Pharmacy Programs and Cost Containment

SFY 2006 PDL Savings (state and federal) Estimate:

- The projected SFY 2006 PDL savings, taking into account the loss of the dual eligibles for the last six month of the SFY and supplemental rebates from participation in the SSDC pool, is $22.6 million of which state share is $8.2 million .

SFY 2005 PDL/PA Savings (state and federal) Estimate:

- The projected SFY 2005 PDL savings was $16.8 million of which state share was $6.1 million. These savings represent only six months of program operation.

Preferred Drug List (PDL) :

- The States of Iowa, Maine, and Vermont have joined together forming the ***Sovereign States Drug Consortium (SSDC)***. GHS handles the negotiations for the multi-state supplemental rebate pool. This effort differs substantially from the existing multi-state pools because it is state, not vendor administered. This is a truly State-directed and entirely state controlled effort. Each state has an equal vote and can act independently as deemed necessary. The participating states pool their purchasing power for their Medicaid Programs using the combined leverage of Medicaid-members to obtain better drug pricing. The Medicare Part D drug benefit, which began operations in January 2006, resulted in the loss of Iowa's dually eligible members, reducing the state's bargaining power by nearly $200 million. By joining the pool Iowa can expect to recoup some of the lost dual supplemental rebates in the amount of $1.2-1.3m (state and federal combined) in SFY 06 and $2.4-2.6m in SFY 07.

State Maximum Allowable Cost (SMAC):

-SMAC is a methodology for setting Medicaid reimbursement rates for generic drugs. Brand name drugs are reimbursed under a different methodology.

-SMAC rates are based upon the average cost of drugs purchased by Iowa pharmacies. Both brand and generic drug costs are included in the average cost of a drug.

-Drug cost information is collected from a sample of Iowa pharmacies, representing different sizes and locations of operation. Therefore, these are the costs that the pharmacies pay their wholesalers or distributors. This is done annually and as needed. The most recent invoice collection was done in November 2005 and rates are being finalized from this collection.

-A mark-up of 40% is added to the average drug cost to allow for variations between provider purchasing power and allow for profit for cost efficient pharmacies.

-Drugs with a State MAC rate are reimbursed at the lower of the following reimbursement methodologies: Estimated Acquisition Cost (EAC - which is Average Wholesale Price minus 10%), Federal Upper Limit (FUL), State MAC rate (SMAC), or Usual & Customary charges (U&C-the amount submitted by the pharmacy).

-***State MAC savings for SFY 2005:*** there was an estimated savings of $11,887,163 (State and Federal $).

- The **Federal Budget Resolution Bill** that is awaiting Congressional approval has been reviewed by the Department and the savings attributed to these changes are being evaluated with the initial evaluation showing minimal savings. The two main changes are:

  1). Federal Upper Limit (FUL) Calculation which would change from using 150 percent of the least costly published price to using 250 per cent of the Average Manufacturer Price (AMP) and requiring only one generic be available as opposed to two or more. Because the SMAC tends to be lowest reimbursed rate and Medicaid pays the lowest of EAC, FUL, SMAC, and U&C, this will most likely not impact savings for Iowa. We also cannot guarantee what the real AMPs will be prospectively.

  2). Physician Administered Drugs and the Collection of Rebates could produce some minimal savings; however there would also be associated programming changes involved, including the collection of NDCs for drugs reimbursed through medical claims. The collection of rebates on Physician Administered Drugs will become a requirement for Medicaid programs to get federal reimbursement for these drugs.

The projected estimate of state savings for SFY 07 for the proposed initiatives would be approximately $1.2 million.

Drug Prior Authorization Activity

Background: Prior authorization (PA) is a means of implementing prescribing or practice guidelines. A drug prior authorization (PA) program requires the prescriber and/or the pharmacist to obtain approval in advance from the Medicaid agency or contractor before Medicaid payment will be made for certain drugs. The program is designed to assure that the most economical drug therapy appropriate for given medical conditions is used and to assure that drug therapy is only continued for as long as it is medically necessary.

