Louisiana Medicaid Single Preferred Drug List

Stakeholder Engagement

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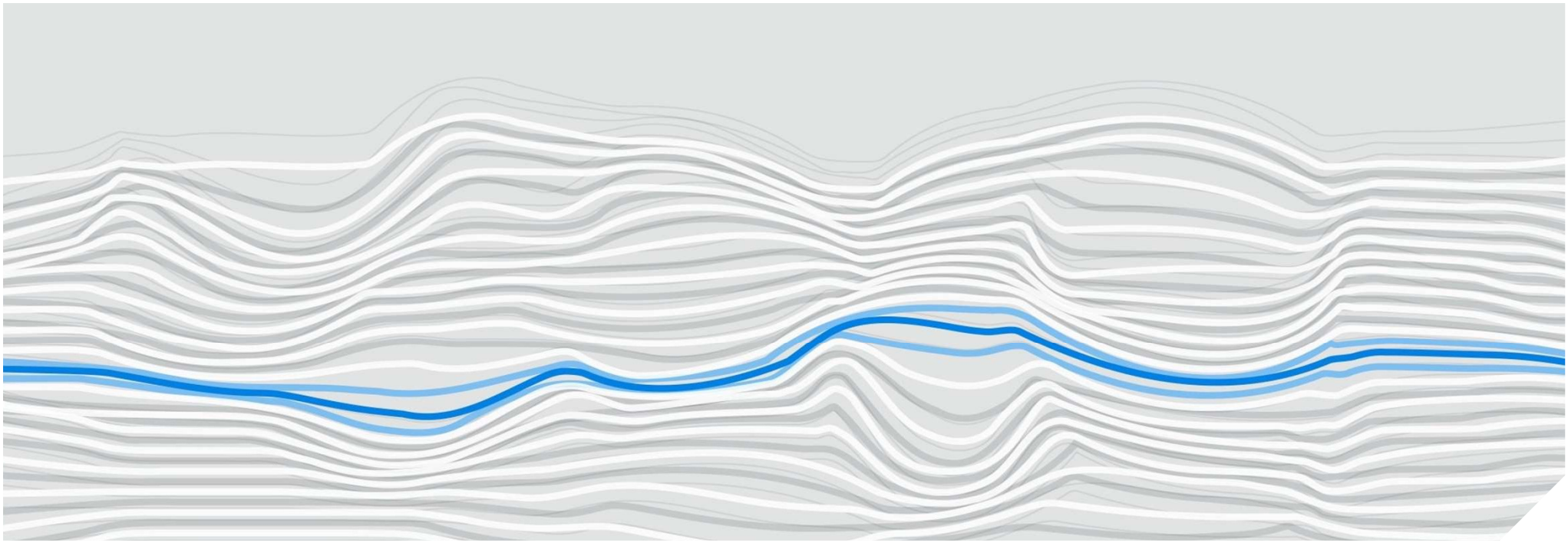
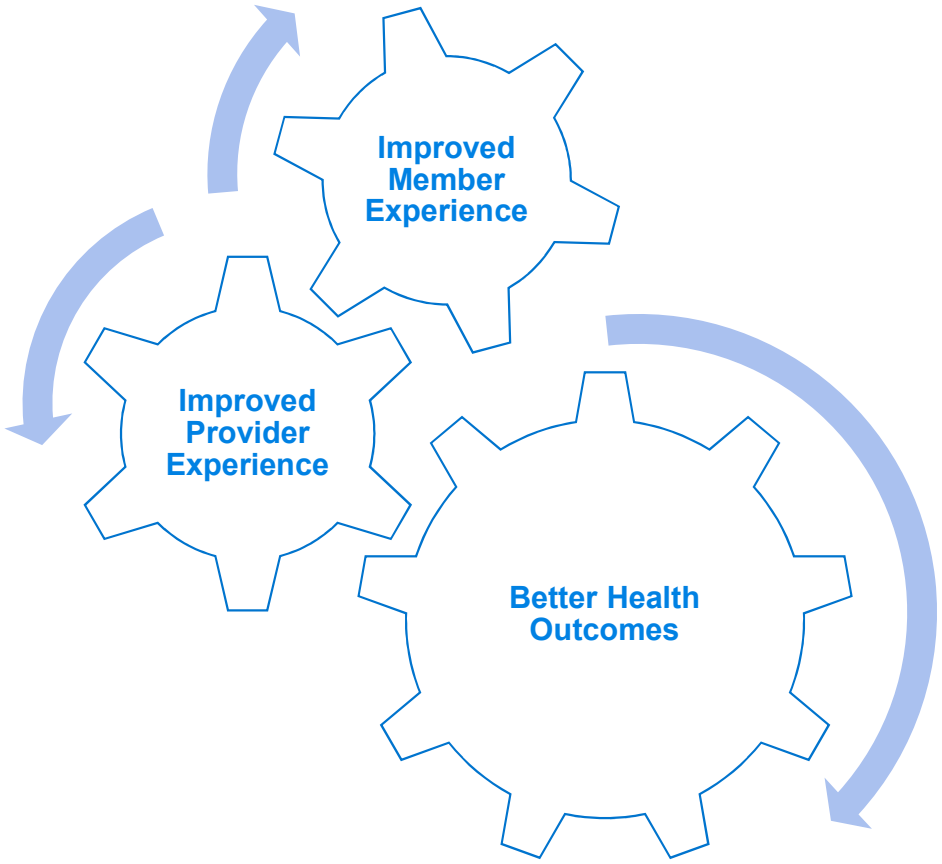


