



Maryland Medicaid Program

Maryland's Pharmacy Discount Waiver

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Overview

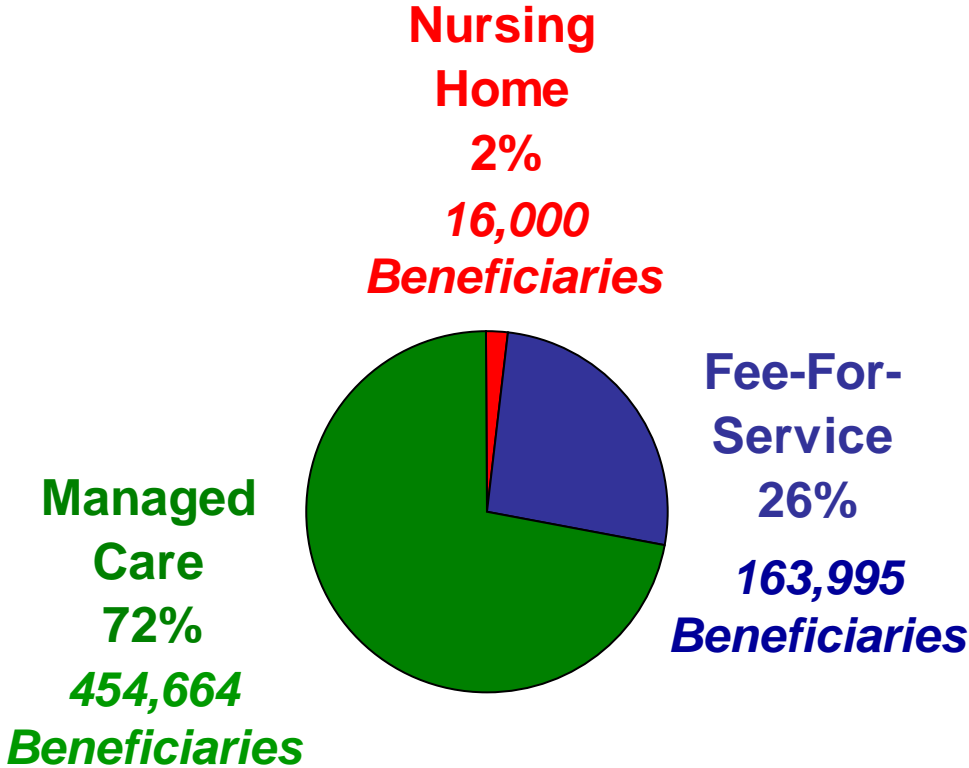
- ◆ *Background:* Maryland Medicaid Program and Current Budgetary Pressures
- ◆ *Expanding Access to Drug Coverage:* Pharmacy Plus Waivers and Maryland's Pharmacy Discount Program
- ◆ *Managing Prescription Drug Costs:* Maintaining Pharmacy Benefits Depends On Maryland's Ability To Effectively Manage Costs Through Various Cost-Containment Tools

Background:
Maryland Medicaid Program
and Current Budgetary Pressures

Maryland Now Serves Over 630,000 Individuals

- ◆ Maryland Medical Assistance Programs provide services to 634,659 citizens (679,418 including pharmacy assistance program)

Enrollment As of July 2002



Total Beneficiaries = 634,659

**FY 03 Budget = \$3.3 Billion
(Total Funds)**

- 25% Nursing Homes
- 36% Managed Care
- 39% Fee-for-Service

Since 1997, Maryland Has Implemented A Number of Major Changes and Expansions

◆ Changes and Expansions include:

HealthChoice and Maryland Children's Health Insurance Program (MCHP)

- HealthChoice (July 1997)
- MCHP initially covered children and pregnant women through 200% of the FPL (July 1998)
- MCHP covers pregnant women through 250% of the FPL (July 2001)

MCHP Premium

- Expansion of children through 300% of the FPL (July 2001)

Long-Term Care Home and Community-Based Waivers

- Medicaid waiver for Older Adults (January 2001)
- Waiver for Adults with Physical Disabilities (April 2001)
- Waiver for Children with Autism Spectrum Disorder (July 2001)

