Alabama Medicaid Pharmacy Study Commission

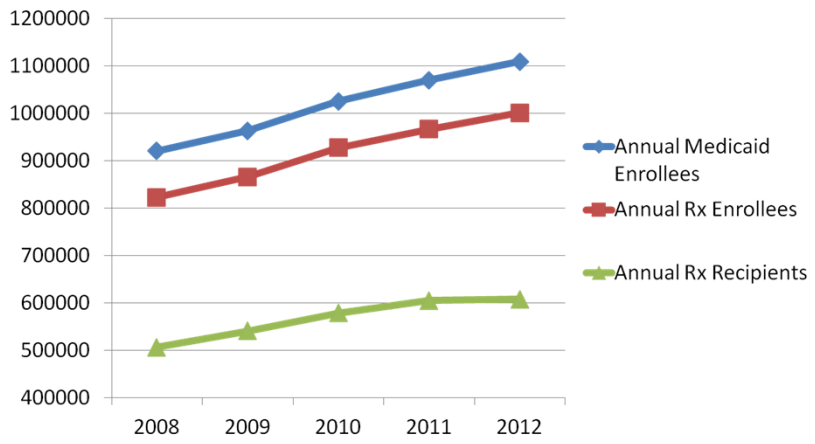
Overview of the
Alabama Medicaid
Pharmacy Program

August 23, 2013

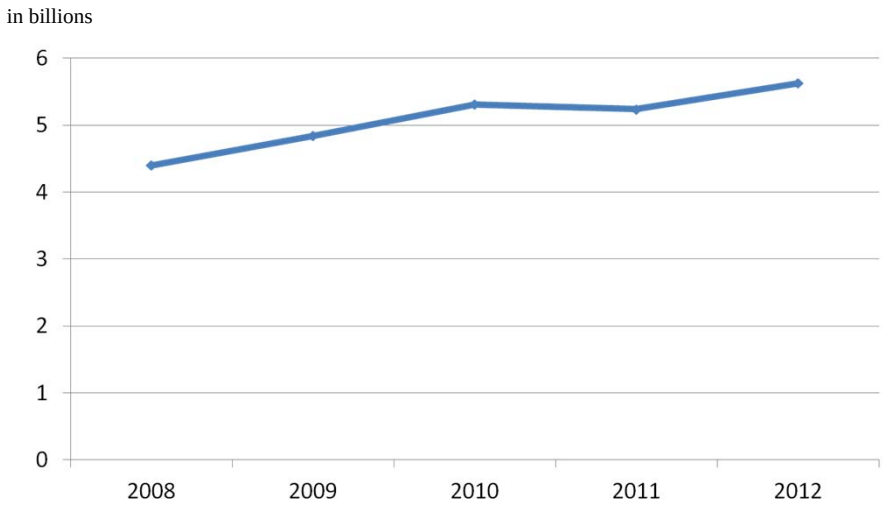
Program Overview

- Pharmacy Expenditure Rate vs. Overall Program Growth
- State Funding Sources
- Reimbursement
- Program Controls Now In Place
- Addressing the Shortfall in FY 2014