Why a single Preferred Drug List?

To address practical challenges of multiple PDLs faced by Medicaid members and providers



Practical challenges of multiple PDLs

Prescriber

- Difficult to access preferred drug lists (PDLs) on the web for each Managed Care Organization (MCO)
- Each PDL is published in a different format
- Rapidly changing formularies
- Each MCO has different clinical criteria
- Each MCO has different quantity limits
- Inconsistencies are leading to delays in starting medication therapy
- Need more transparency, simplicity, and uniformity

Pharmacist

- High prior authorization (PA) volume
  - Time/resources required to notify prescriber
  - PA approval notification to prescribers, not pharmacists, causing delays
  - Multiple transmission fees processing claims in hope of PA approval
  - Denial reasons are inconsistent and vague - denial for PA when it is an early refill
- Inventory management challenges
  - Different products/forms preferred by various MCOs
  - Preferred status of products change frequently and at different times across MCOs

Practical challenges a single PDL can help address

Prescriber

- One PDL list across fee for service (FFS) and MCOs
- Single PDL will be posted on LDH and MCO websites
- PDL will change twice a year
- PA criteria will align over time, not at implementation. Class by class LDH will review, simplify, and standardize the management tools for the pharmacy benefit.
- On therapeutic classes not yet aligned, the MCOs cannot be more restrictive than FFS
- Inconsistencies leading to delays in starting medication therapy—PDL will align
- Transparency, simplicity, and uniformity

Pharmacist

- Decreased PAs: less time/resources to notify prescriber, less transmissions
- Inventory consistent: only two P&T meetings annually
- Inventory turnover: aligning preferred drugs for all Medicaid lives increases number of prescriptions
- Improved denial messaging: this is being addressed through our Drug Utilization Review (DUR) process

A single PDL won't solve everything

Remaining challenges

Prescriber

- Quantity limits, age limits and other safety edits may differ across FFS and MCOs

