



Medical Services Administration
Pharmacy Benefit Management & Rebates
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Presentation to House Appropriations Subcommittee
on Health & Human Services

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Fee For Service (FFS) Pharmacy Benefit

- FFS drug coverage is governed by the Michigan Pharmaceutical Product List (MPPL)
 - Preferred Products
 - Nonpreferred Products
- The Department makes final decisions on which drugs are placed on the Preferred Drug List (PDL) with guidance from the Governor appointed Pharmacy & Therapeutics (P&T) Committee.

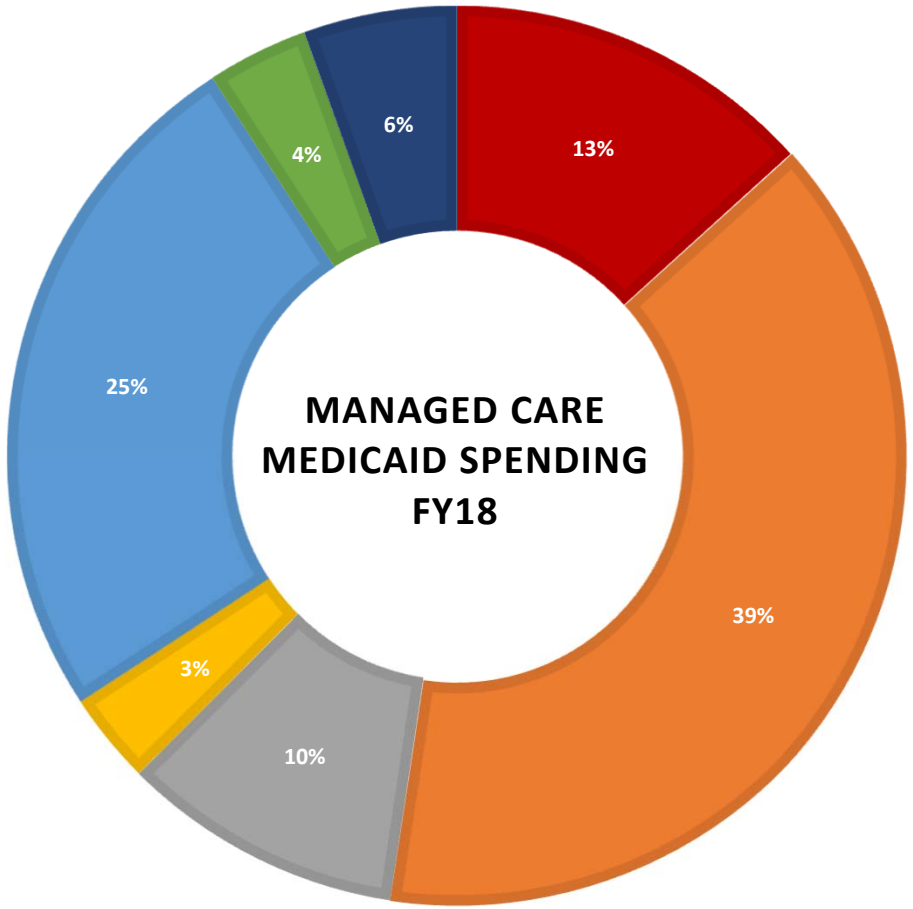
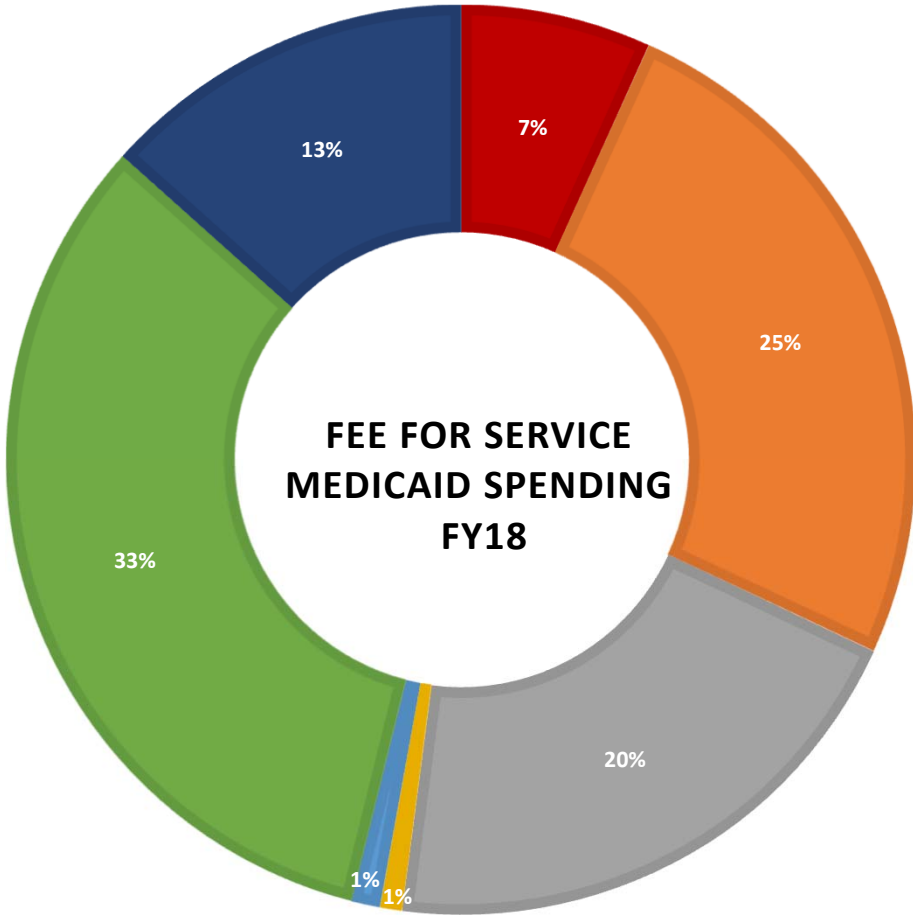
Managed Care Organization (MCO) Common Formulary

