

Diabetes Supplies for Medicaid Recipients

Hello I'm Shelly Leonard one of the owners of Carolina Diabetic Supply Group and have been supplying Medicaid recipients with their diabetic supplies for 14 years and a member of NCAMES. I have been asked to speak today on behalf of NCAMES to express the concerns our provider community has with the DMA /Roche agreement on diabetic supplies and to discuss if there have been any resolutions for these issues.

Effective November 15, 2011, DMA signed an agreement with Roche Diagnostic for them to be the single source provider of Diabetic Supplies for their Medicaid Diabetic population. This notification went out to providers on November 14, 2011 only allowing one day to begin this implementation. After learning more about this agreement it would be apparent that there were going to be several concerns that would need to be addressed. What would happen to all the Prodigy inventory that providers still had? What Providers could afford to stay in this line of business with the current reimbursement method? What about patient access and product selection?

Inventory Issue

DMA did listen to our concerns and granted an extension of 90 days for the implementation to begin. I don't think inventory is an issue now as most of the providers I have spoken to this week have either sold the product or returned the product to their distributor.

Rebate and Reimbursement Issues

- The contract that was awarded to Roche provides that NC DMA will pay a portion, (\$29.26) of the reimbursement for each box of 50 test strips and Roche will later pay a rebate portion, (\$23.67) to the provider for the same box of 50 strips.
- Roche's direct contract price to the provider for a box of 50 test strips is \$51.25 with payment terms of 30 days.
- Once product is sold Roche has 60 days from end of a month to pay rebate portion to the provider. Which in some cases could take up to 90 days to receive a Roche rebate?
- The remainder of the reimbursement will come from NC DMA after the diabetic test strips claim is submitted, which is usually within 14 days.
- I think it's important to point out that providers are purchasing Roche product that is more than double their current Medicare pricing and having to wait up to 90 days to collect reimbursement

and rebate from both DMA and Roche but expected to pay Roche for purchased product within their 30 day payment term, all for a profit of \$1.65 or less if you don't have a direct contract.

Resolution

Roche did change their rebate from 5 months to 2 months although this is still not a satisfactory resolution due to it will continue to create operational and cash flow issues for the provider.

- Currently with the Roche and DMA contract there will not be a good resolution for the rebate issue unless the rebate to the provider is eliminated and the provider's profit is more feasible.
- Another possible suggestion would be to allow another manufacture such as Prodigy to help see this contract through November. This will allow a profitable option for the providers and should minimally affect access to Roche product.
- Or NC DMA could determine a reimbursement that they can live with just like all other Medicaid reimbursed products. This would allow the providers to provide any product at their discretion that they can afford.

Access Issues

- There are many providers that have made the business decision to not stay in this line of business due to the current pricing structure and reimbursement which in turn will result in severe access issues for NC Recipients. A lot of us will be restructuring our business and laying off employees.
- My staff called several local Pharmacist and DME providers in the New Bern area to question their status on providing diabetic supplies to their Medicaid population and discovered many have started referring their diabetic recipients to us. They indicated that they are sending those recipients to us because there is no threat to lose their pharmacy medication business with us.
- Unfortunately, at the end of the Prodigy/Roche transition period if there isn't a significant change Carolina Diabetic Supply Group will no longer be able to provide diabetic supplies to their Medicaid recipients either.
- If diabetic mail order is reduced then those that have transportation issues to get their supplies on a regular basis will be greatly affected.
- With limited providers the critical diabetics such as children and insulin pump users will have limited to no access for insulin pump supplies, prior approval request, required override processes for specific brand meters and the exceeding product usage overrides. These special processes require a lot of paperwork and time and can takes months for DMA to process. There

are limited providers that offer insulin pump supplies and are willing to go through these extra processes in order for diabetic to get their supplies.

- We believe if Carolina Diabetic and other companies alike are not able to afford to offer diabetic supply products to Medicaid recipients there will be critical lack of access which will ultimately increase other healthcare and hospital expenditures for the state.

Resolution

Some resolutions would be

- To allow another manufacture such as Prodigy to help see this contract through November. This will allow choice for the patient and providers.
- Medicaid to come up with a reimbursement amount that they can live with just like all other Medicaid products are done such as Diabetic shoes and wheelchairs. This would allow the providers to provide any of the products at their discretion that they can afford within their profit margin.

Inventory, Rebate/Reimbursement and Access were the main issues that NCAMES has been working on but there are some other concerns that I would like to mention.

Other Issues:

- Under the DMA/Roche contract the meters are free to all Medicaid recipients. How will the recipients be trained on this new product? It has been stated but not in writing that Roche would provide this training but according to the DMA policy, providers are responsible and this would be additional time and money from the providers to train.
- No one has mentioned that the other Roche products such as lancets, control solution and lancing devices profit margins are as low as \$0.01.
- There isn't one diabetic meter that fits all patients. Meters can read differently from one meter to another by 20 percent according to current standards. Providers can train patients all day but what the patient does with the readings is between the doctor and patient. In other words, patients are instructed by their doctor how to take meter readings to coordinate their insulin. This is detrimental for a diabetic patient because that means they could end up in a coma because too much or not enough insulin.
- Another reason why one diabetic meter doesn't fit all patients would be that the Compact strips use the GDH-PQQ methodology which is known to cause falsely elevated results in certain situations and can lead to inappropriate dosing and administration of insulin, potentially resulting in hypoglycemia, coma, or death per FDA public health notification.

- The single source manufacture is jeopardizing the critical insulin pump users when there is a delay of access to their required meter. There are diabetic recipients that use an insulin pump that communicates with their glucometer and when NC DMA requires additional paperwork that has taken up to 5 months to process, these recipients have to use Prodigy or Roche until this paperwork is processed.
- We have concerns that all Roche product and distribution complaints will be directed only to Roche and that NC DMA will not be aware of anything critical until it's too late.

Resolution

- Allow another manufacture such as Prodigy to help see this contract through November. This will allow choice for the patient and providers and not affect access.
- Medicaid to come up with a reimbursement that they can live with just like all other Medicaid products. This allows the providers to provide any product at their discretion that they can afford with their profit margin.

The new NC DMA program for diabetic supplies is simply not good for patient access or North Carolina jobs and will eventually result in an increase in the State's overall healthcare expenditures. Patient access will be affected by this program because of the difficulty DME providers will have in servicing diabetic patients under these circumstances. Please consider the negative impact this RFP has on recipients, providers, and the state's overall budget. NCAMES believes this program can be fixed, and we are willing to assist in a workable solution.