Pharmacist

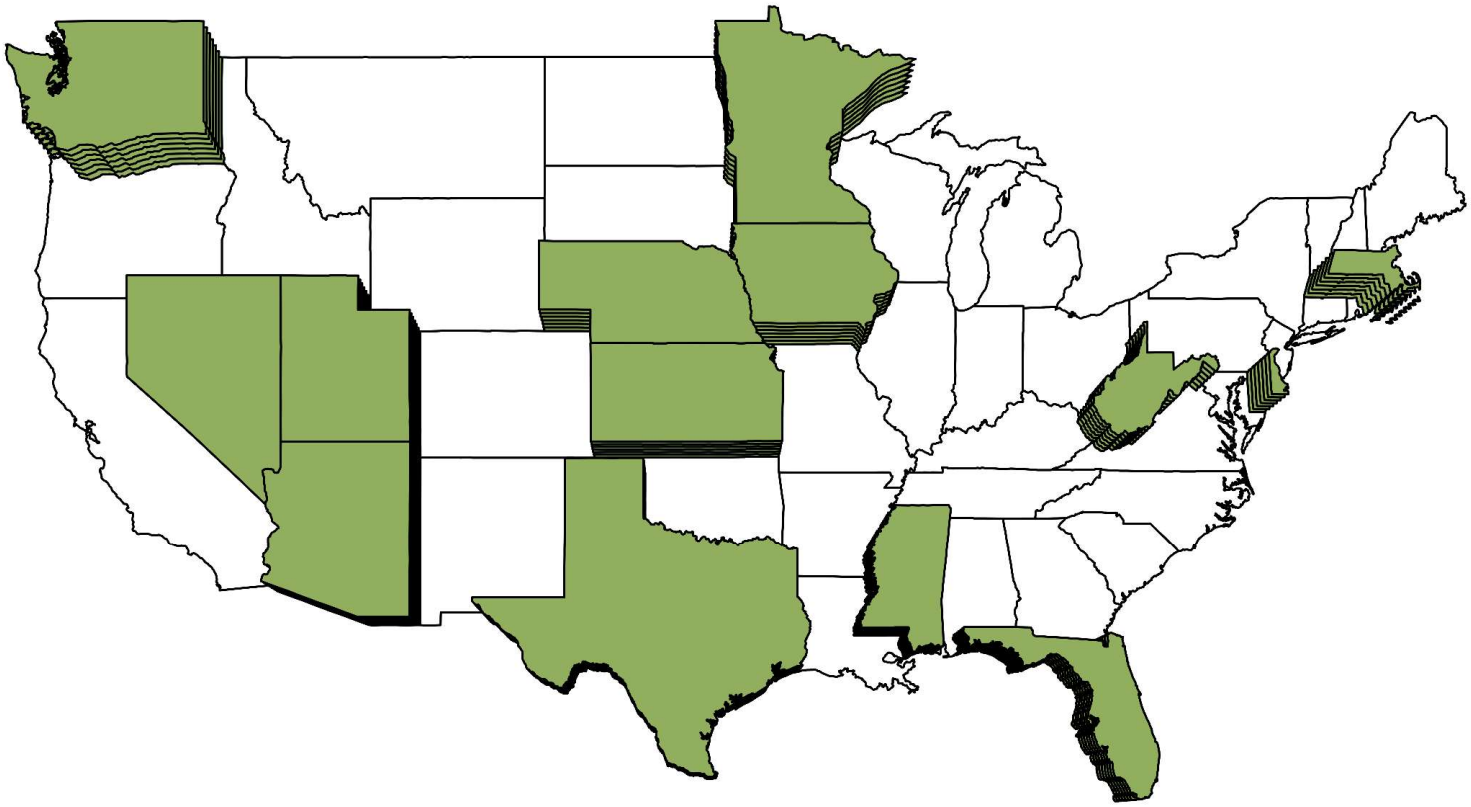
- PA denials or approvals are transmitted to prescriber. This is very difficult to operationalize this same information getting to the pharmacy.
- If the prescriber initiated the PA prior to the recipient going to the pharmacy, then the pharmacy has not yet been selected.
- If the recipient did go to the pharmacy first, the Point of Sale system does not interface with the PA system to track POS denials. This would be a manual process.

Is the single Preferred Drug List intended to reduce the cost of the Medicaid pharmacy program?

