Ohio | Department of Medicaid

John R. Kasich, Governor
Barbara R. Sears, Director

JMOC Update

Barbara R. Sears, Director
Ohio Department of Medicaid
June 28, 2018

TODAY'S AGENDA

- **Ohio Medicaid Budget**
- PBM Performance Review
- Discussion

Recent Medicaid Budget Actions

May Medicaid budget update

- Average monthly caseload will be less than anticipated by 101,362 individuals (3.3 percent) in 2018 and 150,802 (4.8 percent) in 2019
- Spending also will be less than anticipated by $354 million ($54 million state share) in 2018 and $466 million ($122 million state share) in 2019
- Within 2.6 percent of the original budget in 2018 and 3.2 percent in 2019

Savings are sufficient to …

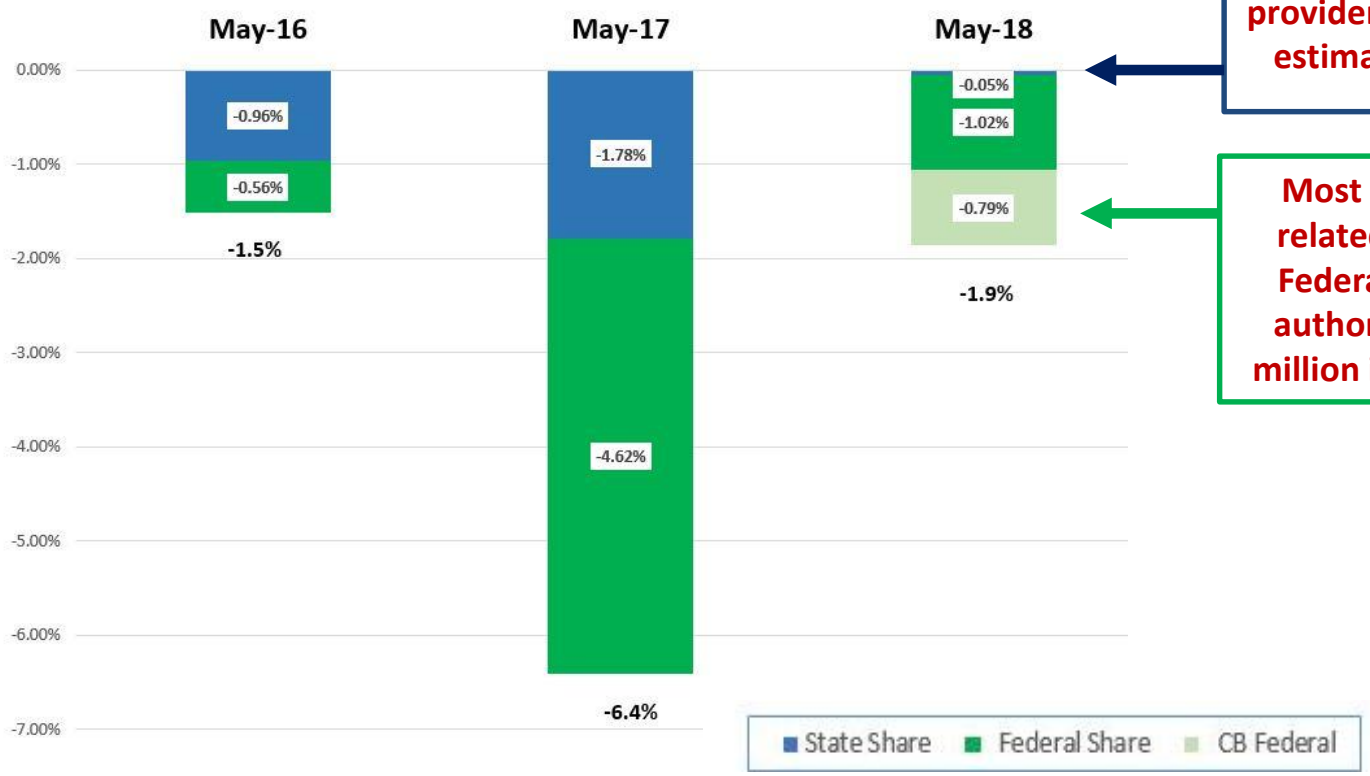
- Delay the planned hospital outpatient rate recalibration
- Avoid a planned 5-percent hospital rate reduction
- Avoid a one-week payment delay planned for June

