

Alabama Medicaid Pharmacy Study Commission



State-by-State Comparison

October 10, 2013

Objective



To compare Alabama Medicaid's
pharmacy program to other state
Medicaid programs

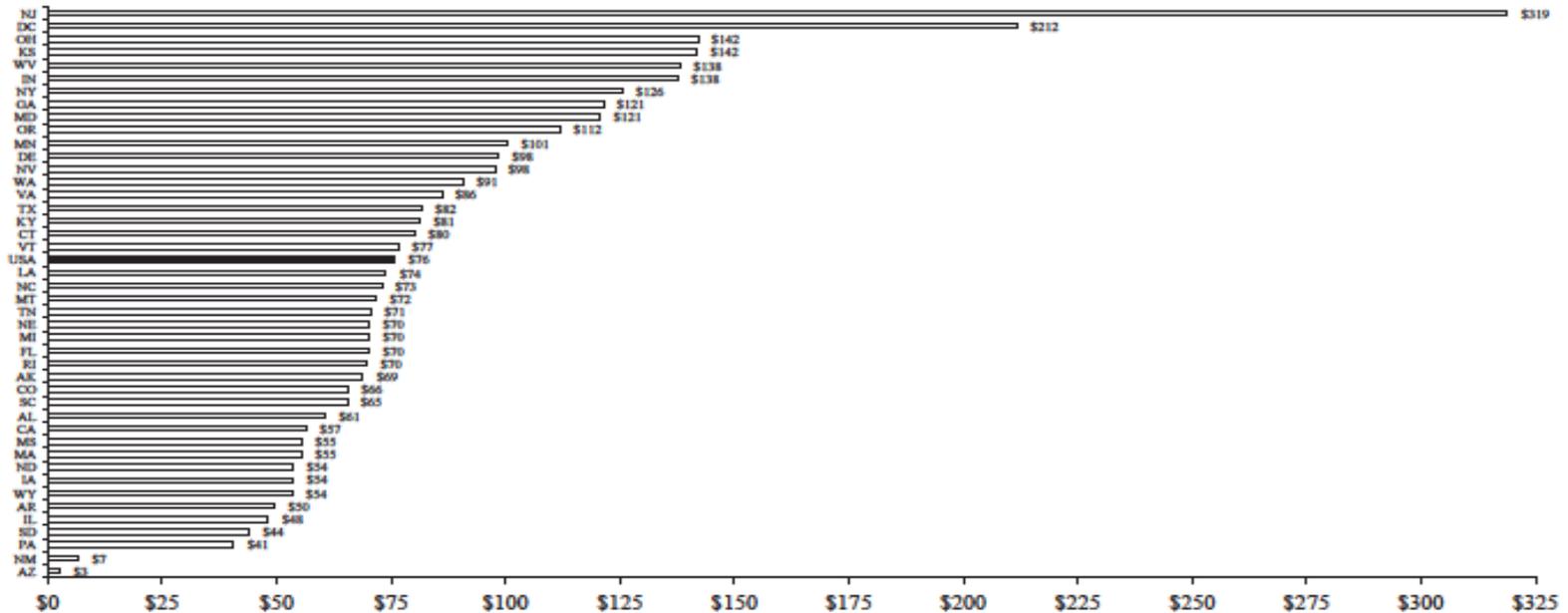
Data Collection Process



- One unified data source not readily available; recent data largely unavailable
- Focus on cost per unit of outpatient drug
- Data sources
 - MSIS data
 - Medicaid State Drug Utilization data
 - Report to Congress on Medicaid and CHIP
 - Interviews with state Medicaid pharmacy directors
- State to state comparison requires consistent data source, which differs from sources used in previous presentation to Commission

EXHIBIT 18

AVERAGE MONTHLY MEDICAID PHARMACY REIMBURSEMENT AMONG NONDUAL BENEFICIARIES, BY STATE, 2009^{a,b,c}



27

Source: Medicaid Analytic eXtract (MAX), 2009. This graph is based on the information contained in Table N.2 of the Compendium for the nation. The Compendium was prepared for 42 states and the District of Columbia. FFS pharmacy reimbursement information for the remaining states is not included because they did not submit complete data to CMS for 2009.