Prior Authorizations (PA) Statistics for Q4 2005 from 10/1/2005 through 12/31/2005

- Prior Authorization requests received: 17,904
- Prior Authorizations approved: 10,394
- Prior Authorizations denied: 4,601
- Prior Authorizations incomplete: 2,132
  NOTE: The incomplete and not required requests have decreased by 30% compared to the prior quarter.
- Prior Authorizations not required: 777
- Average Determination Time: 1.68 hours
  NOTE: The average determination time has decreased from 4-8 hours at implementations on 1-15-05 to 1.68 hours currently.
- % of total claims requiring a PA: 0.95%
- % of total claims requiring a PA where the PA was denied: 0.25%
- Number of Appeals from 10/1/2005 through 12/31/2005: 8
  NOTE: Out of the 8 appeals, 2 were approved through the PA process with more information provided, 1 was a billing error, 3 were for off label indications not approved by the FDA, and 2 were non-preferred medications on the PDL.

Pharmacy PA/PDL Call-Center: Statistics for Q4 2005 from 10/1/2005 through 12/31/2005

- Calls answered: 4,308
- Average Queue Time: 8 seconds
- Average Length of call: 2 minutes and 49 seconds

Total Savings SFY 05

- PDL: $17.8 million
- SMAC: $11.9 million
- Operational Costs = $1.0 million (PDL) + $0.30 million (SMAC)
- Net to State: $28.4 million

Point of Sale (POS) Call-Center: Statistics for Q4 from 10/1/2005 through 12/31/2005

- Calls answered: 11,764
- Average Queue Time: 8 seconds
- Average Length of call: 3 minutes and 31 seconds
- % of claims generating a call: 0.86%

Point of Sale (POS) Claims Processing: Pre-Rebate Statistics for Q4 from 10/1/2005 through 12/31/2005

- Total Claims Paid: 1,867,266
- Total Cost for Claims Paid: $114,510,732
- Average Cost Per Claim: $61.33

	Amount Paid	Number of Claims Paid	
October, 2005	$35,006,410	574,475	
November, 2005	$39,601,222	651,494	
December, 2005	$39,903,100	641,297	
Total for Quarter	$114,510,732	1,867,266	Note: 57.9% of claims were for generics
January 1st-23rd, 2006	$26,123,077	423,736	

Iowa Pharmaceutical and Therapeutics Committee

- House File 619 (Iowa Code 249A.20a) authorized the establishment of the Iowa Pharmaceutical and Therapeutics (P&T) Committee.
  -The Governor appointed committee is comprised of 9 members: 1 dentist, 3 pharmacists, and 5 ph ysicians.
  -The main focus is the PDL (Preferred Drug List) and Recommended Drug List (RDL) design and maximizing the initial utilization of the most cost-effective, clinical choices available.
  -By first considering the therapeutics and then the cost, the P&T Committee ultimately decides which drugs to recommend to the State of Iowa as preferred and recommended.

- The P&T Committee meets on a quarterly basis and as needed. The following topics are discussed at the meetings:
  -Discuss any new drugs or new generics on the Market.
  -Discuss any areas for potential savings on the PDL or RDL.
  -Discuss any changes to be made to the PDL or RDL based on any local or national issues.
  -Receive and discuss feedback from the public through a Public Comment session of each meeting as well as a dedicated website for comments.
  -Complete a yearly review of the entire PDL and RDL.

- The final quarterly meeting is the Annual PDL/RDL Review. This meeting occurred on December 8th and 9th, 2005. The process is to:
  -Review key supplemental rebate negotiations that could potentially change the preferred/recommended or non-preferred/non-recommended status of a drug.
  -Vote on the entire PDL and RDL.

- The P&T Committee developed a report in response to a request from the 2005 Iowa Legislative session asking them to "develop options for increasing the savings relative to psychotropic drugs, while maintaining patient care quality" for individuals receiving medications through Iowa Medicaid. Attached is the Executive Summary:

  The report summarizes key background information on patterns of utilization and cost of psychotropic medications within Iowa's Medicaid system (section II), and describes the process through which recommendations were developed (section III). Much of the work was done by a mental health subcommittee that was formed specifically to carry out this task. That subcommittee came up with a range of options for the full P&T committee to review. Each of those options is presented in this report (section IV). Finally, the recommendations that the P&T committee approved and chose to forward to the legislature are described (section V), and delineated below:

  1) *Eliminate the current exemption to the Preferred Drug List (PDL) process for the class of drugs known as "second generation antipsychotics" (SGA's).*
  2) *Develop and implement prior authorization protocols for prolonged concomitant use of multiple mental health drugs within the same class.*
  3) *Develop and implement prior authorization protocols for use of specific second generation antipsychotic medications outside of evidence-based dose ranges.*
  4) *Implement a program to more aggressively target outliers, i.e., prescribers whose patterns of prescribing are consistently out of line with their peers, and with the existing evidence base.*

Drug Utilization Review (DUR) Committee

SFY05 Results:

- Total annualized cost savings estimates were increased by approximately 40% when comparing SFY05 savings of $1,966,769.27 to SFY04 savings of $1,406,445.02: Return on investment increased with $4.02 savings per dollar spent on the program. Savings can also be stated as $16.08 per state dollar spent due to the federal match at a ratio of 3:1.