These actions consume all but …

- $4 million (0.1 percent) of projected state share underspending in 2018 and
- All of projected state share underspending in 2019

Ohio Medicaid Budget Variance

(Appropriation Line Item 651525)



The state share of 651525 that can be used to fund provider payments is under estimate by $6.1 million

Most of the variance is related to the one-time Federal Share spending authority change of $98 million in November 2017.

SOURCE: Ohio Department of Medicaid (June 2018).

Upcoming Events

- Behavioral Health Integration 7/1
  - » Weekly Behavioral Health Association workgroup meetings
  - » State readiness assessment completed 6/19
  - » Managed Care Plans in compliance with Mental Health Parity and Addiction Equity Act 7/1
- Controlling Board on 7/9
  - » Requesting remaining funds in Health and Human Services funds
    - $310,829,377.00
  - » Will allow the Department of Medicaid to draw $750 million in federal funds that have already been appropriated
  - » Total of approx. $1.1 billion in FY19
- Updated Group VIII Assessment and Prison Pre-release report in development
- Care Innovation and Community Improvement Program approval granted for four of the largest Ohio Medicaid hospitals receiving Upper Payment Limit in exchange for programs that promote safe opioid prescribing and early identification and effective treatment for addiction 6/27

TODAY'S AGENDA

- Ohio Medicaid Budget
- **PBM Performance Review**
- Discussion

PBM Performance Review – Background

- Pharmaceutical manufacturers go to extreme lengths to keep drug prices secret from the public—this is not an Ohio or Medicaid only issue
- This secrecy is passed down through the value chain, creating mistrust among payers, insurers, buying groups, pharmacy benefit managers, pharmacists and patients
- Ohio Medicaid decided in 2011 to move the pharmacy benefit out of fee-for-service and into managed care which has saved taxpayers hundreds of millions of dollars

PBM Performance Review – Background

- MCP's contract with a PBM for activities which typically include: negotiating rebates for plans, ensuring access to a network of pharmacies, assistance in formulary design, and care management
- The Ohio Pharmacists Association has alleged that PBMs take advantage of the lack of transparency in drug pricing to pocket an unfair amount of "spread" and to engage in anti-competitive behavior that harms independent pharmacies

PBM Performance Review – Recent Actions

1. Ohio Medicaid has been working with pharmacists to enhance and expand Medication Therapy Management and specialty pharmacy
2. In January 2018, Ohio Medicaid implemented a pricing model that **sets a maximum amount MCPs will pay for brand name drugs** that have generic versions available
3. In April 2018, the Ohio Department of Insurance published a bulletin clarifying **prohibited practices related to pharmacy benefits**, including preventing gag orders on sharing information about cheaper ways to purchase drugs
4. In April 2018, Ohio Medicaid added language to its MCP provider agreement that **requires enhanced pharmacy data reporting and oversight** beginning July 1, 2018
5. In April 2018, Ohio Medicaid **initiated a PBM performance review**

PBM Performance Review – Scope of Review

In May 2018, Ohio Medicaid contracted with HealthPlan Data Solutions (HDS) to conduct an independent third-party analysis of …

1. the spread between the price billed to MCPs by their PBMs and the amount paid to pharmacies,
2. allegations of anti-competitive pricing against independent pharmacies, and
3. the cost to the state of the pharmacy benefit in managed care compared to fee-for-service.

