Assessment of Medicaid MCO Preferred Drug List Management Impacts

Prepared for: Texas Association of Health Plans

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Purpose of Consulting Project

- In all areas *except* prescription drugs, Texas' Medicaid MCOs are asked to use their full skillset to enhance access, monitor quality and contain costs
- In the pharmacy arena, however, the health plans are in the awkward position of not being permitted to manage the benefit
  - A Medicaid prescription drug list (PDL) is maintained by HHSC through the Vendor Drug Program (VDP)
  - The VDP determines which products have preferred status, using Texas' purchasing power to negotiate rebates and steer volume
  - In most states, Medicaid MCOs use their own PDLs and directly manage the mix of drugs prescribed
- The Texas Association of Health Plans (TAHP) enlisted our firm to assess whether moving to a "PDL latitude model" would best serve Texas' interests

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Summary of Our Findings

- A policy change away from the uniform PDL administered by the VDP -- to a model where each MCO would manage its own PDL -- will yield significant savings to Texas' taxpayers

  - We estimate this policy change would create annual Medicaid savings of over $230 million and State fund savings of over $90 million per year

  - For every four days that the uniform PDL policy remains in effect, we estimate that over $1 million in excess costs are borne by Texas' taxpayers

- These savings would be derived through drug mix management and would not involve any type of "cut" to Texas' Medicaid program

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Project Methodology Had Three Components

- Statewide Net Cost Per Prescription Comparisons—we used a data set containing 100% of Medicaid prescriptions to compare Texas' average costs per prescription (post-rebate) with those in every other state
  - States were grouped by level of rebates, proportion of generics, overall prescription volume, MCO involvement, to identify the net costs associated with different pharmacy cost management approaches

- Therapeutic Class Assessments– data at the therapeutic class level were tabulated to provide more detailed indications as to where Texas' drug mix can be more optimally managed

- MCO Input—we gathered qualitative and quantitative input from Texas' Medicaid MCOs to assess the financial and programmatic advantages of PDL latitude

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Texas is Among Worst-Performing States With Regard to Medicaid Generic Drug Usage

Medicaid Prescription Drug Statistical Overview, Texas & USA, FFY 2014

Medicaid Statistic, FFY 2014	Texas	USA	Texas' Rank Among 50 States Plus DC
Net Cost Per Prescription	$36.21	$37.37	22
Initial Cost Per Prescription	$79.60	$72.38	33
Rebates Per Prescription	$43.39	$35.00	9
Generics as % of All Prescriptions	77.0%	80.7%	45
Percentage of Prescriptions Paid by MCOs	82.5%	55.3%	9
Volume of Prescriptions	35,150,055	589,160,908	3

Generic Usage Within MCO-Paid Medications, FFY 2014

	% Generics Within Prescriptions Paid by Medicaid MCOs	MCO Average Cost Per Generic Prescription (Post-Rebate)
Texas	78.2%	$17.25
USA	82.8%	$16.48
17 States in Top Third of Country Regarding % Generics	83.4%	$15.94

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Statistical Summary by State Groupings

Medicaid Prescription Drug Cost Management Outcomes, FFY 2014

State Group	Net Post-Rebate Cost Per Prescription	Initial Cost Per Prescription	Rebates Per Prescription	Rebates as % of Initial Cost	Generics as % of Total Prescriptions	% of Medicaid Prescriptions Paid by MCOs
Texas	$36.21	$79.60	$43.39	54.5%	77.0%	82.5%
States in Top Third, Generic % of All Prescriptions	$32.72	$63.71	$30.99	48.6%	82.8%	67.8%
States in Top Third, Rebate Per Prescription	$43.09	$86.64	$43.55	50.3%	77.4%	35.2%
States in Top Third, % of Prescriptions Paid by MCOs	$34.48	$67.36	$32.88	48.8%	81.6%	82.1%
States in Top Third, Medicaid Prescription Volume	$36.01	$70.66	$34.64	49.0%	81.2%	65.6%
USA Total	$37.37	$72.38	$35.00	48.4%	80.7%	55.3%
States in Top Third, Net Cost Per Prescription	$29.42	$58.95	$29.53	50.1%	82.5%	64.5%
16 States With No MCO Paid Drugs	$45.80	$87.42	$41.62	47.6%	77.0%	0.0%
34 States (plus District of Columbia) with MCO Paid Drugs	$36.08	$70.06	$33.98	48.5%	81.3%	65.2%
4 States Requiring Uniform PDL of Medicaid MCOs	$39.26	$79.70	$40.44	50.7%	78.5%	65.8%
30 States (plus District of Columbia) with MCO Paid Drugs and where PDL Latitude Exists	$35.53	$68.39	$32.87	48.1%	81.8%	65.1%