Meetings:

- Commission meetings are held eight times a year; 4 meetings have been held in SFY06, the 5th meeting is scheduled for 2/1/06. The Commission is comprised of four physicians and four pharmacists serving staggered 4-year terms. The IME Medical Director has assumed a coordinating role with the DUR Commission.
- Professional staff for the Commission includes three registered pharmacists and two administrative staff.

SFY06 Activities To Date:

- Patient-focused reviews are completed via the review of at-risk patient profiles (1500 profiles reviewed to date).
- Problem-focused reviews target specific issues for an in-depth educational effort. About 750 profiles have been reviewed to date.
- The Commission conducted focused intervention to physicians prescribed combination antipsychotic polypharmacy.
- The Commission recommended to DHS that drugs used to treat sexual dysfunction be considered not medically necessary.
- The Commission also identifies situations to recover funds from inappropriate billing with $14,000 in the last 6 months.
- The Commission recommends new or updated guidelines for use in the drug prior authorization program.
    - Recommendations for seven categories have been forwarded to the Department thus far in SFY06 and two recommendations based on changes to the PDL.
    - Two drug categories were recently reviewed with no recommended changes to the criteria.
    - There are four PA categories to be reviewed in February and March. This will complete the annual review process for clinical PA criteria, a charge to the Commission. Review of lipase inhibitor drugs was deferred pending a weight management disease management program.
- The Commission generates an educational newsletter, the *DUR Digest*, features therapeutic information along with updates regarding policy issues. Two newsletters have been produced in SFY06, published, and posted to the IME website.
- The Commission maintains a website as an additional communication tool including meeting agendas and minutes.
- Commission staff participates in quarterly advisory groups with the Magellan managed health program.

Drug Expenditures

10-1-05 to 12-31-05 Prescription Drug Expenditures In Iowa By Drug Category

State Match Rate		36.36%	63.64%	Percent of Total
Category	State Expenditures	Federal Expenditures	Total Expenditures	Dollars
Physical Health Drugs				
Cardiac	$2,198,252	$3,847,545	$6,045,797	5.5%
Gastrointestinal	$2,455,782	$4,298,294	$6,754,076	6.2%
Antibiotics	$2,777,990	$4,862,247	$7,640,237	7.0%
Respiratory	$3,028,504	$5,300,715	$8,329,219	7.3%
Analgesics	$3,136,925	$5,490,482	$8,627,407	7.9%
Anticholesterol	$1,729,751	$3,027,541	$4,757,292	3.7%
Antihemophilic	$438,440	$767,390	$1,205,829	1.1%
Antihistamines	$179,935	$314,936	$494,871	0.6%
Other	$9,163,219	$16,038,154	$25,201,373	25.6%
			Subtotal:	64.9%
Behavioral Health Drugs				
Antipsychotics	$7,441,592	$13,024,832	$20,466,424	17.1%
Antidepressants	$3,451,994	$6,041,939	$9,493,933	8.7%
Anticonvulsants	$3,100,727	$5,427,125	$8,527,852	7.5%
Psychostimulants	$1,848,537	$3,235,449	$5,083,986	0.6%
Sedative/Hypnotics	$412,823	$722,554	$1,135,377	0.6%
Anti-anxiety	$271,293	$474,837	$746,130	0.6%
			Subtotal:	35.1%
TOTAL	$41,635,764	$72,874,038	$114,509,803	100.0%
Generic Drugs			$17,700,000	15.5%

NOTE: Prescription drug expenditure figures do not include offsets for rebates drug product cost rebates, which the average savings for drug rebates is 25%.

Medicare Part D Prescription Drug Program

- Effective January 1, 2006, Medicaid members who also qualify for Medicare, referred to as dual eligibles, began to have their prescription drugs paid through Medicare Part D. State Medicaid programs were allowed by CMS to cover the excluded Part D drugs for full benefit dual eligibles and Iowa elected to do so.

- **Number of Iowa Dual Eligibles and Success of Auto-Enrollment:** Using data from the December 05 MMA response file (we have not received the January 06 response file from CMS yet)
  -Full Duals - 54,826
  -Full Duals indicated as enrolled in a part-d plan - 52,883 - (96.5%)
  -406 of the full duals that were not indicated as being enrolled in a part-d plan, are instead indicated as enrolled in a Medicare Advantage.