Total Medicaid and Pharmacy Enrollment



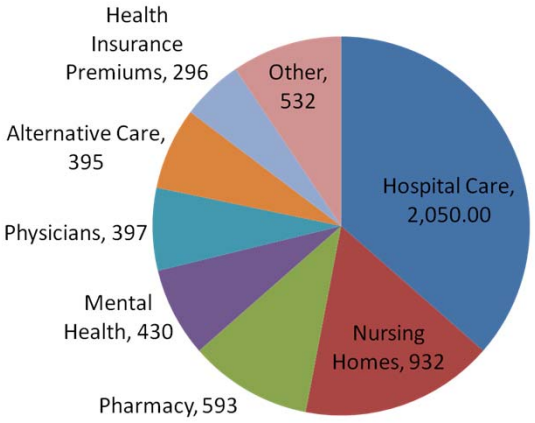
Total Medicaid Spending



Overall Medicaid Expenditures

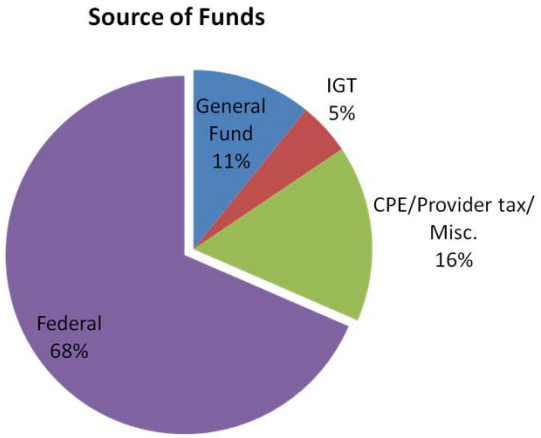
Service	FY 2008	FY 2012	% Change +/-
Hospital Care	$1.41Billion	$2.04 Billion	44.7%
Nursing Facilities	$768.3 Million	$932.6 Million	21.4%
Pharmacy	$502.6 Million	$593.1 Million	18.0%
Physicians	$324.6 Million	$397.5 Million	22.5%
Total Spend for all services	$4.40Billion	$5.63Billion	28.0%