Other

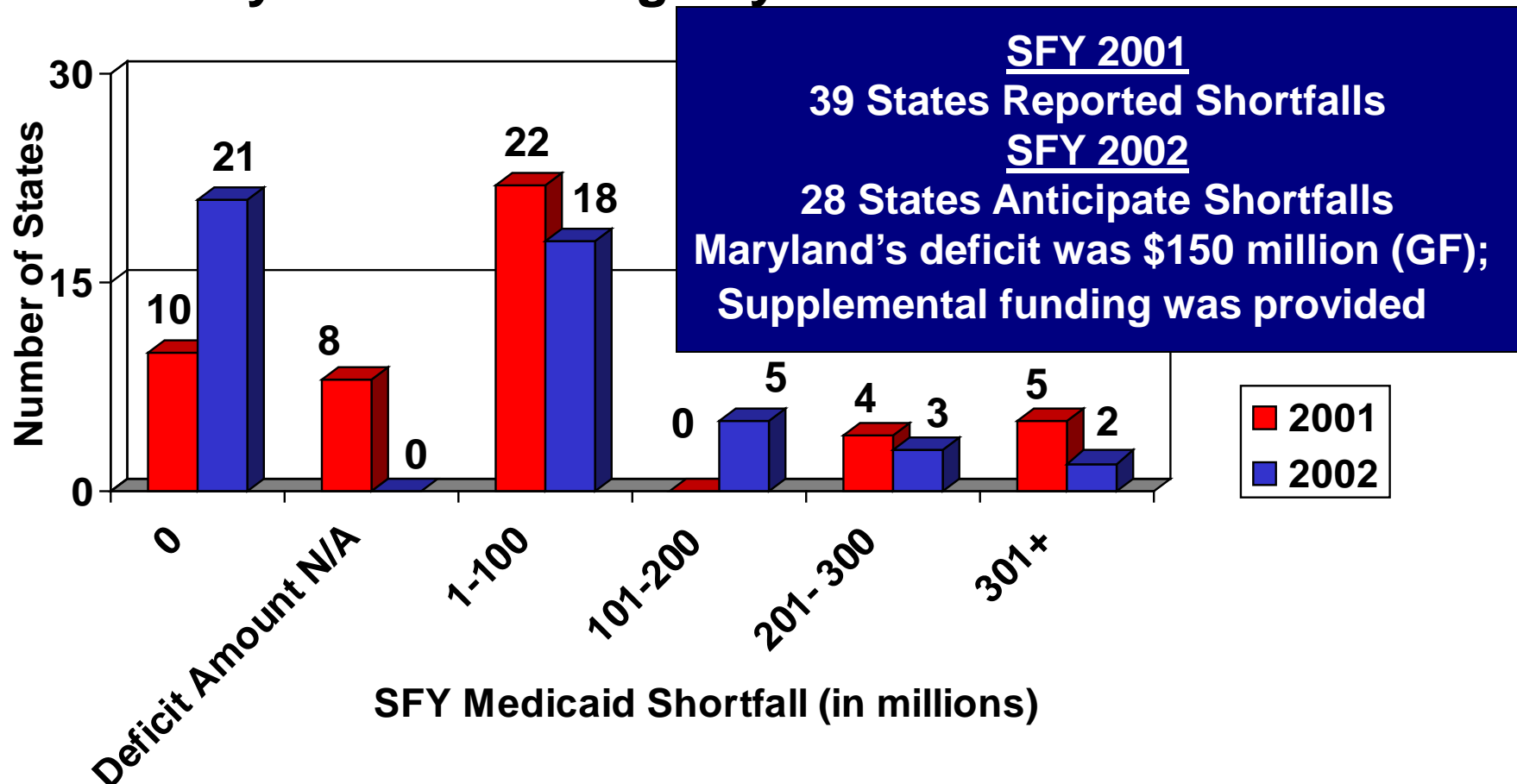
- Breast and Cervical Cancer Treatment Program (April 2002)

Expansions not yet implemented

- Waiver for Adults with Traumatic Brain Injury (Recently approved June 20, 2002)
- Waiver for the Pharmacy Discount Program (Recently approved July 30, 2002)

Maryland and Other States Face Deficits In Their Medicaid Programs

State Fiscal Year 2001 and 2002 Medicaid Shortfalls by Shortfall Range by Number of States



Source: "Medicaid and Other State Healthcare Issues: The Current Situation", National Association of State Budget Officers, May 2002.

