



# Medicaid: Impact of Policy on the Pharmacy Benefit

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# What is a PBM



Pharmacy benefit managers (PBM) administer prescription drug benefits for nearly 270M Americans in health plans from a variety of sponsors.

# PBMs Save On Prescription Costs

**PBMs save patients and plans \$123 per prescription\***



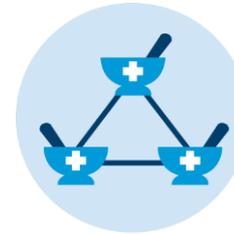
Negotiate rebates from drug manufacturers



Formulary Management



Pharmacy Channel Management



Pharmacy Networks



Disease Management and Adherence Initiatives

\*Comparison based on non-specialty brands.  
Source: PCMA based on Visante analysis. (2017).

# Potential Medicaid Savings with Use of PBM Tools

Using the full range of PBM tools and strategies in state Medicaid programs nationwide could save \$50B across 10-year period 2017–2026

## The use of PBM tools is generally low and often restricted in Medicaid FFS

### Pharmacy Networks

Little to no use of competitive pharmacy networks to negotiate dispensing fees and discounts

### Cost Sharing

Limited use of differential copays to encourage generics

### PA Protocols

Lack of effective PA protocols to encourage safe and effective drug utilization

### Reimbursement

Higher pharmacy dispensing fees

### FWA

Less tools such to prevent polypharmacy, FWA and nonadherence

### Channel management

Limited use of mail-service pharmacies

Source: Medicaid Pharmacy Savings Opportunities: National and State-Specific Estimates. The Menges Group. October 2016

PA= Prior Authorization

FWA= Fraud, waste abuse

# Executive Orders May Impact Medicaid and Drug Pricing

For Immediate Release January 20, 2017

## Executive Order Minimizing the Economic Burden of the Patient Protection and

**The White House**  
Office of the Press Secretary

For Immediate Release January 30, 2017

## Presidential Executive Order on Reducing Regulation and Controlling

January 24, 2017

### Memorandum: Implementation of Regulatory Freeze

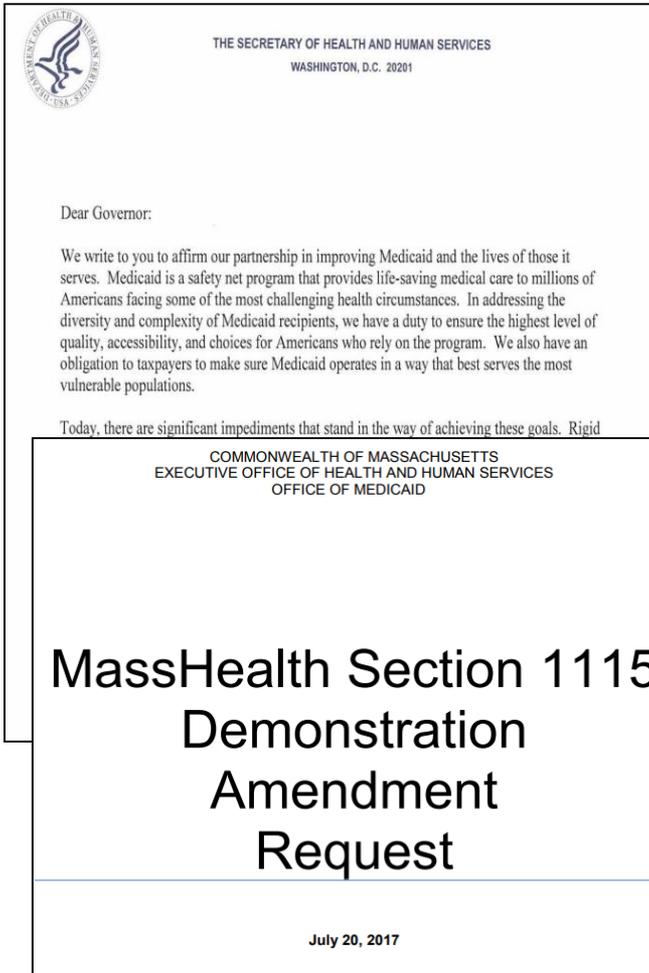
REDUCING REGULATORY BURDEN

By the authority vested in me as President of the United States, I have appointed Mark Sandy, Acting Director of the Centers for Medicare and Medicaid Innovation, to lead the implementation of the Regulatory Freeze Pending Review. This Memorandum provides guidance on implementing the Memorandum of January 20, 2017, entitled "Regulatory Freeze Pending Review" ("Freeze Memo").

Section 1. Purpose. The purpose of this Memorandum is to ensure that for every one new regulation issued, at least two prior regulations be

- Administration issued a number of EOs that may impact Medicaid
  - Minimizing the Burden of the ACA
  - Reducing Regulation and Controlling Regulatory Costs
  - Enforcing the Regulatory Reform Agenda
- Leaked draft EO on drug pricing
  - Rollback of 340B drug pricing program
  - Demo ways to lower drug costs for beneficiaries (e.g. through CMMI)
- Important to note an EO does not confer any new legal authority to an agency

# 1115 Waivers May Lead to Greater Flexibility in RX Benefit



- HHS letter to state governors promising greater flexibility through 1115 waivers
  - CMS may be much more flexible in approving Section 1115 waivers with atypical requirements
  - MA Governor submitted request to allow the use of tools to manage drug costs, including a closed formulary
    - First time a state has requested a closed formulary through a waiver.
    - Pending change in state law, if approved, could serve as a template for other states.

# A Reform Bill May Transform Federal Funding

*Budget reconciliation expires on Sept 30*

## EXPANSION

## PROGRAM FINANCING

### Medicaid Expansion

- Phase down the enhanced federal match for expansion beneficiaries—states receive traditional FMAP for new and non-continuous enrollees

### Per Capita Caps

- Implement Medicaid per capita caps in 2020 for 5 beneficiary categories—elderly, blind and disabled, children, non-expansion adults, and expansion adults

### Block Grant Option

- Allow states to elect to receive a block grant, beginning in 2020, for children and non-elderly, non-disabled, non-expansion adults

**State capitated payments places states at financial risk if costly new prescription drugs enter the market.**

# Key Questions Around the Pharmacy Benefit

## What we think we know

Medicaid may undergo a series of dramatic financial and structural reforms

Medicaid will likely continue to offer prescription drugs

There will be increased flexibility through 1115 waivers

## What we want to know

How will states finance those on high-cost specialty drugs?

Will state Medicaid programs permit the use of more PBM tools?

Will an executive order address drug pricing