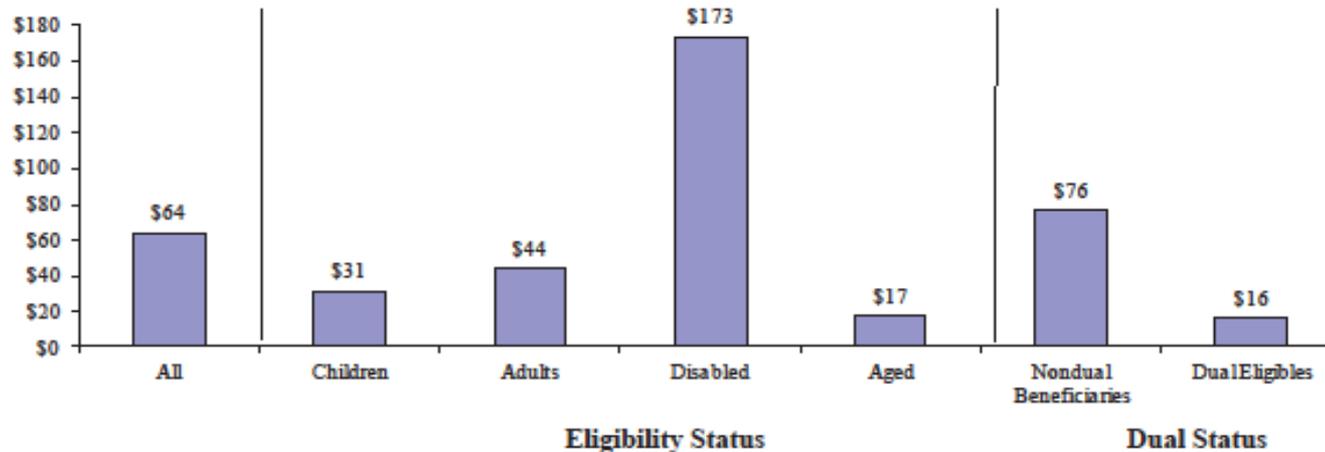
^aThe Medicaid pharmacy reimbursement amount is the amount Medicaid reimbursed pharmacies, including dispensing fees minus beneficiary copayment. Reimbursement amounts are gross amounts prior to the receipt of rebates from drug manufacturers to states.

^bMonthly reimbursement amounts were calculated by dividing the total reimbursement among all beneficiaries in the study population by the total number of benefit months of those beneficiaries. Benefit months are months during which beneficiaries had FFS pharmacy benefit coverage.

^cDual eligibles are beneficiaries who had Medicare as well as Medicaid FFS pharmacy benefits during any month of Medicaid enrollment in 2009. Nondual beneficiaries include beneficiaries who were never dually eligible or were dually eligible but never had Medicaid FFS pharmacy benefits. Refer to Table 1 in the Compendium for more information about how we determined dual eligibility status.

EXHIBIT 9

AVERAGE MONTHLY MEDICAID PHARMACY REIMBURSEMENT, BY BASIS OF ELIGIBILITY AND DUAL STATUS, 2009^{a,b,c,d}



Source: Medicaid Analytic eXtract (MAX), 2009. This graph is based on the information contained in Tables 4, ND.4, and D.4 of the Compendium. The Compendium was prepared for 42 states and the District of Columbia. FFS pharmacy reimbursement information for the remaining states is not included because they did not submit complete data to CMS for 2009.

^aThe Medicaid pharmacy reimbursement amount is the amount Medicaid reimbursed pharmacies, including dispensing fees minus beneficiary copayment. Reimbursement amounts are gross amounts prior to the receipt of rebates from drug manufacturers to states.