Maryland Developed A Strategy To Stabilize and Strengthen The Program

- ◆ Program has undergone tremendous change and growth over the last 5 years
- ◆ Between FYs 98 and 02 Medicaid incurred an average annual growth rate of 8.8%. In FY 02, the rate of growth was 12%; Medicaid cannot sustain this rate of growth
- ◆ Maryland, therefore, developed a strategy for FYs 02 and 03 that emphasized stabilizing and strengthening existing programs to assure beneficiaries received and had access to the highest quality of care in the most efficient and cost-effective manner
- ◆ A key component of Maryland's strategy focused on managing the programs more efficiently, finding ways to constrain the growth in expenditures, and limiting any additional new programs
- ◆ Maryland's cost-containment strategy focuses on reducing provider savings by \$34.9 million (general fund) in FY 2003

Challenge of Controlling Health Care Costs and Ensuring Access To Care

- ◆ High health care costs are a key reason states are facing deficits, together with unexpected growth in enrollment and decreased revenues
- ◆ This comes at a time when access to care for low-income families and persons who are disabled or elderly is even more important due to the downturn in the economy
- ◆ Challenge for state Medicaid programs is to control costs and ensure access
- ◆ Given overall budgetary pressures and the need to stay within our budget neutrality cap, states will have to strike a balance between expanding coverage, including pharmacy drug benefits, and controlling program costs

Expanding Access To Drug Coverage:
Pharmacy Plus Waivers and
Maryland's Pharmacy Discount Program

Lack of An Outpatient Medicare Prescription Drug Benefit Threatens Access To Critical Drug Therapies

- ◆ Americans age 65 and older represent about 13% of the population, but account for 34% of all prescriptions dispensed or about 42% of total outpatient drug expenditures
- ◆ Prescription drugs are a large part of Medicare beneficiaries out-of-pocket health care spending. In 2000, Medicare beneficiaries spent an average of \$480
- ◆ Many Medicare beneficiaries lack reliable drug coverage
 - Medicare does not provide outpatient prescription drug benefits
 - Approximately 30% of non-institutionalized Medicare beneficiaries lacked prescription drug coverage in 1998. A number of factors suggest this number is increasing, including:
 - Number of employers offering retiree health coverage is declining. The share of employers offering supplemental health coverage to Medicare-eligible retirees fell from 35% in 1995 to 25% in 2000
 - Medicare+ Choice plans are reducing their coverage of prescription drugs. Only 67% of Medicare+ Choice enrollees are estimated to have prescription drug coverage in 2000, compared to 84% of enrollees in 1999
 - Medicare enrollees are losing their prescription benefits as more and more HMOs exit the Medicare market
- ◆ In 1998, Medicare beneficiaries who lacked drug coverage filled 31% fewer prescriptions than did beneficiaries with coverage

Pharmacy Plus Waivers Allow States To Extend Drug Coverage To Seniors and Receive Federal Dollars

- ◆ Under an 1115 pharmacy demonstration, states can provide prescription drug and over-the-counter drug coverage to individuals, including Medicare beneficiaries, who are not eligible for full Medicaid benefits and with incomes below 200% of the Federal Poverty Level
- ◆ States are encouraged to adopt competitive private sector approaches to provide more cost effective, modern prescription drug benefits
- ◆ States may elect to provide a prescription drug benefit that is similar to, or different from, the benefits provided in the Medicaid State Plan
- ◆ Demonstration must be budget neutral
- ◆ Pharmacy Plus Programs enable states with existing pharmacy assistance programs to receive federal-matching funds to allow for expanded drug benefits and coverage

Five States Have Applied and Been Approved For Pharmacy Plus Waivers

- ◆ Five states have applied and been approved for Pharmacy Plus Waivers
 - Maryland (Applied for pharmacy waiver within its existing 1115 Health Reform Demonstration)
 - Florida
 - Wisconsin
 - South Carolina
 - Illinois
- ◆ Given the flexibility of structuring Pharmacy Plus Waivers by the federal government, each of the programs vary considerably
 - Eligibility income and asset levels vary
 - Cost-sharing tools and levels (copayments) vary
 - States can implement enrollment ceilings

Maryland's Pharmacy Plus Waiver Increases Benefits and Eligibility Levels Under MPAP...

