



JOINT LEGISLATIVE OVERSIGHT COMMITTEE
ON MEDICAID

NC Department of Health and Human Services

Medicaid Pharmacy Benefit Manager (PBM)

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NC Medicaid works to Ensure Access to Drugs, and deliver Best Value

NC Medicaid ensures beneficiaries and providers have access to evidence-based, cost-effective medications at the best overall value to beneficiaries and the State of North Carolina

- **2.87 million** Medicaid members served in SFY23
- **17.1 million** prescriptions filled
- NC Medicaid achieved **\$2.44 billion** in annual cost avoidance in pharmacy spend due to the State Preferred Drug List (PDL)
- **\$2.8 billion** in NC Medicaid potential pharmacy costs were reduced to:
 - **\$1.2 billion** per year after 60.7% of drug costs were reduced via rebates,
 - And further reduced to **\$403 million** per year after federal match

*Data provided for SFY 2023

Drug Rebates Lower Drug Costs

Hypothetical Brand Drug with average manufacturer price (AMP) of **\$100**

CMS rebate (23.1%)

Subtract \$23.10

Supplemental rebate (37.6%)

Subtract \$37.60

Net Total Cost * after Rebates

\$39.30

* **State Cost** after 65.27% FMAP
 $(\$39.30 \times 0.3473) =$
\$13.65

Medicaid Drug Rebate Program (MDRP) uses the **Single State Preferred Drug List (PDL)** to maximize supplemental rebates

Federal rebates approximate 23.1% of the average manufacturer price (AMP) for a drug

Supplemental rebates are additional rebates negotiated by the State

After the federal share, NC Medicaid has reduced the original cost of this drug by another 26%, resulting in 86% in total savings

Single State Preferred Drug List (PDL)

A **Single State PDL** is a list of drugs by therapeutic class, which are most cost-effective to the State. NC Medicaid pioneered this Single State PDL model, and all NC Medicaid plans follow the Single State PDL.

The PDL is used to:

- Maximize drug rebates
- Minimize access disruption for beneficiaries
- Provide consistency across plans
- Ease provider burden

Many states with Medicaid managed care **allowed health plans to establish their own PDL**, which has led to negative impacts including:

- State's inability to maximize Federal and Supplemental rebates, forgoing critical cost savings
- Plans having inconsistent preferred drugs within one Medicaid program
- Plans applying inconsistent clinical criteria within one Medicaid program

NC Medicaid "Point of Service" Vendor

(For NC Medicaid Direct/Fee for Service)

- Medicaid "Point of Service" vendors are different from traditional commercial PBM vendors
- NC Medicaid uses a "Point of Service" (POS) Vendor to implement prior authorization and pay for prescription drugs in pharmacies (at the "point of service") for **NC Medicaid Direct** beneficiaries
- The POS Vendor also collects federal and supplemental rebates on behalf of the State and returns those rebates to the State
- Right now, NCTracks provides these services for NC Medicaid (with some services managed through a subcontract with Magellan)
- Medicaid has contracted with Magellan as a full-service POS Vendor, with anticipated implementation in summer of 2025.

NC Medicaid Managed Care PBMs

(For NC PHPs)

NC Medicaid Managed Care PBMs are the fiscal agent for pharmacy benefits for our managed care plans. For example, **they pay pharmacy claims for beneficiaries enrolled in managed care plans**, similar to NC Medicaid "POS" vendor for Medicaid Direct.

NC Medicaid managed care plans utilize their own PBM, but are required to:

- Follow the NC Medicaid Single State PDL
- Utilize the reimbursement logic in the State Plan
- Utilize the State defined clinical criteria for drugs
- Follow the NC Medicaid pharmacy policies

NC Medicaid managed care plans are not allowed to:

- Negotiate or collect rebates with manufacturers
- Charge pharmacies transaction fees
- Be more restrictive in clinical coverage of drugs than the State

By requiring a Single State PDL in managed care, NC Medicaid has saved NC hundreds of millions of dollars

NC Medicaid v. Commercial PBMs

- **Drugs covered are subject to federal rules**
 - Commercial PBMs may determine their own covered drug lists
- **Providers are reimbursed according to reimbursement logic approved by CMS**
 - Commercial PBMs may provide preferential reimbursement for related-party pharmacies
 - Commercial PBMs negotiate payment terms with providers and retain part of the money through spread pricing
- **No hidden transaction fees to pharmacies**
 - Commercial PBMs charge transaction fees and other fees not part of the Medicaid State Plan reimbursement
- **Rebates follow the federal Medicaid Drug Rebate Program and supplemental rebates are negotiated by the State**
 - Commercial PBMs negotiate rebates directly with manufacturers that may be passed on to the health plan or retained by the PBM based on volume and coverage requirements
- **Rebates accrue to the State**
 - Commercial PBMs may retain rebates or a portion of rebates

Managing New-to-Market Drugs

NC Medicaid implements strategies to manage new to market specialty drugs like sickle cell therapies, including:

- Developing reimbursement specific for therapies to maximize rebates
- Incorporating drugs into managed care capitation rate setting
- Single statewide Preferred Drug List (PDL) to drive utilization to the most cost-effective drugs
- Required clinical coverage criteria to ensure medical necessity

NC Medicaid Pharmacy Program

Positive Impact on NC Beneficiaries

- Access to prescriptions they need at a minimal cost
- Support of Whole Person care
- Maintenance of health and treatment of acute illness
- Opportunity to live healthier lives with improved quality of life

Positive Impact on NC Medicaid & the State

- Healthier populations consuming less long term healthcare dollars
- 61 cents on every \$1 spent is returned to the State
- Covers a comprehensive pharmacy benefit
- Provides fair reimbursement and less administrative burden for providers