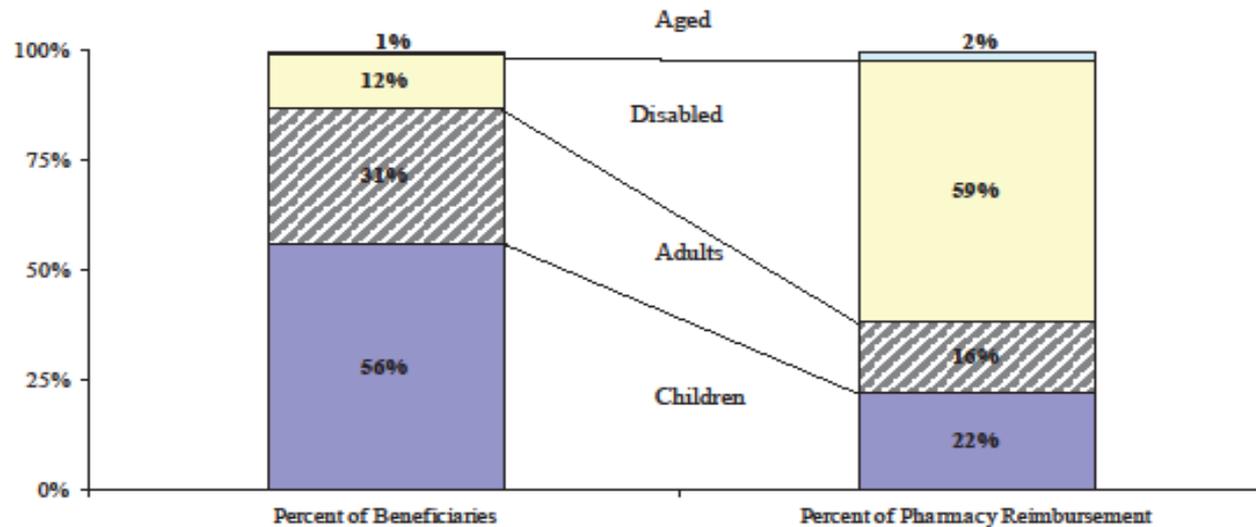
^bMonthly reimbursement amounts were calculated by dividing the total reimbursement among all beneficiaries in the study population by the total number of benefit months of those beneficiaries. Benefit months are months during which beneficiaries had FFS pharmacy benefit coverage.

^cMedicaid basis of eligibility is classified as: aged, disabled, adults, and children. The disabled group includes beneficiaries of any age who were determined to be eligible because of disability or blindness, and thus includes a large number of dual eligibles. The children's group includes children receiving foster care and adoptive services. The total includes some beneficiaries with unknown basis of eligibility and some whose age categories are not consistent with basis of eligibility.

^dDual eligibles are beneficiaries who had Medicare as well as Medicaid FFS pharmacy benefits during any month of Medicaid enrollment in 2009. Nondual beneficiaries include beneficiaries who were never dually eligible or were dually eligible but never had Medicaid FFS pharmacy benefits. Refer to Table 1 in the Compendium for more information about how we determined dual eligibility status.

EXHIBIT 14

DISTRIBUTION OF MEDICAID BENEFICIARIES AND TOTAL PHARMACY REIMBURSEMENT AMONG NONDUAL BENEFICIARIES, BY BASIS OF ELIGIBILITY, 2009^{a,b,c}



Source: Medicaid Analytic eXtract (MAX), 2009. This graph is based on the information contained in Tables ND.2, ND.3, and ND.6 of the Compendium. The Compendium was prepared for 42 states and the District of Columbia. FFS pharmacy reimbursement information for the remaining states is not included because they did not submit complete data to CMS for 2009.