Maryland Pharmacy Assistance Program (MPAP Before Waiver)

New Pharmacy Discount Program (MPDP -Group 1)

<ul style="list-style-type: none"> • State-only funded program 	<ul style="list-style-type: none"> • Federal-matching program
<ul style="list-style-type: none"> • Covers approximately 80% of the drugs under Medicaid (maintenance drugs and anti-infectives) 	<ul style="list-style-type: none"> • Provides coverage of all Medicaid formulary drugs
<ul style="list-style-type: none"> • Eligible individuals must have incomes at or below 116% of poverty and assets at or below \$3,750; no age limit (Approximately 33% are Medicare beneficiaries) 	<ul style="list-style-type: none"> • Eligible individuals must have incomes at or below 116% of poverty for single individuals or \$10,300 and assets at or below \$3,750; no age limit • Qualified Medicare Beneficiaries (Medicare Beneficiaries with incomes at or below poverty and assets at or below \$4,000)
<ul style="list-style-type: none"> • \$5 co-pay for each prescription 	<ul style="list-style-type: none"> • \$5 co-pay for each prescription
<ul style="list-style-type: none"> • Pharmacists are paid the Medicaid rate, and the Medicaid rebate applies as well 	<ul style="list-style-type: none"> • Pharmacists are paid the Medicaid rate, and the Medicaid rebate applies as well
<ul style="list-style-type: none"> • Current enrollees total approximately 43,000 	<ul style="list-style-type: none"> • Projected enrollees approximately 46,000

...And Provides Pharmacy Benefits To Other Low-Income, Medicare Beneficiaries

Maryland Pharmacy Discount Program (MPDP -Group 2)

- Federal-matching program
- Covers all Medicaid formulary drugs
- Medicare beneficiaries, who do not qualify under Group I but whose annual income is at or below 175% of the federal poverty level (currently \$15,505 for a single individual); no asset standard
- Enrollees would be able to purchase Medicaid formulary drugs at 65% of the already-discounted Medicaid rate (plus a \$1 processing fee paid to the pharmacist), with the State paying the remaining 35%
- Pharmacists are paid the Medicaid rate, and the Medicaid rebate applies as well
- Approximately 44,000 individuals will be enrolled under this group
- Expected implementation date July 2003

Participating Medicare Beneficiaries (Group II) Receive An Average Savings of 40-55%

- ◆ Medicare beneficiaries who participate in MPDP will be able to purchase their prescription drugs at a significant discount from the retail price
 - Medicaid formulary drugs are priced at a discount (on average 5-20% below the retail cost)
 - Enrollees pay only 65% of this discounted Medicaid rate, with the State picking up the remaining portion
 - The result is an average savings of 40-55% off the original retail price
 - For example, if a drug costs \$100 at the retail price and the Medicaid price is \$85
 - The beneficiary pays \$55, plus \$1 processing fee
 - The State pays the balance of \$30

