

Benefits of Prescription Drug Management Under Medicaid MCOs

From 2001 through 2011, Medicaid prescription drug costs had increased by 90% in Texas. This cost trend was no longer sustainable and without some intervention, could have meant drastic reductions in the Medicaid program for consumers. In March 2012, prescription drugs were carved into Texas Medicaid managed care contracts. The decision was made by the 82nd Legislature not only for the cost-savings, but also the need to improve access to care and quality. Since that time, Texas managed care organizations (MCOs) have made impressive strides in managing the Medicaid pharmacy benefit—saving millions in taxpayer dollars while improving the overall health of their clients.

2011 Decision to Add Drug Benefits to Managed Care

“Medicaid drug costs have more than doubled since 2000, now exceeding \$2.4 billion a year. It’s time to bring Medicaid dispensing fees and practices in line with other insurers. The changes will benefit both the clients who use the program and the taxpayers who fund it.”

—Tom Suehs, Executive Commissioner, Health and Human Services Commission, Houston Chronicle Letter to the Editor, October 11, 2011

Texas Medicaid MCOs Improve Health Outcomes and Costs Related to Prescription Benefits

- **\$367 Million AF savings** to the state in prescription drug management through MCOs since the 2012 managed care prescription drug carve-in, compared to the what costs would have been under fee-for-service (FFS)
- **\$418 Million AF in additional expected cost savings** through FY 2018 by continuing pharmacy benefits through managed care
- **\$60 Million general revenue gain** to the state by having prescription drugs in managed care (state premium tax)
- **Dramatically lower drug costs** for states that use managed care—States like Texas that utilize a carve-in model have drug costs that are 14.6% lower - states that have drugs carved out experienced a 20% increase in net costs per prescription from FFY2011-FFY2014
- **Better prescription drug management and adherence than FFS**—More than 93% of children in managed care receive appropriate asthma medications and adherence has improved 27% for respiratory diseases and 24% for heart attack treatment
- **MCOs ensure consumer access**—Network adequacy standards for pharmacy access are more stringent than in the private market - 95% of Texas pharmacies are in-network with Medicaid MCOs
- **Fully integrated care**, including prescription benefits, improves care coordination and improves outcomes for Medicaid consumers—MCOs have significantly reduced hospital admissions for asthma, diabetes, GI infections, UTIs and bacterial pneumonia through better care coordination
- **MCOs provide state budget certainty** for prescription costs and other benefits by taking on financial risk for the state
- **Potential for larger savings for taxpayers** and better care management for consumers—\$64 Million additional biennial GR savings to state by fully carving in prescription drug benefits (formulary carve-in, increasing use of generics)

Medicaid Managed Care: Benefitting Pharmacies, Consumers and Taxpayers

The inclusion of pharmacy benefits under Medicaid managed care has improved care for consumers and saved taxpayer dollars, while ensuring protections for pharmacies.

Medicaid MCO Pharmacy Protections

- **NO Transaction Fees**—Medicaid plans are prohibited from charging transaction fees (NO click fee exists in Medicaid)
- **Transparent Pricing**—Medicaid plans are required to provide upfront and real time Maximum Allowable Cost (MAC) pricing information through a company portal, so that pharmacies can plan for drug costs before purchasing
- **Due Process for Pharmacies on MAC pricing**—Pharmacies are allowed to challenge MAC prices. MCOs must adjust prices for a successful challenge to MAC pricing to all similar pharmacies
- **Pharmacy Access Protections**—MCOs are required to include any pharmacy or pharmacist in network that agrees to comply with the terms and conditions of the contract as well as other reasonable administrative and professional terms and conditions of the contract
- **Consumer Access Protections**—MCOs are required to not prohibit, limit, or interfere with a recipient's selection of a pharmacy or pharmacist of the recipient's choice for the provision of pharmaceutical services under the plan through the imposition of different copayments

Financial Impact on Pharmacies

- MCOs pay pharmacy rates that are **comparable to the commercial market and Medicare**
- MCO payments to pharmacies are **paid accurately and recorded correctly** (HHSC Audit of MCO Pharmacy Carve-In)
- The total number of pharmacies in Texas **has increased** by 1,222 since pharmacy benefits were carved into managed care



