# Louisiana Medicaid

# Preferred Drug List

# Program Overview and Results

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## 1.0 Overview

The Louisiana Department of Health (LDH) preferred drug list (PDL) program has been in operation since 2002 by Provider Synergies, LLC. Provider Synergies is an affiliate of Prime Therapeutics State Government Solutions ("Prime").

Louisiana is entering its 22nd year as one of six states participating in the multi-state purchasing program, The Optimal PDL Solution (TOP$). Louisiana was one of three states that initially participated in TOP$ in 2005. The seven states now participating in TOP$ are Louisiana, Maryland, Idaho, Wisconsin, Nebraska, Washington, and Connecticut.

This review summarizes the results of the PDL program for fiscal year 2023-2024 (FY2024) and the first quarter of fiscal year 2024-2025 (FY2025). This report includes MCO data.

## 2.0 Major Developments

In March 2010, President Obama signed the Patient Protection and Affordable Care Act and the Health Care and Education Affordability Reconciliation Act of 2010, together known as the Affordable Care Act (ACA), into law. The ACA included stipulations that had a significant impact on both federal and supplemental Medicaid drug rebates. These regulations went into effect October 1, 2013.

In 2012, ACA's impact for Louisiana was seen in the partial movement of coverage for Medicaid pharmacy services from a fee-for-service (FFS) model to managed care organizations (MCOs). With MCO utilization eligible for the collection of federal rebates, several states elected to employ MCOs for coordination of benefits. MCO utilization is not eligible for supplemental rebates if the MCOs are permitted to use their own formularies. Louisiana elected this option for a portion of Medicaid lives, decreasing the number of FFS lives to about 630,000.

For FY2013, the State altered its reimbursement methodology, which created a more aggressive pricing model for payments to pharmacies. In October 2014, LDH changed pharmacy reimbursement to actual acquisition cost (AAC) plus $10.41 professional dispensing fee plus $0.10 provider fee, to be in compliance with the CMS-approved state plan. This has enabled the State to take advantage of inexpensive generics and opportunity for significant switch savings. Switch savings are savings associated with moving pharmacy utilization from expensive products to less expensive products, provided that clinical effectiveness is similar. With this methodology in place, all PDL classes were re-evaluated for appropriate preferred products and the November 2012 TOP$ review incorporated the new methodology in order to make projections under the new reimbursement model.

In SFY2015, the State underwent a significant decrease in the FFS population. This movement of lives to MCOs severely impacted the FFS pharmacy program savings/spend numbers.

During SFY2017 through SFY2018, the FFS population continued to remain stable post MCO shifting.

On May 1, 2019, the State implemented a Single PDL to address the significant Medicaid population that moved to MCOs. This implementation standardized the PDL across all the MCOs and the FFS program. As such, a Single PDL simplified the process for providers to prescribe medications to all Medicaid beneficiaries. Through a Single PDL program, the State can collect supplemental rebates for contracted medications dispensed to all Medicaid members, rather than to FFS beneficiaries only. Another way a Single PDL played an important role in increased savings to the State is by market shifts from nonpreferred medications to preferred, less costly alternatives.

Also in May 2019, the reimbursement methodology for FFS changed to the national average drug acquisition cost (NADAC) instead of AAC, plus $10.99 professional dispensing fee, plus $0.10 provider fee. The MCOs were legislatively mandated to pay local pharmacies the FFS rate during the 2017 Louisiana Legislative Regular Session.

On July 15, 2019, the State executed its hepatitis C subscription model to help eradicate this disease in Louisiana while using a cost-effective initiative. The State entered into a 5-year Supplemental Rebate Agreement with Asegua that caps gross annual expenditure for one contracted hepatitis C medication (velpatasvir/sofosbuvir). Once this cap is met, the net cost for this drug to the State becomes zero for the rest of the state fiscal year. This model allows unlimited access to the hepatitis C treatment for Medicaid MCO and FFS beneficiaries, as well as incarcerated individuals in the State.

## 2.1 Analysis

There was a decrease in savings in SFY2024 over the previous year. This is mainly attributed to a decline in prescription volume that is most likely due to the decrease in Louisiana Medicaid enrollment.

## 3.0 Savings Methodology

There are two ways that Louisiana derives savings from the PDL: (1) supplemental rebates and (2) market shift savings. Both types of savings are listed in the PDL Supplemental Rebate and Market Shift Report that is sent quarterly to LDH.