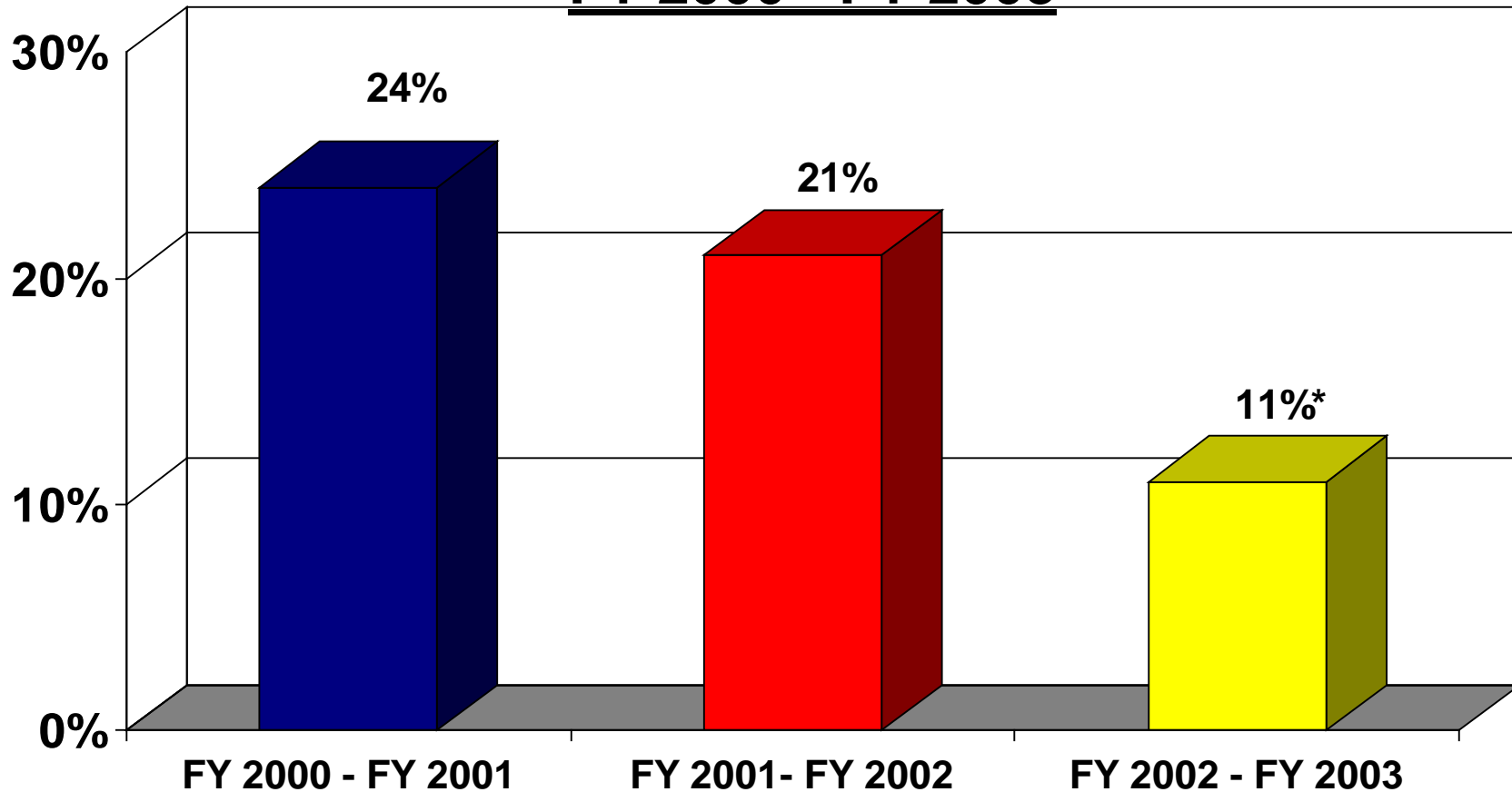
Maryland Received Approval Within Its Existing Medicaid Section 1115 Health Reform Demonstration

- ◆ Unlike the other states with pharmacy plus programs, Maryland received approval from CMS to establish MPDP within its existing Medicaid Section 1115 Health Reform Demonstration rather than applying for a separate 1115 Pharmacy Demonstration Project
- ◆ Maryland was able to expand coverage within its current budget neutrality cap because of existing room
 - Maryland analyzed the usage of pharmacy benefits under its MPAP to determine the expected pharmacy costs under the Waiver
 - Maryland did not assume that increased pharmacy benefits would reduce Medicaid eligibility periods or would reduce service utilization, like hospital services
- ◆ The expansion population and expanded benefits is paid for through the receipt of federal-matching dollars from MPAP (Maryland's previously state-only program), rebates collected from manufacturers, and beneficiary copayments

Managing Prescription Drug Costs:
Maintaining Benefits Depends On
Maryland's Ability
To Effectively Manage Costs

Pharmacy Expenditures Have Been Growing At Double-Digit Rates

Growth In Expenditures FY 2000 - FY 2003



Note: FY 03 growth rates are based on projections

* Assumes \$3 M (GF) in pharmacy savings (FFS pharmacy expenditures in FY 2002 = \$300.1 M TF); Without any pharmacy cost containment, the growth in FY 03 pharmacy expenditures are projected to be 13%. Although lower than previous years, this still is a double-digit growth rate and should be a focus of more cost containment efforts.