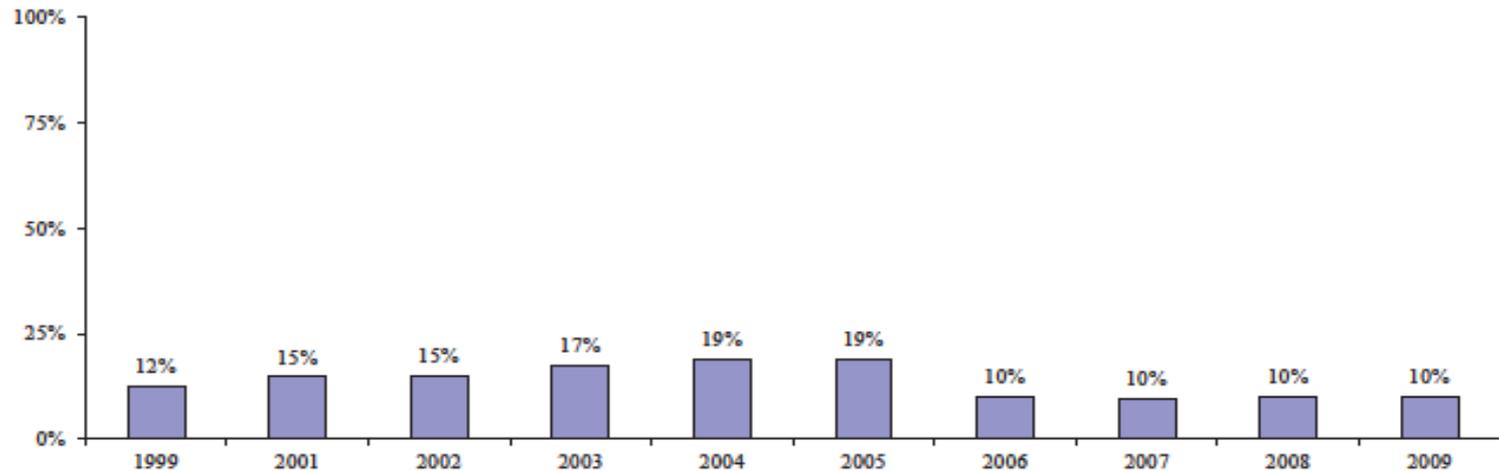
^aThe Medicaid pharmacy reimbursement amount is the amount Medicaid reimbursed pharmacies, including dispensing fees minus beneficiary copayment. Reimbursement amounts are gross amounts prior to the receipt of rebates from drug manufacturers to states.

^bMedicaid basis of eligibility is classified as: aged, disabled, adults, and children. The disabled group includes beneficiaries of any age who were determined to be eligible because of disability or blindness, and thus includes a large number of dual eligibles. The children's group includes children receiving foster care and adoptive services.

^cDual eligibles are beneficiaries who had Medicare as well as Medicaid FFS pharmacy benefits during any month of Medicaid enrollment in 2009. Nondual beneficiaries include beneficiaries who were never dually eligible or were dually eligible but never had Medicaid FFS pharmacy benefits. Refer to Table 1 in the Compendium for more information about how we determined dual eligibility status.

EXHIBIT 35

MEDICAID PHARMACY REIMBURSEMENT AS A PERCENTAGE OF COSTS OF ALL SERVICES,
1999 and 2001-2009^{a,b}



Source: Medicaid Analytic eXtract (MAX), 2009. This graph is based on the information contained in Table 4 of the 1999 and 2001-2009 Compendiums. The Compendium was prepared for 42 states and the District of Columbia. FFS pharmacy reimbursement information for the remaining states is not included because they did not submit complete data to CMS for 2009.

^aThe Medicaid pharmacy reimbursement amount is the amount Medicaid reimbursed pharmacies, including dispensing fees minus beneficiary copayment. Reimbursement amounts are gross amounts prior to the receipt of rebates from drug manufacturers to states.

^bIn 7 states in 2004 (DE, IA, NE, NY, TX, UT, and WV), 8 states in 2005 (DE, IA, IL, NE, NY, TX, UT, and WV), 10 states in 2006 (DE, IA, IL, NC, NE, NY, TN, TX, UT, and WV), 8 states in 2007 (DE, IA, IL, NE, NY, TN, TX, and WV), 12 states in 2008 (CT, DE, IA, IL, NE, NJ, NY, OR, TN, TX, UT, WI, and WV), and 11 states in 2009 (CT, DE, IA, IL, NE, NJ, NY, OR, TN, TX, and WV) expenditures for Medicaid services include only Rx drug expenditures for those enrolled in capitated managed care plans, and not expenditures for other services covered by the plans or for long-term-care services not covered by the plans. As a result, pharmacy reimbursement as a percentage of the costs of all Medicaid services is higher in 2004-2009 than it would otherwise be.