- No. LDH's motivation for the single PDL is to address practical challenges of multiple PDLs faced by Medicaid members and providers.
- Given the State budget context, LDH is committed to ensuring the move to a single PDL is budget neutral, meaning that it does not increase total Medicaid program costs.
- If a single PDL does produce savings (from a higher volume of lower net cost drugs), LDH intends to reinvest the savings in the Medicaid pharmacy program.

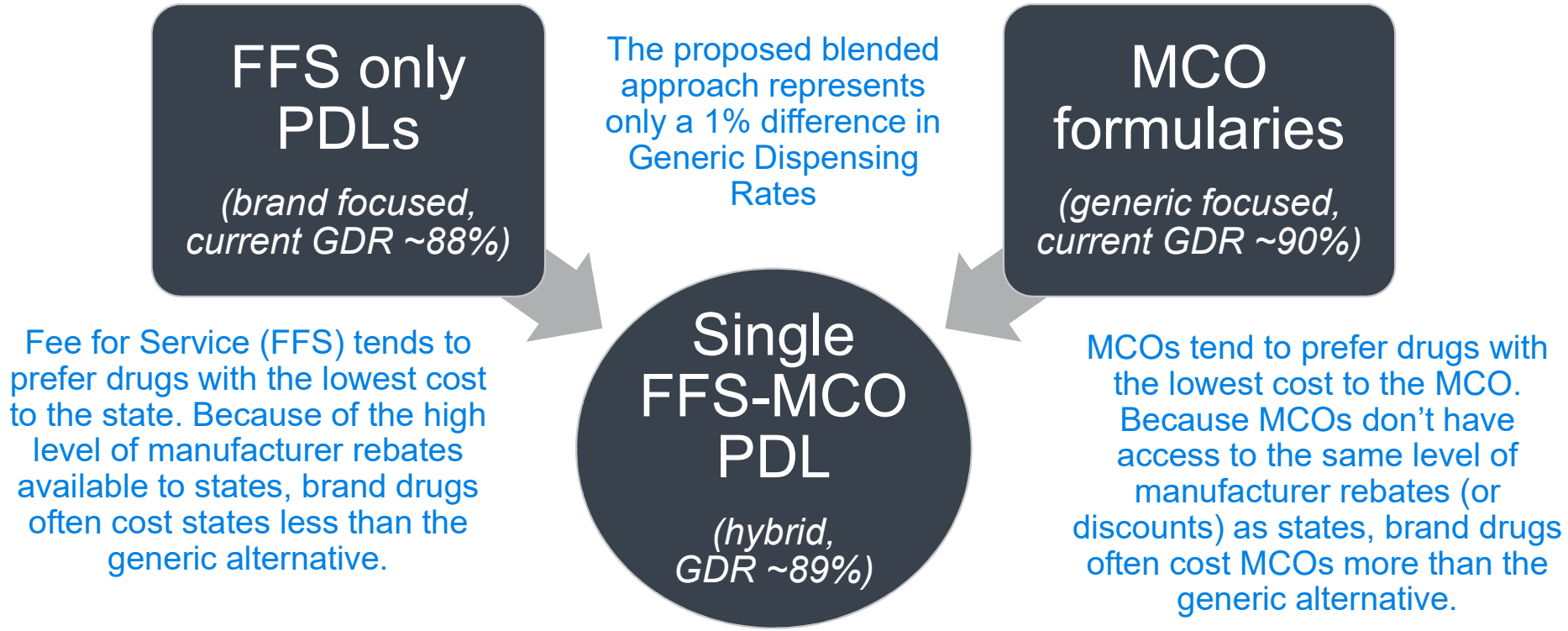
Current State Landscape

States with Managed Care Single Preferred Drug List (PDL)