PBM Performance Review – Finding 1

The spread between what was billed to managed care plans and paid to pharmacies is 8.8 percent

- For the first time, the total amount paid on average per prescription is known for pharmacies ($59.19) and PBMs ($5.70)
- Anecdotal examples of spread pricing created a perception that the margin of spread retained by PBMs was much greater, but those estimates were based on a small subset of prescribed drugs
- The HDS analysis is based on one full year of actual pharmacy claims, and calculates the total spread based on the total amount billed to the plans and the total amount paid to the pharmacies.

PBM Performance Review – Finding 1

Managed Care Plan	Rx Count	Total Price Paid to Pharmacy	Total Price Billed to MCP by PBM	Percent Spread of Total Price Billed to MCP by PBM
Buckeye Community Health Plan	4,570,618	$268,014,861.22	$300,953,989.46	10.94%
Caresource	22,277,984	$1,289,174,706.61	$1,403,459,575.04	8.14%
Molina Healthcare of Ohio	4,889,609	$286,187,123.03	$313,460,929.73	8.70%
Paramount Advantage	3,468,464	$227,008,099.53	$249,840,344.87	9.14%
United Healthcare Community Plan	4,061,308	$253,972,561.75	$280,353,588.41	9.41%
Totals	**39,267,983**	**$2,324,357,352.14**	**2,548,068,427.51**	**8.78%**
Totals: CVS Administered Plans	35,206,675	$2,070,384,790.39	$2,267,714,839.10	8.70%
Totals: OptumRx Administered Plans	4,061,308	$253,972,561.75	$280,353,588.41	9.41%

PBM Performance Review – Finding 2

Independent pharmacies were reimbursed 3.6 percent more for brand drugs and 3.4 percent more for generic drugs compared to CVS pharmacies

- HDS could not identify any preferential pricing paid to CVS-owned pharmacies by CVS Caremark that would create an anti-competitive advantage over independent pharmacies.
- HDS did not analyze the efficiency of pharmacy overhead (e.g., some pharmacies belong to efficient buying groups and others may not)

PBM Performance Review – Finding 3

Medicaid managed care PBM pricing saves Ohio taxpayers at least $145 million annually compared to fee-for-service pricing

- HDS compared the current prescription claim prices billed to the plans by the PBMs to the prices that would have been paid under the Medicaid fee-for-service methodology
- The Medicaid managed care pharmacy benefit also generates $100 million in fees and revenue that further offset program costs, ***resulting in total taxpayer savings of $245 million annually***

PBM Performance Review – Next Steps

Based on its analysis of actual pharmacy transactions, HDS concluded there is no evidence of anti-competitive behavior by PBMs that would justify regulatory intervention by the state

- However, there is always room for improvement
- On June 21, 2018, Ohio Medicaid sent a letter to the Medicaid managed care plan CEOs outlining how the department will use the HDS analysis to drive further innovation in pharmacy benefit administration:

PBM Performance Review – Next Steps

1. Require each Medicaid managed care plan to review the HDS report and ongoing data collection and not later than September 30, 2018 **notify the Medicaid Director of any changes** the plan intends to make related to pharmacy administration
2. Use the HDS report and ongoing data collection to inform the state's **process of Medicaid managed care rate setting**, which will occur in November 2018 for calendar year 2019 rates
3. **Monitor PBM pricing on a quarterly basis** and share the information that Medicaid managed care plans need to pressure their PBMs to demonstrate value or risk being replaced
4. If at any point the quarterly review raises an alarm, immediately **notify the Joint Medicaid Oversight Committee** and initiate a process to consider additional reforms

PBM Performance Review – Conclusion

- The state will stay focused on making sure Ohioans have access to pharmacy benefits while also holding down costs and not to be drawn into provider disputes that are best resolved through competition in the market
- Ohio Medicaid will ensure the continued transparency of pricing information as a safeguard against the possibility of future anti-competitive behavior and to provide the information that is necessary for market competition to drive further innovation in pharmacy benefit administration