Medicaid Pharmacy Services

Pharmacy Services

• **Optional service provided each year**
  – to about 1.5 million beneficiaries
  – by 2,200 pharmacy providers
  – expenditures approximately $1.2 billion
  – average scripts per beneficiary: 2.85

• **Coverage is provided for**
  – prescription drugs
  – Over-the-Counter drugs (insulin + 4 classes where Rx alternatives are more costly)
  – 34 day supply unless qualifies for 90 day supply (i.e. generic, maintenance medication or prepackaged birth control or hormones)
  – a drug that is manufactured by a company that has signed a rebate agreement with the Centers for Medicare and Medicaid Services (CMS)
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• Rebates
  – HHS Federal Rebates
    • Social Security Act, Section 1927
    • Must be in place for all covered drugs
    • Generics: 13% of base Average Manufacturer Price (AMP), however, 2% of this rebate is returned to the Federal government under the mandate in PPACA
    • Brands: 23.1% of base AMP plus CPI inflationary penalty, however 8% of this rebate is returned to the Federal government under the mandate in PPACA
    • Clotting Factors and drugs with exclusive pediatric indications: 17.1% of base AMP plus CPI inflationary penalty, however 2% of this rebate is returned to the Federal government under the mandate in PPACA
  – State Supplemental rebates
    • tied to the Preferred Drug List
# Medicaid Pharmacy Services

<table>
<thead>
<tr>
<th>SFY</th>
<th>Total Expenditure</th>
<th>Rebates</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>$1,211,655,124</td>
<td>$246,899,590</td>
</tr>
<tr>
<td>2004</td>
<td>$1,481,226,912</td>
<td>$293,439,382</td>
</tr>
<tr>
<td>2005</td>
<td>$1,648,039,897</td>
<td>$386,541,375</td>
</tr>
<tr>
<td>2006</td>
<td>$1,385,039,301</td>
<td>$468,298,954</td>
</tr>
<tr>
<td>2007</td>
<td>$934,276,607</td>
<td>$282,401,095</td>
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<tr>
<td>2008</td>
<td>$986,504,775</td>
<td>$311,705,952</td>
</tr>
<tr>
<td>2009</td>
<td>$1,065,558,422</td>
<td>$332,550,212</td>
</tr>
<tr>
<td>2010</td>
<td>$1,057,077,053</td>
<td>$434,577,331</td>
</tr>
<tr>
<td>2011</td>
<td>$1,137,850,317</td>
<td>$537,654,508</td>
</tr>
<tr>
<td>*2012</td>
<td>$1,217,315,028</td>
<td>$654,032,641</td>
</tr>
</tbody>
</table>
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Drivers of pharmacy costs

- **Top Drug Classes** (based on paid amounts)
  - Mental health drugs have been in the top 5 since 2004
    - Examples: antipsychotics, anticonvulsants
  - ADHD drugs appeared in the top 5 beginning in 2007
  - Others consistently in the top 5:
    - Narcotic analgesics, proton pump inhibitors

- **Diagnoses (inferred from drug utilization)**
  - Psychotic disorders, bipolar disorder
  - Attention Deficit Hyperactivity Disorder
  - Pain
  - Gastrointestinal Disorders
## Medicaid Pharmacy Services

<table>
<thead>
<tr>
<th>Drug Class (SFY 2012)</th>
<th>Net Paid</th>
<th>Patients</th>
<th>Claims</th>
</tr>
</thead>
<tbody>
<tr>
<td>ANTIPSYCHOTICS, ATYPICAL, Dopamine, &amp; Serotonin Antag</td>
<td>$113,428,491.25</td>
<td>44,747</td>
<td>353,414</td>
</tr>
<tr>
<td>ANTIPSYCHOTICS, ATYP, D2 Partial Agonist/5HT Mixed</td>
<td>$60,361,376.38</td>
<td>18,398</td>
<td>105,321</td>
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<tr>
<td>ANTICONVULSANTS</td>
<td>$58,234,443.16</td>
<td>119,453</td>
<td>961,823</td>
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<tr>
<td>TX FOR ATTENTION DEFICIT-HYPERACT(ADHD)/NARCOLEPSY</td>
<td>$50,582,512.74</td>
<td>47,819</td>
<td>311,555</td>
</tr>
<tr>
<td>ADRENERGICS, AROMATIC, NON-CATECHOLAMINE</td>
<td>$49,972,088.51</td>
<td>49,734</td>
<td>319,601</td>
</tr>
<tr>
<td>ANALGESICS, NARCOTICS</td>
<td>$47,484,419.75</td>
<td>265,563</td>
<td>1,226,090</td>
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<tr>
<td>ANTIHEMOPHILIC FACTORS</td>
<td>$43,518,154.05</td>
<td>186</td>
<td>1,886</td>
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<tr>
<td>INSULINS</td>
<td>$37,264,593.34</td>
<td>20,866</td>
<td>182,807</td>
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<tr>
<td>PROTON-PUMP INHIBITORS</td>
<td>$33,345,609.57</td>
<td>100,176</td>
<td>501,435</td>
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<tr>
<td>GLUCOCORTICOIDS, ORALLY INHALED</td>
<td>$28,573,392.12</td>
<td>65,976</td>
<td>180,016</td>
</tr>
</tbody>
</table>
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Reimbursement and Dispensing Fees

NC reimburses lesser of:
- NC Estimated Acquisition Cost is Wholesale Acquisition Cost (WAC) + 6%
- State Maximum Allowable Cost (SMAC) – rate based on highest of 192.5% of lowest cost generic or 120% of second lowest cost generic
- Federal Upper Limit – due to be updated this year
- Usual and Customary Charge – if lower than all of the above

Dispensing Fees:
- Brands: $3.00
- Generics: 4 tier structure
- Generic fees encourage generic dispensing
  • Average brand ingredient cost = $282.09
  • Average generic ingredient cost = $19.67
  • Generic dispensing rate was 69% prior to 2010; now 80.7%
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Recent Legislative Changes

- Dispensing Fees and WAC
  - *Session Law 2011-145, Section 10.48(a)*
    - WAC + 7% decreased to WAC + 6%
    - Generic fees changed from $5.60 to 4 tiers
    - Generic Fees from $9.00 to $4.00 based on a pharmacy’s generic dispensing rate percentage (GDR%)
  - *Session Law 2012-142, Section 10.48(a1)*
    - Tier ranges were adjusted
    - Brand dispensing fee changed from $4.00 to $3.00
    - Generic Fees from $7.75 to $3.00 based on pharmacy’s GDR%
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Generic Dispensing Fees

• Session Law 2011-145 budgetary changes
  – Changed from $5.60 to four tiers based on pharmacy GDR%
    • 80% $9.00
    • 75% - 79.9% $6.50
    • 70% - 74.9% $4.40
    • 69.9% - $4.00

• Session Law 2012-142 budgetary changes
  – Revised GDR% and fee amounts
  – Effective October 1, 2012
    • >82% $7.75
    • 77.1% - 82% $6.50
    • 72.1% - 77% $4.00
    • < 72% $3.00
  – Effective July 1, 2013
    • > 80% $7.75
    • 75% - 79.9% $6.50
    • 70% - 74.9% $4.00
    • < 69.9% $3.00
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Recent Legislative Changes (continued)

• **Hemophilia Specialty Program**
  – Session Law 2012-142, Section 10.48(a2)
  – Standards of Care implemented on January 31, 2013
    • Assay management
    • Inventory management
    • Pharmacy certification requirements
    • Reporting requirements
  – 340B and Non-340B upper limits for hemophilia drugs