



# DEPARTMENT OF HUMAN SERVICES


Pharmacy benefits

# Optional vs. mandatory benefit

- Pharmacy optional Medicaid benefit for those older than 21
- Pharmacy is essentially a mandatory benefit for members under the age of 21
  - Early and Periodic Screening, Diagnostic and Treatment requires states to provide all Medicaid-covered, appropriate and medically necessary services, even optional benefits that aren't covered through the State Plan
  - Does not require coverage of experimental or investigatory services or drugs



# What drugs are covered?

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- Any FDA-approved prescription medication manufactured by a drug company that participates in the federal Medicaid Drug Rebate Program. If manufacturers participate in the rebate program, Medicaid must cover their drugs.
  - Limited exceptions exist.

# How DHS pays for prescription drugs

## **Fee for service**

- DHS processes the claims and pays providers directly.

## **Managed care organizations**

- DHS pays the managed care organizations to provide benefits to their enrollees. The MCO processes the claims and pays providers.



# How people we serve access drugs



## Outpatient pharmacy

- Drugs dispensed by a pharmacy for self-administration or consumption
- Billed by the pharmacy as a pharmacy claim



## Provider administered

- Drugs administered to a member by a provider in an outpatient clinic or facility
  - Many of the drugs require administration by a provider, are accompanied by other concurrent treatment or require closer monitoring.
- Billed by the provider as part of the medical claim

# How pharmacy reimbursement works



**Parts**  
(the cost of the medication itself)



**Labor**  
(the cost of dispensing drugs)



# How can the pharmacy benefit be managed?

## Prior authorization

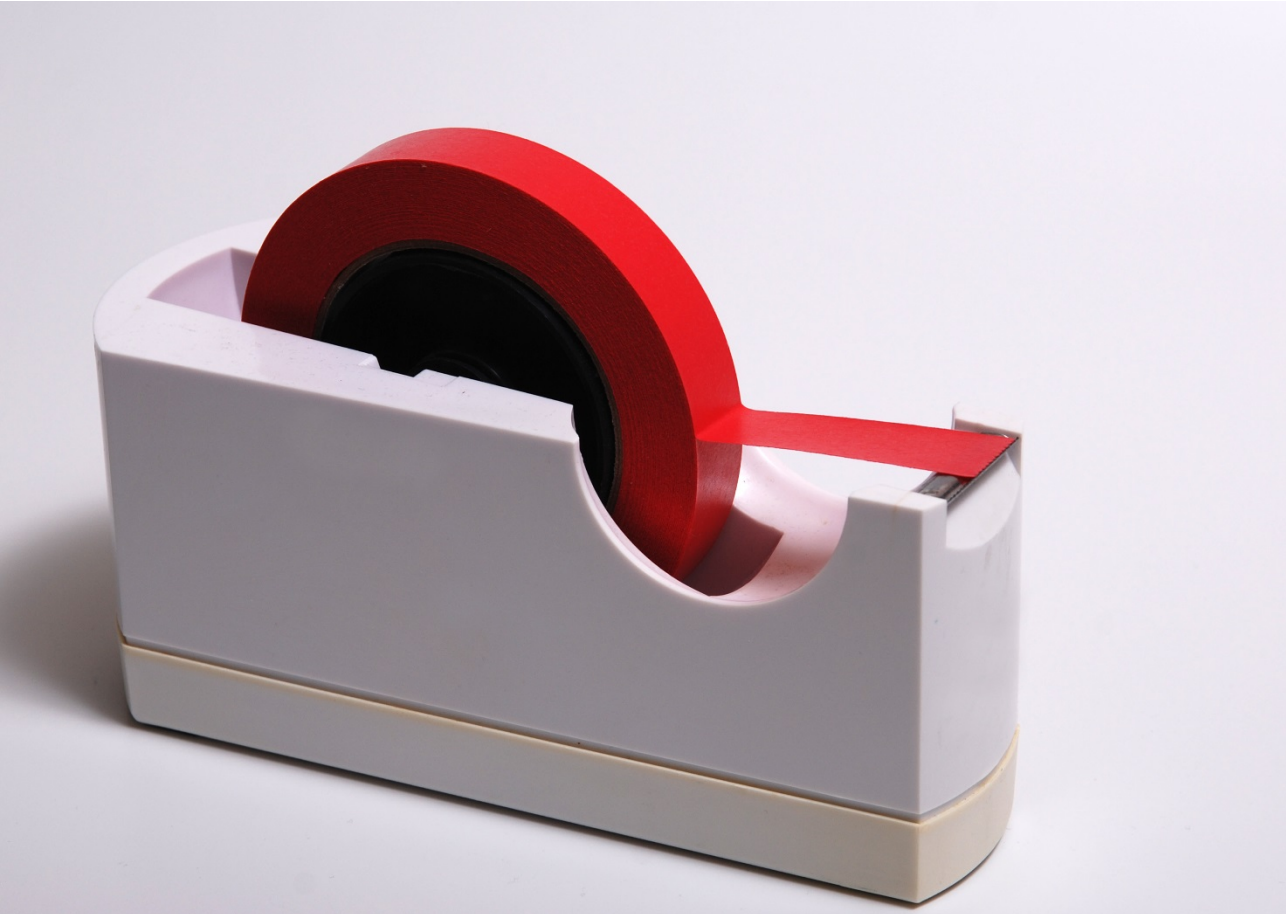
Ensures the drugs are safe, effective and the most cost advantageous option (when applicable). Promotes appropriate utilization and program integrity.