1. **Supplemental Rebates = Supplemental Rebate Per Unit x Number of Units Dispensed**

   Supplemental rebate per unit is calculated in accordance with the supplemental rebates offered for products (identified by 11-digit NDC) that are included on the PDL.

   The predominant calculation type that manufacturers may use is called a “Guaranteed Net Unit Price” (GNUP). GNUP calculations are different from total percent offers because they protect the State from price increases through manufacturer price guarantees. If the manufacturer increases its price, it makes up the price increase penny for penny in additional rebates. For example, if the manufacturer offers a GNUP of $0.60 per unit, its federal rebate is $0.25 and the wholesale acquisition cost (WAC) of the product is $1.00, the manufacturer would pay a $0.15 supplemental rebate. Should the manufacturer then increase its price to $1.10, the rebate liability would also increase from $0.40 to $0.50 (i.e., $1.10–$0.60). The supplemental rebate would increase from $0.15 to $0.25.

2. **Market Shift Savings = Total Savings – Supplemental Rebates**

   Market shift savings occur when a member on a nonpreferred product changes therapy to a preferred medication that is less expensive with similar clinical effectiveness. Essentially, this is a measure of cost avoidance for the Medicaid program.

   For example, suppose that a non-preferred medication costs the Louisiana Medicaid program $40 per prescription (after all rebates are applied), and the physician changes a recipient's drug regimen to replace that medication with one on the PDL that costs $30 per prescription (again, after application of all rebates). As a result of the change, the Medicaid program saves $10 each time the recipient receives the new prescription versus incurring the additional cost had the patient not changed drugs.

   In some cases, products are placed on the PDL and generate savings even without offering a supplemental rebate. This situation occurs either because the product is less expensive or because it has a large federal rebate that renders the net price paid by LDH lower than the cost of competing therapies.

   Market shift savings for each class are calculated for each drug name in the class, and then summed for the class total. Total savings is the sum of market shift savings and supplemental rebate savings.

# 4.0 Review of Major Therapeutic Classes

Supplemental rebates along with shifting of market share to less expensive alternatives contributed to the savings from the PDL program for FY2024.

The following is a summary of the major therapeutic classes that generated the most savings for the PDL program.

## 4.1 The Top Five Classes

### 4.4.1 Group One: Cytokine and CAM Antagonists

Cytokine and CAM Antagonists are drugs used for the treatment of a wide array of inflammatory and auto-immune disorders such as rheumatoid arthritis, plaque psoriasis, psoriatic arthritis, Crohn's disease, and ankylosing spondylitis.

SAVINGS: For FY2024, the supplemental plus market shift savings totaled over $92 million; they were solely due to supplemental rebates in this class.

#### 4.4.2 Group Two: Opiate Dependence Treatments

Opiate Dependence Treatments are drugs used to treat opiate addiction and overdose.

SAVINGS: The supplemental plus market shift savings for the Opiate Dependence Treatments class totaled over $17 million; they were all driven by supplemental rebates.

#### 4.4.3 Group Three: Antipsychotics

Antipsychotics are used to treat a wide variety of behavioral health disorders such as schizophrenia, bipolar disorder, and irritability associated with autism spectrum disorder.

**SAVINGS:** For FY2024, the supplemental plus market shift savings totaled almost $15.6 million in this class. The savings in this class are all attributed to supplemental rebates.

#### 4.4.4 Group Four: Growth Hormone

Growth hormones are used to treat a variety of disorders in which endogenous growth hormone is insufficient to meet the needs of the patient.

**SAVINGS:** For FY2024, the supplemental plus market shift savings totaled almost $7 million in this class. The positive savings come mostly from supplemental rebates.

#### 4.4.5 Group Five: Movement Disorders

These medications are used to treat different types of movement disorders, including parkinsonism, tremor, dystonia, dyskinesia, tics, chorea, and other involuntary movements.

SAVINGS: For FY2024, the supplemental plus market shift savings totaled almost $5.6 million. The savings are due to supplemental rebates.

## 4.2 Number of Therapeutic Classes Reviewed

The number of PDL classes reviewed by LDH has significantly increased since the inception of the TOP$ program, culminating with the review of 136 classes during the Louisiana FY2024 Pharmaceutical and Therapeutics Committee (P&T) Review meetings.

## 4.3 PDL Compliance

PDL Compliance is the percentage of the number of dispensed prescriptions that are preferred divided by the total number of dispensed prescriptions that are subject to the PDL. In FY2024, the PDL Compliance average rate was 97.4% for FFS; that rate was 97.3% for MCOs.