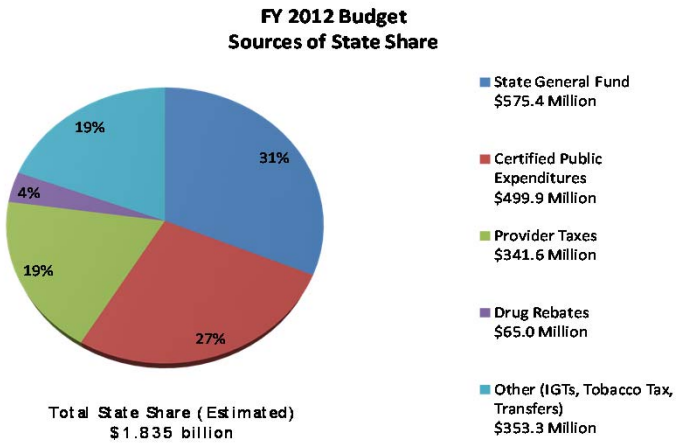
Medicaid Expenditures FY 12



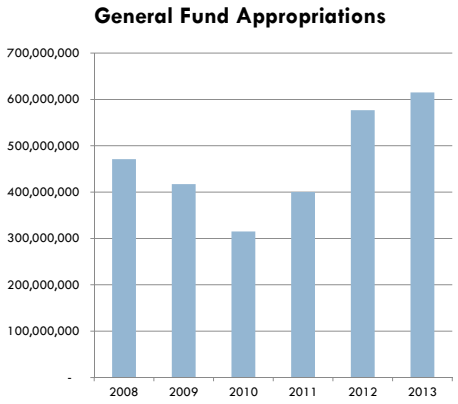
$ 5.6 billion

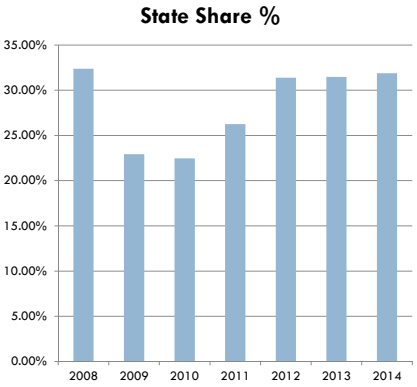
Medicaid Funding



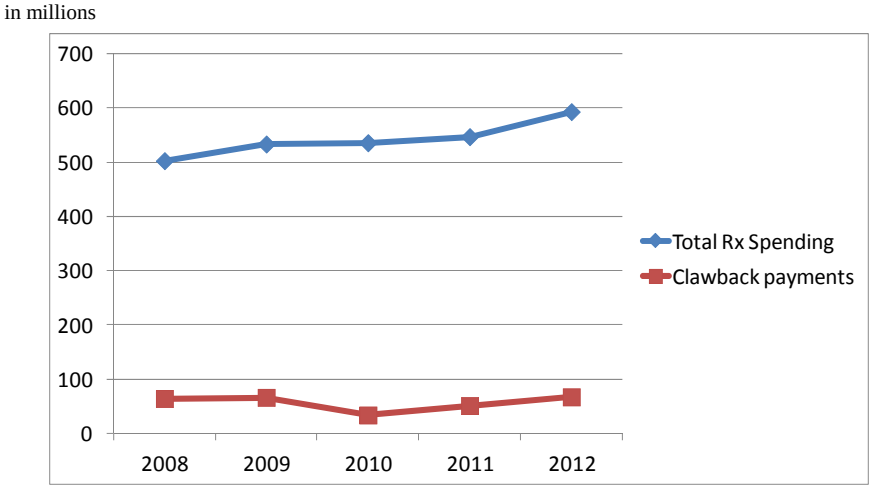


General Fund Appropriations Related to FMAP





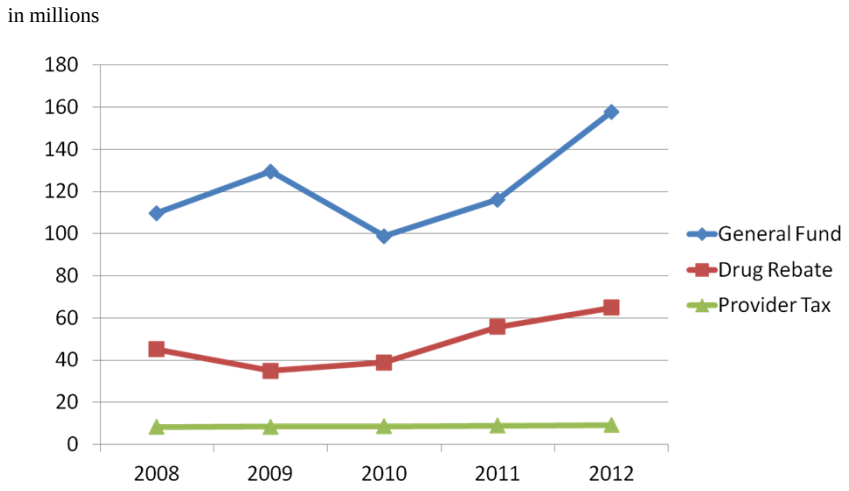
Pharmacy Spending



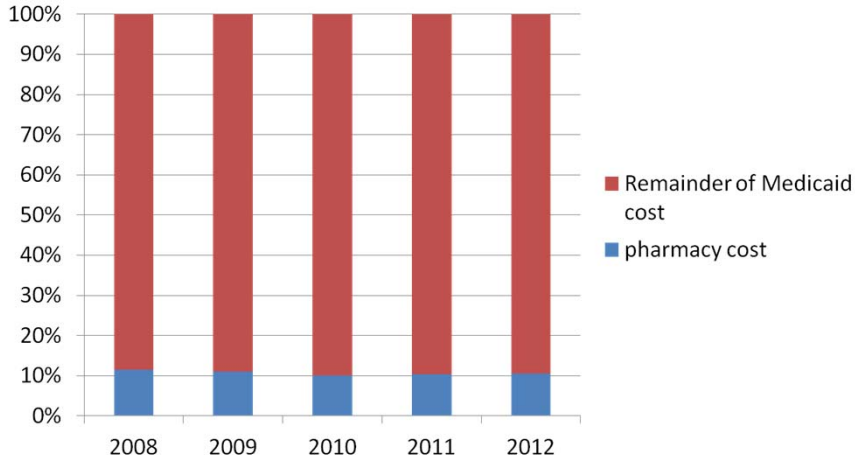
Pharmacy Program Financing
FY 2008 - 2012

	2008	2009	2010	2011	2012	Change
# RX enrollees	822,654	866,484	928,347	967,304	1,001,937	179,253 (22%)
Recipients as % enrollees	62%	63%	62%	63%	61%	
Total Rx Spend	$502.6m	$533.3m	$535.8m	$546.9m	$593.1m	$90.5m (18%)
Claw back	$63.8m	$65.7m	$33.6m	$50.8m	$67.0m	$3.2m (5%)
State Rx share	$163.3m	$172.9m	$146.4m	$181.0m	$232.1m	$68.8m (42%)
Provider Tax	$8.3m	$8.4m	$8.6m	$8.9m	$9.3m	$1.0M (12%)
State rebate retained	$45.2m	$34.9m	$38.8m	$55.8m	$64.9m	$19.7m (44%)
General Fund for Rx	$109.8m	$129.6m	$98.9m	$116.3m	$157.9m	$48.1m (44%)