**Green shading denotes comparison state groupings with lower net, post-rebate costs per prescription than Texas.
Red shading denotes state groupings with higher net costs than Texas.**

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Findings From State Grouping Analyses

- Securing relatively large rebates was not an effective strategy in achieving optimal net costs – states in the "top third" in rebates per prescription had net costs 15% above USA average (and far above the states with the lowest costs)

- Use of generics was strongly correlated with achieving relatively low net costs – costs across states in "top third" with regard to generic prescribing were 12% below the USA average

- Volume purchasing was *not* a key driver for states achieving relatively low net costs

- States with no MCO involvement in Medicaid drug purchasing experienced relatively high net costs per prescription -- 23% above USA average and 27% above the net cost per prescription across the states that use MCOs

- The four states requiring their Medicaid MCOs to utilize uniform PDLs were collectively above the national average in net cost per prescription

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Savings Projections

Texas Medicaid Savings Estimates Based on Aggregate Net Cost Per Prescription Analyses

Cost Reduction Scenario (Texas net cost per prescription averaged $36.21 during FFY2014)	Net Cost Per Prescription In This Scenario	Total Annual Medicaid Savings (Federal and State Funds)	State Fund Savings	Premium Tax Adjusted State Fund Savings
Texas Reaches Same Net Cost Per Rx as Occurred Across Top Third of States	$29.42	$238,750,554	$98,627,854	$94,449,719
Texas Moves Halfway to Net Cost of "Top Third of States" in Prior Row	$32.82	$119,375,277	$49,313,927	$47,224,860
Texas Reaches Same Net Cost Per Rx as Michigan	$25.05	$392,000,000	$161,935,200	$155,075,200
Texas Moves Halfway to Michigan's Net Cost	$30.63	$196,000,000	$80,967,600	$77,537,600
Average of Above Four Scenarios	**$29.48**	**$236,531,458**	**$97,711,145**	**$93,571,845**

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Therapeutic Class Analyses

Generic Percent of Prescriptions within Texas, Comparison States, and USA Overall, CY2014

Clinical Area Therapeutic Class – 3rd Tier	Texas Medicaid Scripts, CY 2014	Generic Percent of Prescription				
		Texas	Kentucky	Michigan	New Mexico	USA Total
Proton pump inhibitors	658,972	21%	89%	93%	97%	85%
Third generation cephalosporins	585,490	96%	98%	100%	98%	98%
Antiadrenergic agents, centrally acting	580,696	62%	91%	68%	99%	79%
Vitamin and mineral combinations	192,724	100%	86%	90%	100%	96%
Topical acne agents	137,656	31%	50%	39%	52%	45%
Upper respiratory combinations	1,188,691	99%	96%	99%	99%	99%
Selective serotonin reuptake inhibitors	770,131	74%	90%	89%	80%	86%
Laxatives	277,018	97%	94%	93%	93%	92%
Dibenzazepine anticonvulsants	210,762	80%	92%	87%	88%	83%
Triazine anticonvulsants	89,775	85%	97%	95%	99%	95%
Heparins	20,906	81%	69%	59%	87%	66%
Fatty acid derivative anticonvulsants	201,505	88%	89%	91%	90%	87%
Ophthalmic anti-infectives	272,068	50%	96%	95%	98%	84%
Carbonic anhydrase inhibitor anticonvulsants	134,318	91%	99%	97%	99%	97%
Second generation cephalosporins	42,336	97%	99%	90%	97%	96%
Contraceptives	225,847	34%	66%	70%	58%	54%
Purine nucleosides	65,061	58%	99%	99%	98%	95%
Antidiuretic hormones	40,899	95%	99%	98%	97%	98%
Pyrrolidine anticonvulsants	141,132	90%	98%	96%	98%	95%
Otic anesthetics	131,865	100%	100%	100%	100%	100%

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Therapeutic Class Analyses

Texas' Potential Annual Savings at Other States' Costs Per Prescription for the Top 20 Therapeutic Classes

