

**MINUTES OF THE ALABAMA MEDICAID PHARMACY STUDY COMMISSION
AUGUST 23, 2013
MONTGOMERY COUNTY HEALTH DEPARTMENT AUDITORIUM
MONTGOMERY, ALABAMA**

Members Present

Donald E. Williamson, M.D., Chair
Stephanie Azar
Frank Brown
Dorinda Cale
Jim Carnes
Representative Steve Clouse
Barry Cochran
Rhonda Harden

Spencer Holden
Tammie Koelz
Representative Jim McClendon
Dan McConaghy
Senator Arthur Orr
Michael Ramsey, M.D.
Tim Stone, M.D., representing Jim Reddoch
Senator Greg Reed

Welcome by Dr. Williamson

Dr. Williamson welcomed the Commission members and stated that Governor Bentley created the Medicaid Pharmacy Study Commission by Executive Order and gave two overarching objectives: (1) to study the current Medicaid pharmacy delivery and reimbursement system and, (2) to look at options for reform. Dr. Williamson stated that Governor Bentley expected a written document from the Commission that would analyze the current system, compare Alabama's pharmacy program to pharmacy programs in other states, describe alternative delivery systems that could both maintain quality and save money, and estimate both the savings attributable to those modifications as well as any economic impact associated with implementation. The Commission will present its findings to Governor Bentley by December 1, 2013. Governor Bentley may use those findings to make decisions prior to the 2014 Legislative Session.

Introduction of Commission Members

Commission members and the organizations represented were introduced.

Status of the Current Alabama Medicaid Pharmacy Program

Dr. Williamson provided brief information on the Regional Care Organizations (RCOs) and stated that three essential things needed to occur as RCO development moved forward:

- Developing the RCO region map. The map, which would become effective mid-September, has been developed, was on display, and is available on the Medicaid Agency's Web site.
- Issuing of certification for collaboration. Emergency rules are being drafted to ensure protection against anti-trust violations. Final rules will be published around October 1 and will be released for public comment.
- Defining a probationary RCO. Dr. Williamson stated there needed to be a full understanding of what would be included in the capitated payment since it would describe the universe to be covered and the amount of funds that would be available to pull down.

Dr. Williamson then presented information on Alabama's Medicaid pharmacy program, to include total Medicaid and pharmacy enrollment, total Medicaid spending, Medicaid expenditures, Medicaid funding, the sources of the state's share, General Fund appropriations related to the federal matching rate (FMAP), pharmacy spending, pharmacy financing, pharmacy provider taxes, pharmacy drug rebates, prescription volumes and costs, pharmacy reimbursement, dispensing fees, cost controls, drug utilization, and the plan to address the shortfall in FY 2014.

The following information was brought to the attention of the Commission:

- From 2008 to 2012, annual Medicaid enrollment increased from 921,000 to 1.1 million. Enrollees eligible for total pharmaceuticals increased from 820,000 to 1 million over the four-year period. The number of annual recipients who actually received a prescription increased from 500,000 to 610,000 over the four-year period.
- The annual number of prescriptions increased from 7.3 million to almost 9 million over the four-year period. The average pharmacy cost per enrollee decreased from \$611 to \$593. The average number of prescriptions per recipient stayed constant at about 14. Medicaid's cost per prescription decreased from \$60.40 to \$58.71.
- Total Medicaid spending increased from \$4.4 billion in 2008 to \$5.6 billion in 2012. Total pharmacy spending increased from \$502 million in 2008 to \$593 million in 2012. The state's share of pharmacy spending increased from \$163.3 million to \$232.1 million over the four-year period. The state's share is funded by drug rebates, provider taxes, and the General Fund. The amount of money needed from the state to operate Medicaid is directly related to the federal match rate.

In summary, from 2008 to 2012, there was a 28 percent increase in total Medicaid spending and an 18 percent increase in pharmacy spending. There was a 42 percent increase in the state share, with a 12 percent increase in provider tax, a 44 percent increase in rebates, and a 44 percent increase in the General Fund. The increases were driven by a 22 percent growth in enrollees and a decrease in FMAP due to the loss of stimulus money. The increases were minimized by stability in the average pharmacy cost per enrollee and the average price per prescription. Despite this, the General Fund match increased by 44 percent, from \$110 million to \$158 million.

Dr. Williamson described pharmacy cost controls that were in place and those that would be implemented: a change to the average acquisition cost, an increase in generic utilization, the preferred drug list, prior authorization, brand name and total drug limits, edits and audits, dispense as written requirements, and the Drug Utilization Review Board. He also described the plan to address the shortfall for FY2014 which was projected to save the state \$12.3 million: a monthly drug limit, mandatory dispensing of a 3 month supply, end coverage of over the counter medications, ingredient cost change, expansion of Drug Utilization Review Board activities, changes to drug compounding coverage, increased co-payments for recipients, and new edits to prevent stockpiling of drugs.

Comments from Commission Members

There was discussion among Commission members regarding drug rebates and how implementation of the RCOs would affect pharmacy services.

Future Meetings of the Commission

Future meeting dates of the Commission were proposed and are as follows: September 20, 2013 at 10 a.m.; October 10 at 1 p.m.; October 24 at 1 p.m.; and November 14 at 1 p.m. All meetings will be held in the Auditorium of the Montgomery County Health Department. Dr. Williamson indicated the meetings would be available via conference call.

The focus of the September meeting will be comparing and contrasting Alabama to other states in terms of pharmacy spending (on an aggregate basis, a prescription basis, and a beneficiary basis) and funding (acquisition cost, dispensing fee, or capitated pharmacy benefits management [PBM]). The focus of the October meetings will be presentations by a PBM representative on how they would organize a pharmacy program for Alabama and by the local pharmacy community on how they could deliver a pharmacy management program. The preferred provider network option will be explored as will interesting ideas that other states may have. Medicaid's actuaries will review the data presented during the October meetings and will present the projected savings and the consequences at the November meeting.

There being no further business, the meeting was adjourned.



Donald E. Williamson, M.D.
State Health Officer
Chair, Alabama Medicaid Pharmacy Study Commission