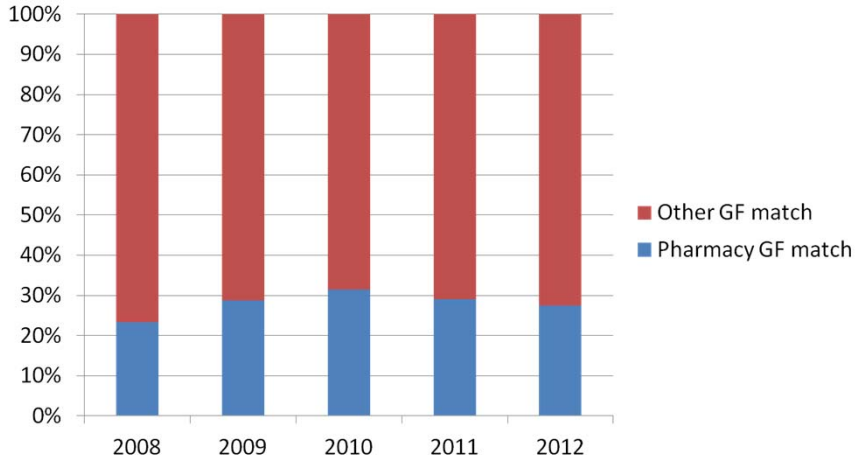
Pharmacy Funding
State Share



Pharmacy Cost as a Percent of Total Medicaid Expenditure



State GF Pharmacy match as Percent of Total Medicaid GF



State Funding Sources
Pharmacy Provider Tax

Fiscal Year	Tax Receipts	% of State Rx Share
2008	$8.32 Million	5.1
2009	$8.41 Million	4.9
2010	$8.63 Million	5.9
2011	$8.94 Million	4.9
2012	$9.26 Million	4.0

- 40-26B-2 requires pharmacy providers pay 10 cents for each prescription filled or refilled for a citizen of Alabama; amount self-reported directly to Alabama Dept. of Revenue

State Funding Sources
Drug Rebate

Fiscal Year	Rebates Retained by state	% of State Share
2008	$45.2 Million	27.7
2009	$34.9 Million	20.2
2010	$38.8 Million	26.5
2011	$55.8 Million	30.8
2012	$64.96 Million	28.0

- If a drug manufacturer participates in the federal rebate system, Medicaid MUST cover the drug.
- State can restrict through Prior Authorization (PA), edits/audits
- State must return federal portion

State Funding Sources
General Fund

Fiscal Year	General Fund used as State share	% of Rx state share
2008	$109.7 million	67.2
2009	$129.6 million	74.9
2010	$98.9 million	67.6
2011	$116.3 million	64.3
2012	$157.9 million	68.0

Financing Summary
2008-2012

- 21% increase in total Medicaid spending and an 18% increase in Pharmacy spending
- 42% increase in state share
  - 12% increase in provider tax
  - 44% increase in rebate
  - 44% increase in general fund
- Increase driven by
  - decrease in FMAP due to loss of stimulus
  - 22% growth in enrollees

Prescription Volume and Cost

	2008	2009	2010	2011	2012	Change
Annual # of Rx	7,263,645	7,844,949	8,603,799	8,867049	8,961,210	1,697,565 (23%)
Average Rx cost per enrollee	$ 611	$ 616	$ 577	$ 565	$ 593	- $ 18 (- 2.9%)
Average # of Rx per recipient	14.3	14.5	14.9	14.6	14.7	0.4 (2.8%)
Average Cost to Medicaid per Rx	$ 60.40	$ 59.60	$ 58.38	$ 55.95	$ 58.71	-$ 1.69 (- 2.8%)