## Preferred drug list

Similar to prior authorization but generates supplemental drug rebates.



# Federal Medicaid Rebate Program



- Complicated process
- Rebate given to the state then shared with the federal government
- Average manufacturer price:
  - Brand name drugs: 23.1%
  - Generic drugs: 13.1%



# Federal Medicaid Rebate Program

- Federal law prohibits state Medicaid programs from talking about drug prices, rebate amounts and the average manufacture price
- Only allows sharing of aggregate information
- Limits transparency on actual costs of drugs



# Pharmacy snapshot: state fiscal year 2018



**825,000:** Medical Assistance members filled at least one prescription



**\$1.1 billion:** Outpatient prescription drug expenditures (excluding rebates)



**\$600 million:** Federal Medicaid drug rebates Minnesota collected



# DEPARTMENT OF HUMAN SERVICES

Compliance with outpatient drug rule

# Timeline

## February 2012

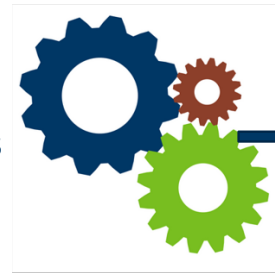
CMS issues proposed outpatient drug rule to ensure the federal government's payments for prescriptions are based on actual drug costs.

## Winter/spring 2017

Governor's budget includes a proposal to comply with the rule. Included in Conference Committee and Governor positions but not final bill.

## Sept. 29, 2017

Minnesota issues response letter indicating the agency believes it is in compliance at this time.



## February 2016

CMS issues final outpatient drug rule effective April 1, 2017.