Components of Analysis



- Ranking based on average cost to state Medicaid agency per unit of outpatient drugs issued by pharmacies to Medicaid beneficiaries, calendar year 2012
 - Alabama's avg unit cost: \$1.02 per unit in CY2012
- Of 50 states analyzed, 11 states have avg cost/unit less than Alabama
 - From \$0.75 - \$3.49 per drug unit in CY2012
- Unit drug cost is average from 2012 Drug Utilization data

Additional Components of Analysis



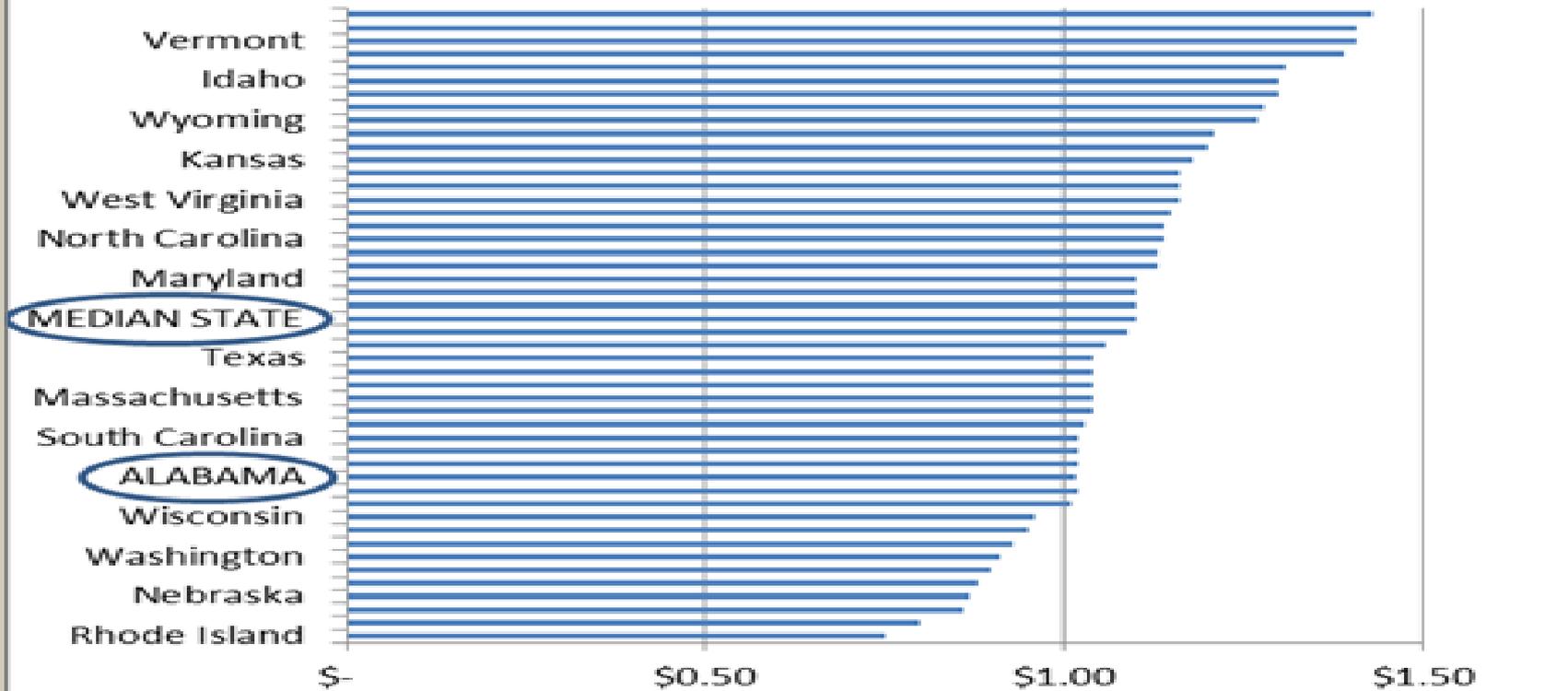
- Enrollment in Managed Care
- Pharmacy from Managed Care
- Ingredient cost methodology
 - WAC – Wholesale Acquisition Cost
 - AWP – Average Wholesale Price
 - FUL – Federal Upper Limit
 - U/C – Usual and Customary
 - AAC – Actual or Average Acquisition Cost
- Dispensing fee / prescription
- Monthly prescription limits