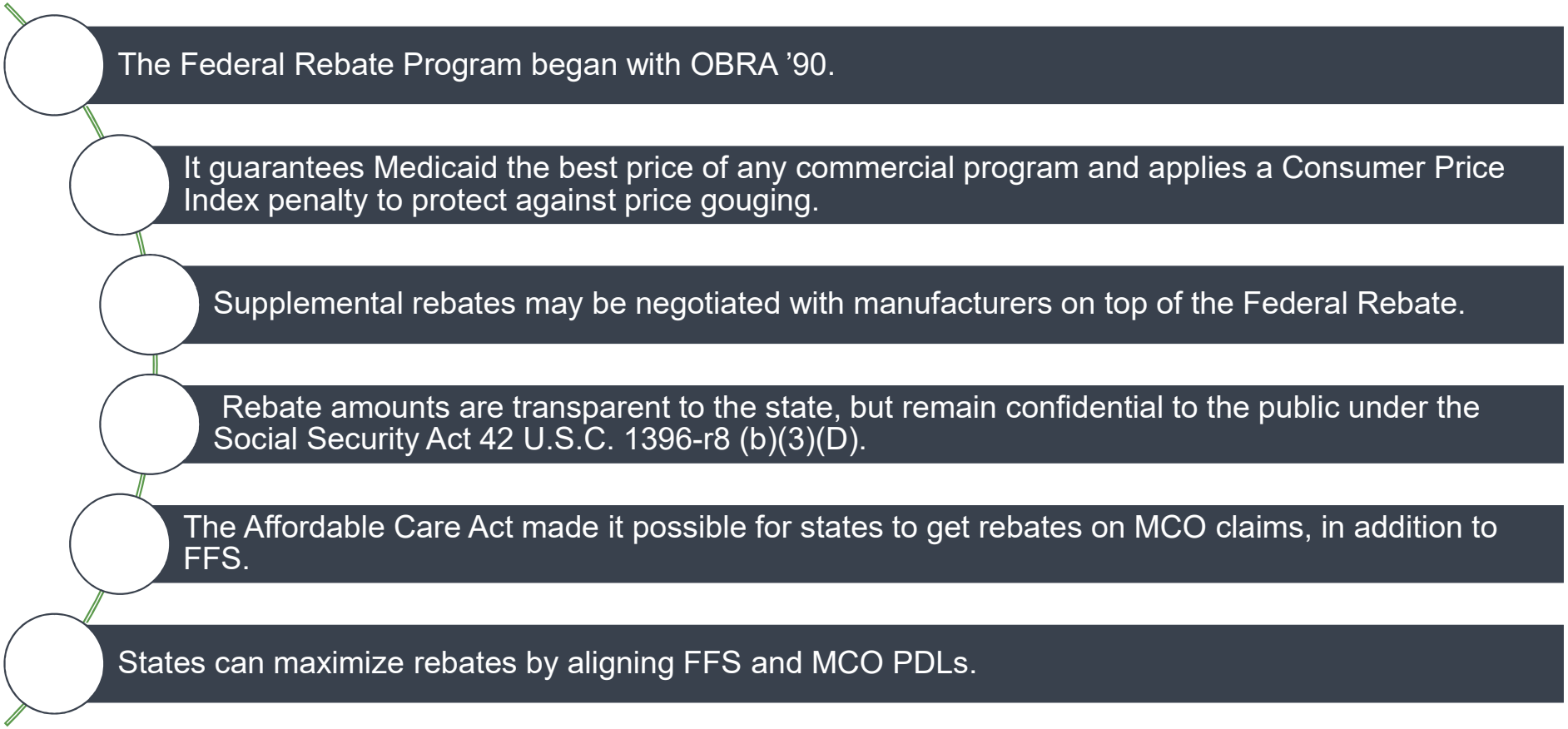


Louisiana's approach to a single PDL for FFS and MCOs

Create an optimal blend of traditionally distinct Fee for Service (FFS) and Managed Care Organization (MCO) approaches to preferred drugs, balancing brand and generic drug choices