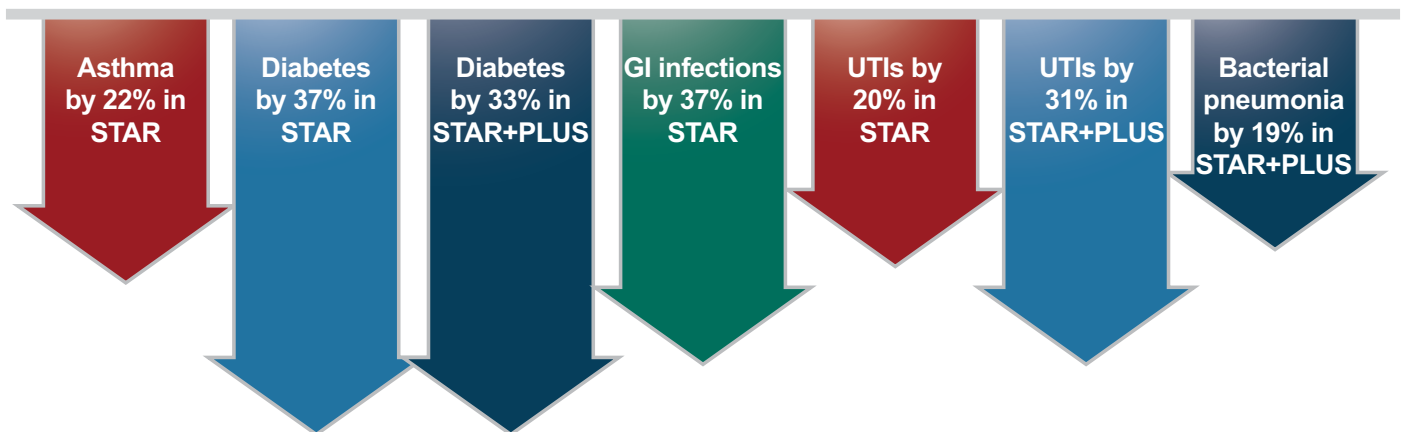
Improved Quality of Care

- **Increasing access to prescription drugs for Medicaid consumers at no additional cost to the state**—MCOs have no prescription drug limit compared to the three prescription drug limit that existed in fee-for-service.
- **Improving patient treatment compliance**—By monitoring pharmacy claims in real-time, MCOs can remind beneficiaries of the importance of taking their medications on time and as prescribed to treat acute conditions or help control chronic conditions.
- **Identifying a beneficiary's chronic condition and initiating coordinated treatment**—MCOs use prescription data to identify beneficiaries who have chronic conditions and ensure their conditions are being effectively managed.
- **Alerting the beneficiary and physician to potential adverse outcomes**—MCOs can monitor utilization patterns of their members to identify potential adverse reactions caused by combinations of prescriptions or prescriptions that may be counter-indicated for a patient's primary or secondary diagnosis.
- **Ensuring the most clinically appropriate treatment is being delivered**—By monitoring prescription data, MCOs can better assure that providers within their network are following optimal treatment regimens.

Integrated Care Coordination & Care Management Works

MCOs Improved Quality of Care

Between 2009 and 2011,
MCOs reduced hospital admissions for:



MEDICAID MANAGED CARE: A Fiscally Responsible Pathway to a Healthier Texas

Texas is a national leader in the use of managed care to increase access to care, manage costs, and improve health care quality in its Medicaid and CHIP programs. The managed care private market approach drives innovation through flexibility and competition, reduces health care costs and holds managed care organizations (MCOs) accountable for providing access to quality care.

Managed care is a proven cost-effective delivery model:

- Provides the state **budget certainty** because MCOs assume the financial risk of care delivery
- Provides **budget savings** to the state while delivering quality care
- Promotes **preventive care and continuity of care** through the establishment of medical homes and networks of specialists
- Offers access to a **full spectrum of medical services** plus additional **cost-effective benefits** not available under traditional fee-for-service Medicaid/CHIP
- Provides **accountability** through rigorous oversight including audits, contractual requirements, performance guarantees and penalties, transparency, and outcomes
- Promotes **innovative solutions** to health care access issues
- Provides **integration of services** through care coordination

“Over the past 20 years managed care has revolutionized the delivery of Medicaid health care services in Texas.”

—Sellers Dorsey,
Medicaid Managed Care in Texas, February 2015

Medicaid MCO Success

- **Estimated \$7.1B All Funds cost-savings** for FY10-FY18 compared to FFS model
- **28.4% All Funds cost-savings** for Dental Managed Care program since FY13
- **No wait list to access community care** allowing individuals to stay in the community rather than institutions
- **Surpassed national performance expectations on child well visits** and childhood immunizations
- **Significant reductions in hospital admissions** for asthma, diabetes, GI infections, UTIs, and bacterial pneumonia
- **High level of consumer satisfaction**—83% of families with children in managed care report an overall positive experience with their MCO
- **93% of families with children in Medicaid managed care report having access** to their PCP when needed

For more information,
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visit www.tahp.org

Jamie Dudensing
CEO
jdudensing@tahp.org

Jason Baxter
Director of
Government Relations
jbaxter@tahp.org

Sharen Ludher
Director of Policy and
Government Programs
sludher@tahp.org

Jessica Sandlin
Director of
Communications
jsandlin@tahp.org