Average Cost Per Drug Unit Dispensed



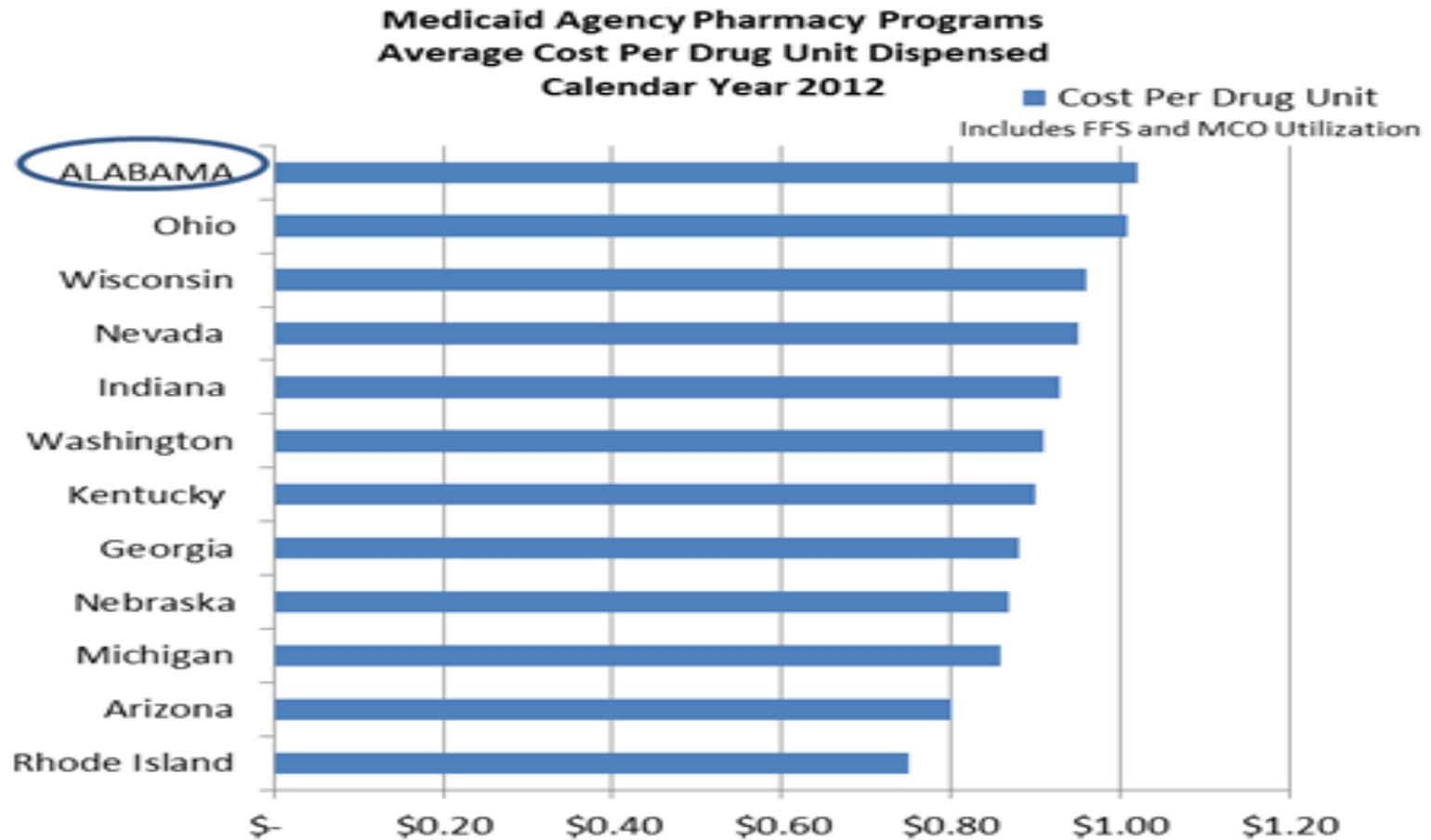
**Medicaid Agency Pharmacy Programs
Average Cost Per Drug Unit Dispensed
Calendar Year 2012**