- First required pursuant to FY16 Appropriations Act
- A formulary that is common across all Health Plans for the current Comprehensive Health Plan contract
- The Common Formulary only applies to pharmacy claims paid by Medicaid Health Plans - *it does not apply to Fee-for-Service paid claims*
- The Common Formulary is reviewed quarterly with an advisory workgroup comprised of representatives from the State's contracted MCOs

MDHHS Annual Pharmacy Spend

- **Fee-For-Service (FFS) Medicaid ~ \$1.2B**
 - One competitively procured Pharmacy Benefit Manager (PBM) vendor – currently Magellan Health Services
 - Primarily Psychotropics and Specialty Drugs
 - Majority of spend = Carve-out drugs for managed care enrollees (HIV, Psychotropics, Hepatitis C, Hemophilia Clotting Factor, etc.)
- **Managed Medicaid ~ \$1.2B**
 - 11 Plans & individual PBM vendor contracts
 - Can only be *less restrictive* than the Department approved Managed Care Organization (MCO) Common Formulary
 - Primarily low cost generic drugs for acute and chronic conditions (e.g. diabetes, cardiovascular disease, lung disease, etc.)

Michigan Medicaid Spend



Overall Pharmacy spend for MI Medicaid: 13%

PBMs

❑ Commercial PBMs = limited regulations

❑ Fee-For-Service Medicaid PBM = **very regulated**

- ✓ RFP competitively bid
- ✓ Pass-through pricing (*No PBM Spread Pricing*)
- ✓ Pharmacy reimbursement compliant with the Federal Covered Outpatient Drug Rule and approved by Centers for Medicare & Medicaid Services (CMS)
- ✓ MMIS Certification required by CMS for Federal Matching Funds
- ✓ Drug products covered must have a Federal Medicaid rebate in order to be eligible for coverage/Federally Matching Funds
- ✓ MI FFS Medicaid drug mix is very unique, primarily driven by Medicaid Health Plan pharmacy carve-outs (high cost specialty drugs or drugs protected from prior authorization by Statute – i.e. MCL 400.109h resulting from Public Acts 248 & 250 of 2004).