Pharmacy Reimbursement

- Medicaid pays pharmacies based on "Lower Of" method for drug ingredient cost (since September 2010):
  - Federal Upper Limit (FUL)
  - Alabama Estimated Acquisition Cost (AEAC)
    - Average Acquisition Cost (AAC) or
    - Wholesale Acquisition Cost+0% (after Oct 1) if no AAC available
  - Usual & Customary Charge (U&C) to the public (e.g. $4 drugs)
  - State Maximum Allowable Cost (State MAC) – Defined in Alabama as Average Acquisition Cost (AAC)
  - Medicare Part B for Blood Clotting Factor
- Plus: Dispensing Fee of $10.64 / prescription

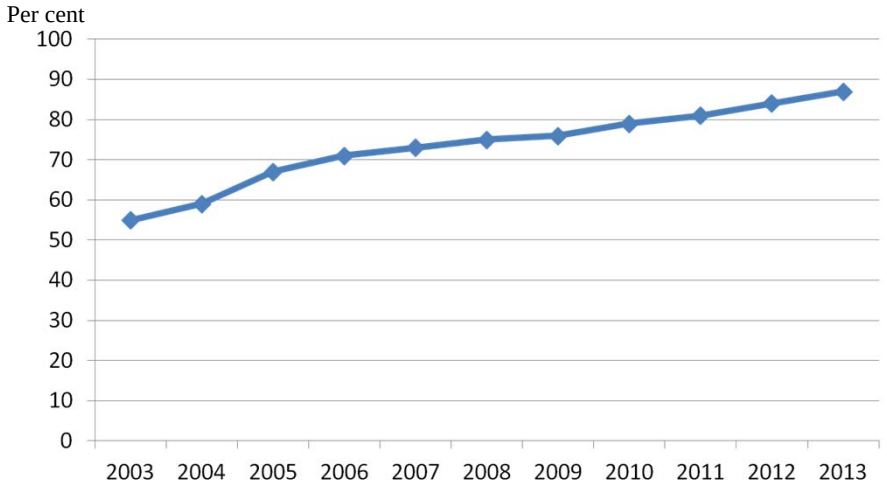
Dispensing Fee

- Includes only pharmacy costs associated with ensuring that possession of the appropriate covered outpatient drug is transferred to a Medicaid recipient. (CFR) 42 CFR 447.502
- Changed in 2010 to more accurately recognize all costs associated with dispensing drugs (in excess of the ingredient cost):
  - Personnel (pharmacists, technicians, clerks) time to check coverage, measure or mix drugs, fill container, counsel recipients, and deliver the product
  - Computers and equipment
  - Overhead cost of running a pharmacy (not entire store), maintaining inventory, etc.
- Does not include administrative costs incurred by the State in the operation of the covered outpatient drug benefit including systems costs for interfacing with pharmacies

Program Cost Controls

- Change from AWP-10% to AAC
- Increase in generic utilization
- Pharmacy & Therapeutics Committee and Preferred Drug List (PDL)
- Prior Authorization
- Brand-Name/Total drug limits
- Edits and audits (early refill, max units, therapeutic duplication, accumulation edit, and max cost)
- Dispense as Written (DAW) requirements
- Drug Utilization Review (DUR) Board

Generic & OTC Utilization



Plan to Address Shortfall in FY 14

Projected State Savings $12.3 m

Change	Start Date	Prorated Savings to State for FY14
Monthly Drug Limit of 4 brand-name, 5 total drugs for adults; Exclusions for brand-name and generic anti-psychotic drugs and drugs for HIV or seizures, with allowances up to 10 total drugs per month for these drugs	1/1/14	$2.85 million
Mandatory dispensing of 3 month supply for certain maintenance drugs	1/1/14	$1 million
End coverage of OTCs for children and adults, with exception for insulin and nutritionals which remain covered	10/1/13	$3.6 million
Ingredient cost change from WAC+9.2% to WAC+0%	10/1/13	$2.0 million
Expansion of DUR Board activities	10/1/13	$1.7 million
Changes to Drug Compounding coverage	7/1/13	$0.4 million
Increased Co-Payments for Recipients	7/1/13	$0.68 million
New edits to prevent stockpiling of drugs via early refills	7/1/13	$0.1 million

Summary

- Increased cost driven by increase in enrollees and decrease in FMAP
- Increase mitigated by stability in average pharmacy cost per enrollee and average price per Rx
- **General Fund match has increased by 44%, from $110 m to $158 m**