



N.C. Department of Health
and Human Services

Prescription Drugs North Carolina Policies

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Medicaid Pharmacy Services

Pharmacy Services

- **Optional service provided each year**
 - to about 1.5 million beneficiaries
 - by 2,200 pharmacy providers
 - expenditures approximately \$1.2 billion
 - average scripts per beneficiary: 2.85
- **Coverage is provided for**
 - prescription drugs
 - Over-the-Counter drugs (insulin + 4 classes where Rx alternatives are more costly)
 - 34 day supply unless qualifies for 90 day supply (i.e. generic, maintenance medication or prepackaged birth control or hormones)
 - a drug that is manufactured by a company that has signed a rebate agreement with the Centers for Medicare and Medicaid Services (CMS)

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- **Rebates**

- HHS Federal Rebates
 - Social Security Act, Section 1927
 - Must be in place for all covered drugs
 - Generics: 13% of base Average Manufacturer Price (AMP), however, 2% of this rebate is returned to the Federal government under the mandate in PPACA
 - Brands: 23.1% of base AMP plus CPI inflationary penalty, however 8% of this rebate is returned to the Federal government under the mandate in PPACA
 - Clotting Factors and drugs with exclusive pediatric indications: 17.1 % of base AMP plus CPI inflationary penalty, however 2% of this rebate is returned to the Federal government under the mandate in PPACA
- State Supplemental rebates
 - tied to the Preferred Drug List

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SFY	Total Expenditure		Rebates	
2003	\$	1,211,655,124	\$	246,899,590
2004	\$	1,481,226,912	\$	293,439,382
2005	\$	1,648,039,897	\$	386,541,375
2006	\$	1,385,039,301	\$	468,298,954
2007	\$	934,276,607	\$	282,401,095
2008	\$	986,504,775	\$	311,705,952
2009	\$	1,065,558,422	\$	332,550,212
2010	\$	1,057,077,053	\$	434,577,331
2011	\$	1,137,850,317	\$	537,654,508
*2012	\$	1,217,315,028	\$	654,032,641

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Drivers of pharmacy costs

- **Top Drug Classes** (based on paid amounts)
 - Mental health drugs have been in the top 5 since 2004
 - Examples: antipsychotics, anticonvulsants
 - ADHD drugs appeared in the top 5 beginning in 2007
 - Others consistently in the top 5:
 - Narcotic analgesics, proton pump inhibitors
- **Diagnoses (inferred from drug utilization)**
 - Psychotic disorders, bipolar disorder
 - Attention Deficit Hyperactivity Disorder
 - Pain
 - Gastrointestinal Disorders

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	Drug Class (SFY 2012)	Net Paid	Patients	Claims
1	ANTIPSYCHOTICS, ATYPICAL, DOPAMINE, & SEROTONIN ANTAG	\$113,428,491.25	44,747	353,414
2	ANTIPSYCHOTICS, ATYP, D2 PARTIAL AGONIST/5HT MIXED	\$60,361,376.38	18,398	105,321
3	ANTICONVULSANTS	\$58,234,443.16	119,453	961,823
4	TX FOR ATTENTION DEFICIT-HYPERACT(ADHD)/NARCOLEPSY	\$50,582,512.74	47,819	311,555
5	ADRENERGICS, AROMATIC, NON-CATECHOLAMINE	\$49,972,088.51	49,734	319,601
6	ANALGESICS, NARCOTICS	\$47,484,419.75	265,563	1,226,090
7	ANTIHEMOPHILIC FACTORS	\$43,518,154.05	186	1,886
8	INSULINS	\$37,264,593.34	20,866	182,807
9	PROTON-PUMP INHIBITORS	\$33,345,609.57	100,176	501,435
10	GLUCOCORTICOIDS, ORALLY INHALED	\$28,573,392.12	65,976	180,016

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Reimbursement and Dispensing Fees

NC reimburses lesser of:

- NC Estimated Acquisition Cost is Wholesale Acquisition Cost (WAC) + 6%
- State Maximum Allowable Cost (SMAC) – rate based on highest of 192.5% of lowest cost generic or 120% of second lowest cost generic
- Federal Upper Limit – due to be updated this year
- Usual and Customary Charge – if lower than all of the above

Dispensing Fees:

- Brands: \$3.00
- Generics: 4 tier structure
- Generic fees encourage generic dispensing
 - Average brand ingredient cost = \$282.09
 - Average generic ingredient cost = \$19.67
 - Generic dispensing rate was 69% prior to 2010; now 80.7%

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Recent Legislative Changes

– Dispensing Fees and WAC

- *Session Law 2011-145, Section 10.48(a)*
 - WAC + 7% decreased to WAC + 6%
 - Generic fees changed from \$5.60 to 4 tiers
 - Generic Fees from \$9.00 to \$4.00 based on a pharmacy's generic dispensing rate percentage (GDR%)
- *Session Law 2012-142, Section 10.48(a1)*
 - Tier ranges were adjusted
 - Brand dispensing fee changed from \$4.00 to \$3.00
 - Generic Fees from \$7.75 to \$3.00 based on pharmacy's GDR%

Medicaid Pharmacy Services

Generic Dispensing Fees

- Session Law 2011-145 budgetary changes
 - Changed from \$5.60 to four tiers based on pharmacy GDR%
 - 80% \$9.00
 - 75% - 79.9% \$6.50
 - 70% - 74.9% \$4.40
 - 69.9% - \$4.00
 - Session Law 2012-142 budgetary changes
 - Revised GDR% and fee amounts
 - Effective October 1, 2012
 - Effective July 1, 2013
- | | | | |
|---------------|--------|-------------|--------|
| • >82% | \$7.75 | ≥ 80% | \$7.75 |
| • 77.1% - 82% | \$6.50 | 75% - 79.9% | \$6.50 |
| • 72.1% - 77% | \$4.00 | 70% - 74.9% | \$4.00 |
| • ≤ 72% | \$3.00 | ≤ 69.9% | \$3.00 |

Medicaid Pharmacy Services

Recent Legislative Changes (continued)

- **Hemophilia Specialty Program**

- Session Law 2012-142, Section 10.48(a2)
- Standards of Care implemented on January 31, 2013
 - Assay management
 - Inventory management
 - Pharmacy certification requirements
 - Reporting requirements
- 340B and Non-340B upper limits for hemophilia drugs