Clinical Area Therapeutic Class – 3rd Tier	Texas Medicaid Scripts, CY 2014	Annual Medicaid Savings if Texas Cost/Rx Were at Comparison State's Level			
		Kentucky	Michigan	New Mexico	USA Total
Proton pump inhibitors	658,972	$31,441,129	$33,564,611	$32,793,855	$27,447,678
Third generation cephalosporins	585,490	$24,034,652	$27,913,462	$28,238,798	$15,862,648
Antiadrenergic agents, centrally acting	580,696	$5,097,618	-$1,046,047	$22,362,584	$7,214,874
Vitamin and mineral combinations	192,724	$8,767,908	$8,880,257	$8,461,657	$6,242,083
Topical acne agents	137,656	$8,247,878	$9,744,823	$9,714,143	$5,317,431
Upper respiratory combinations	1,188,691	$15,814,076	$19,999,541	$9,750,510	$4,748,164
Selective serotonin reuptake inhibitors	770,131	$6,950,862	$8,220,119	$8,468,956	$4,615,037
Laxatives	277,018	$3,718,431	$4,580,503	$4,554,814	$3,142,512
Dibenzazepine anticonvulsants	210,762	$5,145,684	$5,860,288	$6,956,920	$2,844,315
Triazine anticonvulsants	89,775	$2,694,430	$3,857,509	$4,167,055	$2,385,156
Heparins	20,906	$3,715,674	$728,247	$2,788,986	$2,188,881
Fatty acid derivative anticonvulsants	201,505	$3,368,858	$2,373,484	$3,546,309	$1,902,061
Ophthalmic anti-infectives	272,068	$3,766,689	$3,871,065	$3,532,770	$1,855,326
Carbonic anhydrase inhibitor anticonvulsants	134,318	$1,914,288	$2,738,632	$3,310,736	$1,830,526
Second generation cephalosporins	42,336	$2,237,255	$2,257,383	$2,178,569	$1,727,071
Contraceptives	225,847	$5,494,101	$6,130,766	$4,704,847	$1,536,575
Purine nucleosides	65,061	$2,030,977	$3,096,801	$2,225,007	$1,357,437
Antidiuretic hormones	40,899	$1,826,513	$2,054,322	$946,117	$1,355,858
Pyrrolidine anticonvulsants	141,132	$1,539,042	$3,069,392	$2,582,272	$1,291,015
Otic anesthetics	131,865	$1,748,859	$1,845,437	$1,476,745	$1,100,240
Total Across Above 20 Therapeutic Classes	**5,967,852**	**$139,554,924**	**$149,740,597**	**$162,761,651**	**$95,964,890**

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Information from Texas' Medicaid Health Plans

- Several Texas MCOs serving other states provided data comparing the per member per month (PMPM) costs and generic usage by eligibility category between their Texas Medicaid business and other states they operate in.

Comparisons of Medicaid MCOs' Texas Pharmacy Costs and Usage with Other States in Which They Operate, January 2014 – June 2015

Eligibility Category	Number of Comparison Points	Texas PMPM Rx Cost as % of Comparison State Cost	Generics as % of Prescriptions, Texas	Generics as % of Prescriptions, Comparison State
TANF Child	4	158%	77.1%	87.5%
TANF Adult	6	149%	76.0%	89.5%
SSI Child	3	174%	66.4%	84.2%
SSI Adult	4	147%	78.5%	86.4%
Total	**17**	**155%**	**75.2%**	**87.4%**
Range of Values		**114% to 213%**	**66.0% to 79.3%**	**82.6% to 90.7%**

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MCO Concerns With VDP Management Efforts

- **Responsiveness to Needed Changes:** Relative to the MCOs' practices, the VDP responds slowly to needed changes in the PDL; VDP modification opportunities are driven by the regular P&T Committee and DUR Board meeting schedule.

- **National Drug Code (NDC) Specific Level Drug Coverage:** The current PDL has on occasion covered a specific drug but may not cover all the NDC codes associated with the drug.

- **Provider Dissatisfaction with Inability to Prescribe the Clinically Appropriate Drug:** Providers have expressed their dissatisfaction with not being able to prescribe what is clinically evident to be the best drug for the beneficiary---and to not have a means around this.

- **Disconnectedness to the Provider Community:** Many of the above challenges may be related to the fact that the State and VDP are not in constant communication with the provider community as occurs with the Texas MCOs.

- **Specific Cost-Effectiveness Concerns with the Texas PDL:** In many instances, the uniform PDL unnecessarily favors brand name drugs over generic drugs.

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