- **Iowa Medicaid covered drugs for Part D eligibles:**
  1. Barbiturates
  2. Benzodiazepines
  3. Over-the-Counter Drugs (see the OTC Drug List posted at www.iowamedicaidpdl.com)
     - Analgesics- Acetaminophen, Aspirin, Ibuprofen
     - Antifungals- Clotrimazole, Miconazole, Tolnaftate
     - Antihistamines- Chlorpheniramine, Diphenhydramine, Loratadine, Meclizine
     - Cough/Cold- Guaifenesin w/dextromethorphan, Pseudoephedrine
     - Gastrointestinal- Loperamide, Omeprazole, Pediatric electrolyte solution, Senna, Sennosides-docusate sodium
     - Ophthalmics- Artificial tears, Sodium chloride hypertonic ophthalmic
     - Supplements- Calcium, Iron, Niacin, Magnesium Oxide, Sodium Bicarbonate
     - Topicals- Bacitracin ointment, Benzoyl peroxide, Lactic acid lotion, Neomycin-bacitracin-polymyxin ointment, Permethrin, Pyrethrins-piperonyl butoxide, Salicylic acid liquid
  4. Prescription Vitamin and Minerals, except prenatal vitamins and fluoride preparations
  5. Weight Loss Products (i.e. Xenical®-orlistat)

- **Medicare Part D Impact on Pharmacies and IME Pharmacy Help Desks**
  The IME Pharmacy Help Desk staff estimate that approximately 60% to 80% of the calls received pertain to Medicare Part D questions. Some of the most frequently asked pharmacy questions are:
  -What drugs does Medicare Part D cover?
  -What Plan is the member in and what is the Plan ID number?
  -Will Medicaid cover what Medicare denies?
  -Issues regarding high co-payments being charged to the dual eligible members by the Prescription Drug Plans (PDPs).
  -Complaints of long hold times when calling the PDP
  The implementation of Medicare Part D should cause a decline in the total call volume. However, the total call volume for the IME Pharmacy Help Desks has stayed about the same as before Medicare Part D. Providers are waiting less than one minute for the help desk staff to answer their calls during our busiest times.

- **Why doesn't Iowa have the serious Medicare Part D problems other states have?**

1. Many Pharmacies worked with their corporate offices to make sure the transition to Medicare Part D went smoothly
2. The pharmacists in Iowa have been more willing to assist customers with problems.
3. The eligibility file that Iowa sent to CMS was very complete and more accurately reflected the dual eligibles.
4. Other states have the complicating factor of wrapping around for State Pharmacy Assistance Programs (SPAP) that complicates the coverage process for the dual eligibles. Iowa does not have an SPAP.

- **Part D impact on Preferred Drug List (PDL) savings**

The impact of Part D on Preferred Drug List (PDL) savings for SFY 06 will be almost $3.0 million state in lost revenue due to the reduction in prior authorization and supplemental rebate savings for those dually eligible now covered under Part D.

The 2006 State per-capita phase-down (clawback) payment:

- January – September, 2006: $98.07
- October – December, 2006: $102.46 *

* This reflects FY 2007 Federal Medical Assistance Percentage (FMAP).

Methods to Assist Pharmacy Providers

- The www.iowamedicaidpdl.com website is available for providers to find information about the PDL and PA programs 24 hours a day/7 days a week. There is also a special e-mail address to send in questions with a return response in 24 hours during the normal workweek.

- A variety of special Preferred Drug Lists have been developed to assist the provider including:
  - The alpha list, which lists all of the drugs on the PDL in alphabetical order.
  - The OTC rebatable drug list that lists all the OTC manufacturers signed to the drug rebate program.
  - The Brands preferred over Generics List.

- The Department set up a fax list, collecting all the fax numbers of Iowa pharmacies, to send fax-blasts when information regarding the PDL or any other pharmacy issues needs to reach the pharmacies quickly.

- DHS is in the process of getting a contract with ePocrates regarding the Preferred Drug List. Health care providers can instantly access the Select Drug Program formulary on their handheld or desktop computers by using one of the ePocrates drug reference applications. These products combine up-to-date formulary information with robust clinical information found in the ePocrates drug reference guide. By accessing formulary information on ePocrates, providers benefit from safer, more cost-effective prescribing and less time spent on both pharmacy callbacks and pharmacy benefit paperwork.