Medicaid managed care provides predictability in exchange for transparency

340B savings for providers and Medicaid rebates for states are competing

340B administration in Medicaid managed care may increase drug costs for the state



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