■ Cost Per Drug Unit
Includes FFS and MCO Utilization



Source: Medicaid State Drug Utilization Data- Calendar Year 2012

Average Cost Per Drug Unit Dispensed



Source: Medicaid State Drug Utilization Data- Calendar Year 2012

Service Delivery Strategies in States By Unit Cost in 2012



- **11 states with lower per unit cost per drug**
 - RI, AZ, MI, NE, GA, KY, WA, IN, NV, WI, OH
 - 6 of 11 [55%] states have greater than 30% of drugs distributed by managed care
- **5 states with same per unit cost per drug**
 - IL, VA, IA, SC, AL
 - 2 of 5 [40%] states have greater than 30% of drugs distributed by managed care
- **34 states with greater per unit cost per drug**
 - ME, MN, MA, NM, OR, TX, AR, NJ, SD, UT, MD, ND, FL, NC, NH, OK, WV, PA, NY, KS, MS, TN, WY, CA, MN, ID, CO, MO, VT, DE, LA, CT, AK, HI
 - 8 of 34 [24%] states have greater than 30% of drugs distributed by managed care
- **Each \$0.01 difference is worth \$ 5million**

Limitations Of Unit Cost



- Per Unit Cost is only one variable in pharmacy expenditures
 - Includes reimbursement methodology (ingredient cost) and dispensing fee
- Factors not controlled by per unit cost
 - Utilization
 - Program limits
 - Medicaid eligibility group mix

Other Southern States

State	Average cost per unit of drugs CY2012 ¹	Percentage of Medicaid enrollees who get drugs paid for through managed care ²	Ingredient cost methodology: FFS Only ³	Dispensing fee per prescription ⁴	Monthly limits on prescriptions for adults ⁴
GA	\$0.88	85.7%	AWP minus 11%, exceptions for drugs for rare or complex diseases; Most Favored Nation; U&C; State MAC. Specialty pharmacy pricing July, 2012	\$4.63; \$4.33 for not-for-profit pharmacies	No monthly limit except for a limit of 5 Rxs per month on narcotics.
SC	\$1.02	52.7%	Lower of AWP-16% or WAC+8%	\$3	4, with 3 overrides available for certain conditions. Some drugs not eligible for overrides.
AL	\$1.02	0.0%	Lower of Actual Acquisition Cost (AAC), Wholesaler Acquisition Cost (WAC) + 9.2%, Federal Upper Limit (FUL) or Usual and Customary (U/C).	\$10.64	4 name brands for adults with no limit on over-the-counter drugs or generics.
AR	\$1.06	0.0%	AWP minus 14% (brand); AWP minus 20% (generic)	\$5.51	3 for adults, but doctor can seek up to 6 if doctor deems recipient needs more than three maintenance prescriptions per month
MS	\$1.20	15.7%	Lower of AWP minus 12% or WAC + 9% for brand drugs; AWP minus 25% for generic.	\$3.91 for brand drugs; \$4.91 for generics	No more than 5, of which no more than 2 may be non-preferred/brand for adults, exempting those in long-term care..

¹ Average costs to state Medicaid agencies per unit of outpatient drugs issued by pharmacies to Medicaid beneficiaries in 2012. From an analysis of Medicaid State Drug Utilization data for 2012.

² Source: Recent interviews with, or e-mails from, state Medicaid officials DW

³ Sources: Alabama Medicaid; Medicaid Covered Outpatient Prescription Drug Reimbursement Information by State, Quarter Ending June 2013, from CMS; also, "Managing Medicaid Pharmacy Benefits: Current Issues and Options," by the Kaiser Commission on Medicaid and the Uninsured.

⁴ Source: Comparison by the American Medicaid Pharmacy Administrators Association

*Effective 10/1/13, percentage to WAC decreased to 0% in the formula

**Effective 1/1/14, monthly adult prescription limit is up to 4 brand/5 total; exceptions for antipsychotics, antiretrovirals, antiepileptics; mandatory 3 month supply in certain drug classes

Questions?



- Analysis by David White, Gov. Robert Bentley's health policy advisor
- Next meetings:
 - October 24, 2013, 1 p.m. – 3 p.m.
 - November 14, 2013, 1 p.m. – 3 p.m.