Pharmacy Initiatives Are Being Implemented To Save \$10.1 million (general funds) In FY 2003

- ◆ Pharmacy cost-containment initiatives are being developed and implemented to save an estimated \$10.1 million (general funds) in FY 2003
 - Initiatives already implemented:
 - Increase the Maryland Pharmacy Assistance Program drug manufacturer rebate amount (\$1.65 million); higher rebate amount also will be applied to Maryland's Pharmacy Discount Program
 - Profile patients for physicians to change prescribing patterns (\$100,000)
 - Emergency Regulations -- Submitted and Approved
 - Implement tiered copays and dispensing fees to encourage the use of generics - \$1.3 million (eight month effective date) (tiered copays cannot be applied to MPDP due to legislation)
 - Proposed Regulations – Submitted and Waiting Approval
 - Implement a preferred drug list and prior-authorization - \$1 - \$1.3 million (two month effective date) \$6 - \$8 million annual savings
 - Require prior-authorization for any prescription exceeding 10 per month to reduce fraud and abuse (six month effective date - \$600,000)
 - Department is evaluating other cost containment suggestions from stakeholders

States Need More Tools To Operate Like The Commercial Market

- ◆ Maryland needs to evaluate and monitor its programs to identify additional cost savings
- ◆ Prescription drugs is one area where we are not the lowest payer and where we need tools to operate like the commercial market, such as a preferred drug list
- ◆ A preferred drug list is a comprehensive list of clinically equivalent or effective drugs, determined by doctors and pharmacists, taking into account patient needs
 - Clinical effectiveness comes first when developing the preferred drug list. The preferred drug list will encourage the **use of drugs of equal clinical effectiveness but that are less expensive**, such as Ranitidine, a generic drug used to treat ulcers, which costs \$0.10 per tablet. Zantac, the brand-name, clinically-equivalent drug to Ranitidine, costs \$1.71 per tablet.
 - Beneficiaries still have access to all drugs not on the list but would need to go through prior-authorization, which is common in the commercial market
 - The Department will ensure that consumer protections are in place

Maryland Also Needs To Continue To Pursue Tiered Copays For MPDP Beneficiaries

- ◆ Pharmacists will receive a tiered dispensing fee when dispensing to MPDP beneficiaries. A higher dispensing fee will be provided for generics
 - \$4.69 generics and \$3.69 brand-name drugs; long-term care pharmacists would be reimbursed \$5.65 for generics and \$4.65 for brand-name drugs
- ◆ However, the Department is unable to apply tiered copays to Group I beneficiaries under MPDP
 - During the 2002 Legislative Session, the General Assembly passed legislation (SB 481) that prohibited any increase in pharmacy co-pays under the Medicaid program, but allowed for a tiered co-pay proposal. The tiered co-pay proposal, though, had to be budget neutral to the program.
 - Department is discontinuing copays for generics and increasing copays for brand-name drugs to \$2 (previously, a \$1 copay applied to all prescriptions)
 - The Department's legislation to increase pharmacy co-pays under the Maryland Pharmacy Assistance Program (MPAP) also failed to pass. Legislative language prohibited the Department to implement tiered co-pays under MPAP, even if budget neutral

Maryland Still Advocates For Greater Involvement At The Federal Level

- ◆ While Pharmacy Plus Waivers are great importance to the beneficiaries they serve, they provide an uneven response to the lack of pharmacy benefits for seniors; benefits depend on where one lives and they focus only on populations at or below 200% of the federal poverty level
- ◆ Resources from the Federal Government would allow expansion activities to reach a greater number of Maryland residents than expansion activities funded solely from state dollars
- ◆ A prescription drug benefit under Medicare would provide broader access to prescription drugs and would relieve pressure on State expenditures