Medicaid Rebate Facts



Medicaid Rebate Examples

Drug	Drug Cost	Federal Rebate	Supplemental Rebate	Net State Paid
Example 1 - Preferred Brand Drug				
Brand Drug (P)	$250	$150	$35	$65
Generic of Brand	$100	$15	$0	$85
Example 2 - Preferred Generic because Brand expenditure $$$				
Brand Drug	$650	$200	$400	$50
Generic of Brand Drug (P)	$80	$15	$0	$65
Example 3 - Preferred Brand with no generic available				
Brand Drug (P) (no generic available)	$350	$345	$0	$5

Single PDL development: Process to date

- Milliman/Change Healthcare developed a first draft of the single PDL based on Louisiana utilization data and national pricing
- Magellan (LDH's rebate vendor) reviewed the draft, provided input based on its knowledge of Louisiana's federal and state supplemental rebates
- LDH reviewed the list, acting as the tie breaker on those drugs where the two vendors' recommendations differed, considering the cost to the pharmacy, clinical considerations, rebate revenues and cost to MCOs.

Draft PDL Highlights

Majority of therapeutic classes included

- Exclusions include certain classes prohibited by state law, such as antiretrovirals, and others with minimal opportunity for management
- Classes where large changes in costs are expected include:
  - ADHD agents
  - Antineoplastics
  - MS agents
  - CNS antipsychotics

Draft PDL Highlights

Only 22 brand drugs with generic equivalents preferred

DRUG
ADDERALL XR (ORAL)
CONCERTA (ORAL)
FOCALIN XR (ORAL)
ANDROGEL (TRANSDERM) GEL 1.25%, PUMP
ANDROGEL (TRANSDERM) GEL PACKET 1%
EXELON (TRANSDERM)
GLEEVEC (ORAL)
XELODA (ORAL)
CYCLESSA (ORAL)
LEENA (ORAL)
ORTHO TRI-CYCLEN (ORAL)
ORTHO TRI-CYCLEN LO (ORAL)
TRINESSA LO (ORAL)
FEMHRT (ORAL)
TRANSDERM-SCOP (TRANSDERM)
XENAZINE (ORAL)
COPAXONE (SUB-Q) 20 MG
ALPHAGAN P 0.15%
PATADAY (OPHTHALMIC) DROPS
BLEPH-10 (OPHTHALMIC) DROPS
AGGRENOX (ORAL)
CATAPRES-TTS (TRANSDERM) PATCH

Single PDL development: Next steps

- Mercer (LDH's actuary) to review the draft, provide input based on its knowledge of Louisiana's managed care rate setting
- Medicaid MCOs to review the draft, provide input based on their knowledge of managed care formularies, utilization and cost
- Pharmacist and prescriber stakeholders to review draft, provide input based on their provider and member experience
- Milliman/Change Healthcare to finalize list based on Mercer, MCO and stakeholder feedback
- LDH to implement through state administrative rulemaking, State Plan Amendment, MCO contract amendment, etc.

Principal Contractors

Milliman, Inc.
Jeremy Palmer, FSA, MAAA

Jeremy is a Principal and Consulting Actuary for Milliman with over 20 years of actuarial experience. Jeremy consults to state Medicaid agencies and health plans in more than 15 states, and has experience in working with state Medicaid agencies implementing Single State PDLs.

Change HealthCare
Steve Liles, PharmD

Steve is a Senior Director for Change HealthCare with over 25 years of Pharmaceutical experience. In his role at Change HealthCare, Steve has extensive experience in Medicaid Preferred Drug List strategy and development.

Limitations and Qualifications

Limitations

The services provided for this project were performed under the signed Consulting Services Agreement between Milliman and Louisiana Department of Health (LDH) dated December 15, 2017.

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Qualifications

Guidelines issued by the American Academy of Actuaries require actuaries to include their professional qualifications in all actuarial communications. Jeremy Palmer is a member of the American Academy of Actuaries, and meets the qualification standards for performing the analyses in this correspondence.

Milliman

Thank you

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