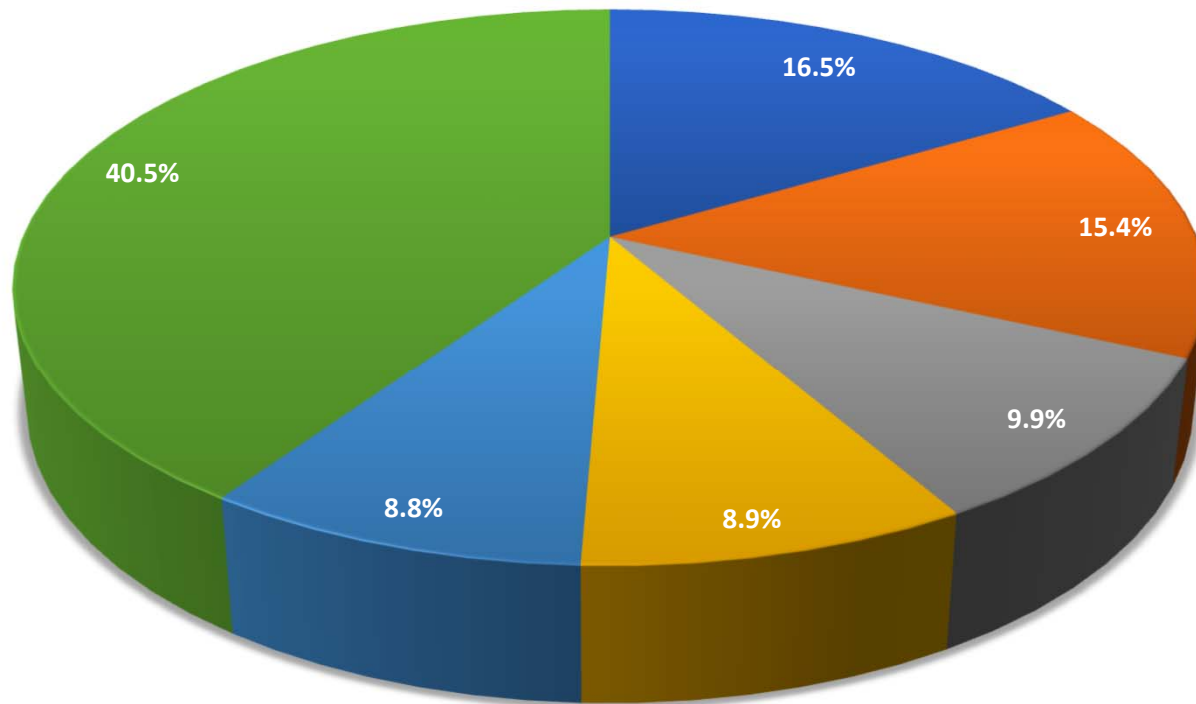
MI Statutorily Protected Drugs

- MCL 400.109h identifies protected drug classes that are exempt from prior authorization unless the product is a controlled substance
- Applies to Fee-For-Service Medicaid – *not Medicaid Health Plans*
- Protected Drug classes:
 - Psychotropics: Anticonvulsants, Antidepressants, Antipsychotics, Antianxiety
 - HIV
 - Cancer
 - Organ replacement therapies
 - Epilepsy or seizure disorder

Additional Carve-Outs

- Hemophilia Clotting Factor
- Select Substance Use Disorder Treatments
- Rare Metabolic Disease Treatments
- New Hepatitis C Treatments
- Other new high cost specialty drugs for cystic fibrosis, etc.

Top Five Aggregate Classes - FFS Michigan Medicaid



ANTIPSYCHOTICS

HIV / AIDS

STIMULANTS AND RELATED AGENTS

ANTICONSULSANTS

HEMOPHILIA TREATMENT

All Other

Federal Rebates

- The federal Medicaid Drug Rebate Program is a program that helps to offset the Federal and State costs of most outpatient prescription drugs dispensed to Medicaid patients.
 - Requires a drug manufacturer to enter into, and have in effect, a national rebate agreement in exchange for state Medicaid coverage of the manufacturer's drugs.
 - Manufacturers are then responsible for paying a rebate to the State for drug costs incurred by the State's Medicaid program.
- The rebate amount required for each unit of a drug is based on statutory formulas, so every state receives the same federal rebate amount for a particular drug.

Supplemental Rebates

- Supplemental Rebates are negotiated “above and beyond” Federal rebates and are Best Price exempt.
- Michigan Medicaid belongs to the National Medicaid Pooling Initiative, an initiative that leverages millions of State Medicaid lives, roughly 3.8 million, to secure lower drug prices.
- In addition to MI, participating states include KY, NH, AK, MT, MN, NY, RI, DC, NC and SC.

Michigan Medicaid Rebates

- **Federal Medicaid Rebates:**

- FFS Medicaid ~ *\$675M/annually*
- MCO Medicaid ~ *\$525M/annually*

- **Supplemental Rebates:**

- FFS Preferred Drug List ~ *\$45M/annually*
- FFS Children's Special Health Care Services ~*\$3.5M/annually*
- MCO Supplemental Rebates- negotiated and retained by MCOs

With the exception of the MCO Supplemental Rebates, all rebates are shared with the Federal government according to the State's Federal Medical Assistance Percentages (FMAP).

FFS Medicaid Rebate Discounts

Federal Rebate Discount

56.0%



Supplemental Rebate Discount

3.4%



Total Rebate Discount

59.4%

Drug Pricing Considerations

- **Confidential:** Pharmaceutical pricing is transparent to the State but is **protected from public disclosure under the Social Security Act at 42 U.S.C. 1396-r8 (b)(3)(D).**
- Drug cost is evaluated for each drug, net of all discounts. The State does not “chase” or “maximize” Supplemental Rebates or use rebate dollars as a measure for PDL success.
- As a result of the unique rebates afforded to state Medicaid programs, Brand products can have a lower net cost than the Generic version of a drug.
 - The Department saves over \$2M/quarter by preferring brands over generics.

Value-Based/Outcomes Contracting with Drug Manufacturers

- The latest tool in Medicaid's toolbox may help contain pharmaceutical costs
- Michigan was the 2nd State to receive CMS approval to pursue value-based/outcomes contracting
- The Department invites manufacturers of new high cost drugs to offer value-based supplemental rebate contracts

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