## Aug. 30, 2017

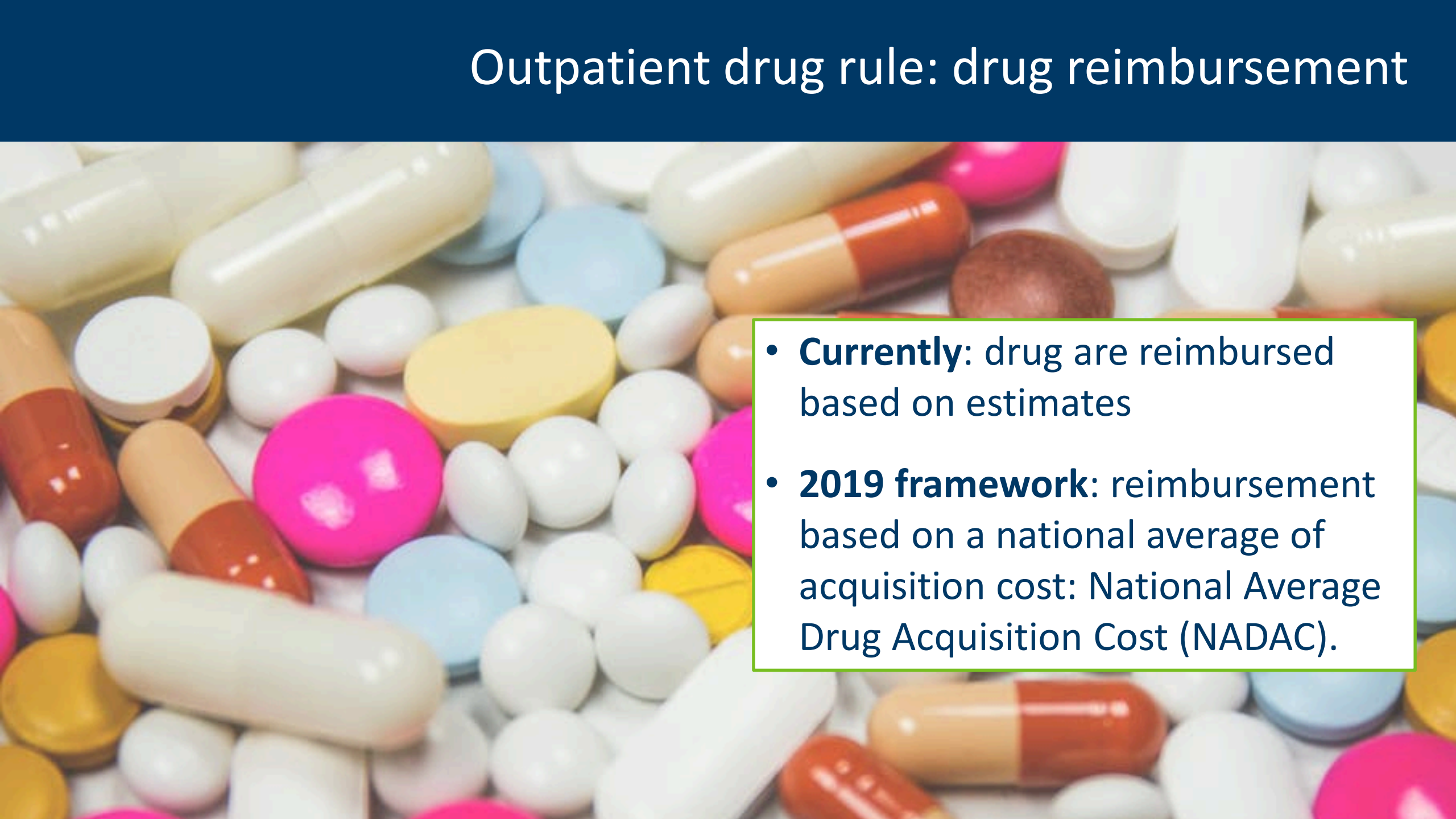
CMS issues letter inquiring about status of Minnesota's State Plan Amendment to comply with rule.



## May 18, 2018

CMS confirms via email it considers Minnesota out of compliance and indicates CMS has the option of withholding federal financial participation.

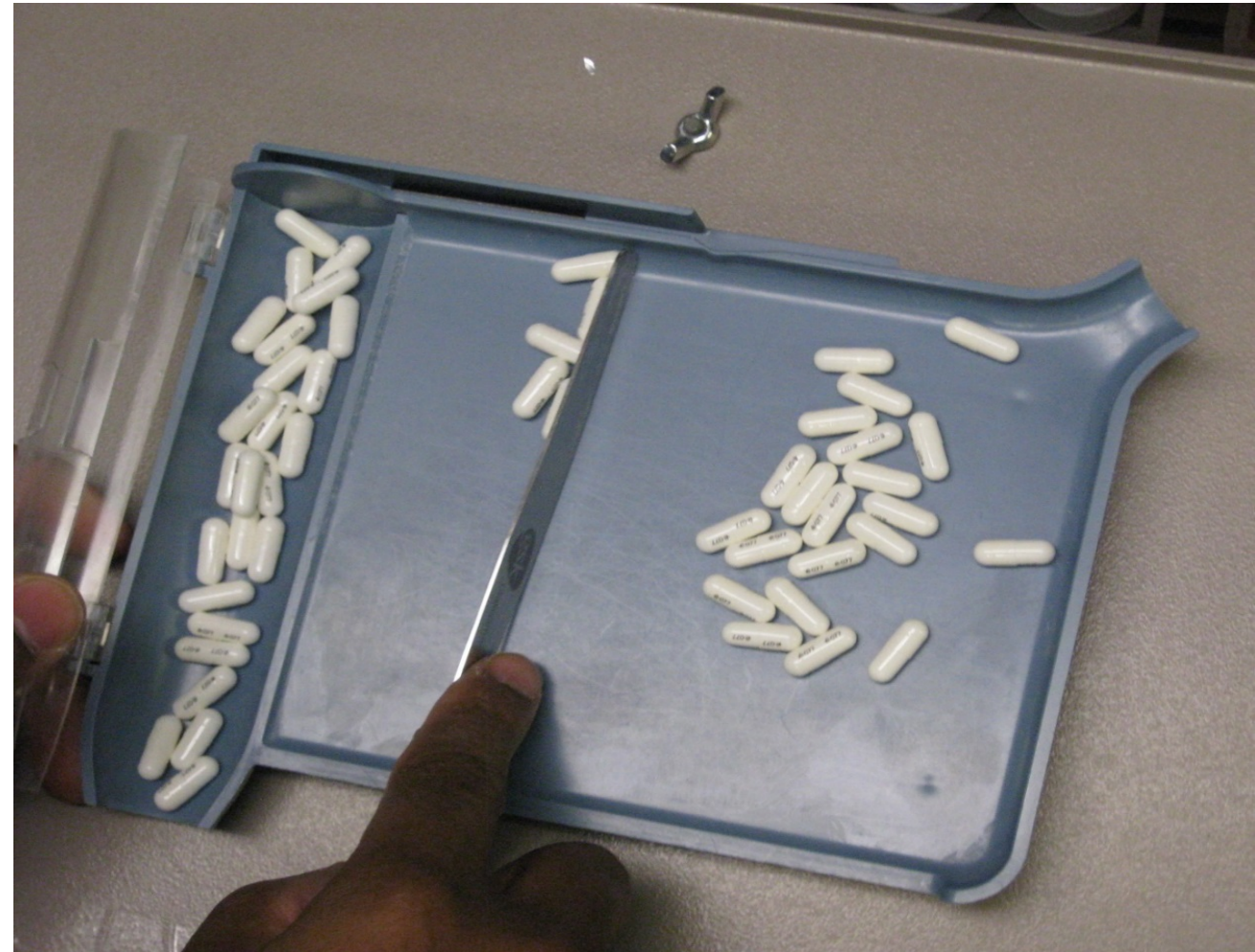
# Outpatient drug rule: drug reimbursement

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- **Currently:** drug are reimbursed based on estimates
  - **2019 framework:** reimbursement based on a national average of acquisition cost: National Average Drug Acquisition Cost (NADAC).



# Outpatient drug rule: dispensing fees

- **Currently:** \$3.65 per prescription
- **2019 framework:** \$10.48 per prescription (based on survey data from similarly situated state: Indiana)
- Establish ongoing cost-of-dispensing surveys for Minnesota pharmacies every three years to ensure accuracy of dispensing costs



# Stakeholder engagement

## 2% add-on tax for pharmacies

- To cover tax passed on by drug wholesalers to pharmacy providers
- Requires federal approval

## Supplemental payments to 340B providers

- Ongoing supplemental funding to 340B providers to prevent barriers to accessing care for enrollees



# Outpatient drug rule: hemophilia clotting factor



Repeals a statute prohibiting DHS from managing hemophilia clotting factor on the state's Preferred Drug List



Savings can be achieved through supplemental drug rebates or a market shift to less expensive, therapeutically appropriate alternatives

# Thank you

## Questions?