## 4.4 Reported Savings FY2023 through FY2024

### 4.4.1 Factors Affecting the PDL Program

Below are major factors that have affected the PDL Program in the past several years: (1) United States Health Care Reform, (2) a shift in population from FFS to MCOs, (3) inception of the Single PDL, and (4) and the Hepatitis C Subscription Model

1. **United States Health Care Reform**

   As referred to in *2.0 Major Developments in FY2016*, the ACA resulted in an 8% increase in the federal rebate on the majority of single source brand (SSB) drugs and 2% on generics, an increase that is exempted from State Federal Medical Assistance Percentage (FMAP) regulations. This act reduced State Medicaid supplemental rebate dollars initially for those drugs under contract starting January 1, 2010.

2. **Shift of Population from FFS to MCOs**

   The loss of lives from the FFS Pharmacy Program to the MCOs resulted in a loss of savings due to less utilization on medications with high federal and/or supplemental rebates. Between the last two quarters of FY2015, there was an 83% decline in supplemental rebates due the loss of population to the MCOs.

3. **Inception of the Single PDL**

   The Single PDL was implemented in May 2019 and has resulted in a considerable increase in savings for the State since its inception. This enactment marks a vital milestone for the State as it improves provider convenience. Instead of looking up each health plan's formulary, prescribers can simply use one PDL to prescribe medications to all Medicaid beneficiaries. For members, a Single PDL can simplify the process of choosing a health plan and can make switching between health plans less difficult. From a financial standpoint, the Single PDL execution offers a significant positive financial impact to rebates for the State.

4. **The Hepatitis C Subscription Model**

The hepatitis C subscription model was implemented on July 15, 2019, with the goal of eliminating hepatitis C in Louisiana while using a cost-effective approach. In the United States, this infection kills more individuals than all other infectious diseases combined. Louisiana Medicaid signed a 5-year contract with Asegua to pay a fixed amount each year in exchange for unlimited hepatitis C regimen for that year to treat patients in its Medicaid program and correction facilities. Louisiana Medicaid signed an additional one-year agreement with Asegua with an end date of 06/30/2025.

### 4.4.2 Savings Results

In FY2024, savings with the Louisiana Single PDL program totaled over $120.4 million. This number decreased from nearly $143.7 million in FY2023.

**Table 1: Reported Savings by Quarter for FY2023**

| Savings Results FY 2023 | | | |
|---|---|---|---|
| **Calendar Quarter** | **LA Fiscal Quarter** | **Quarterly Reported Savings** | **Comments** |
| 3Q22 | Q123 | $ 34,901,935 | Actual 3Q2022 (reflecting CMS federal rebates amounts under rebate rules established by ACA) |
| 4Q22 | Q223 | $ 36,243,476 | Actual 4Q2022 (reflecting CMS federal rebates amounts under rebate rules established by ACA. |
| 1Q23 | Q323 | $ 37,359,025 | Actual 1Q2023 (reflecting CMS federal rebates amounts under rebate rules established by ACA) |
| 2Q23 | Q423 | $ 35,187,502 | Actual 2Q2023 (reflecting CMS federal rebates amounts under rebate rules established by ACA) |
| Total | | $ 143,691,938 | |

 

**Table 2: Reported Savings by Quarter for FY2024**

| Savings Results FY 2024 | | | |
|---|---|---|---|
| **Calendar Quarter** | **LA Fiscal Quarter** | **Quarterly Reported Savings** | **Comments** |
| 3Q23 | Q124 | $ 34,841,976 | Actual 3Q2023 (reflecting CMS federal rebates amounts under rebate rules established by ACA) |
| 4Q23 | Q224 | $ 32,313,631 | Actual 4Q2023 (reflecting CMS federal rebates amounts under rebate rules established by ACA. |
| 1Q24 | Q324 | $ 27,019,116 | Actual 1Q2023 (reflecting CMS federal rebates amounts under rebate rules established by ACA) |
| 2Q24 | Q424 | $ 26,261,213 | Actual 2Q2023 (reflecting CMS federal rebates amounts under rebate rules established by ACA) |
| Total | | $ 120,435,936 | |

# 5.0 Estimated Savings for FY2025

The estimated savings for FY2025 is dependent on elements that continue to influence the PDL program.

## 5.1 Factors That Affected the PDL Program in FY2024

### 5.1.1 Growth of Specialty Drugs

The number of specialty drug approvals continues to be astounding. Along with the growth of specialty drugs comes the hefty price of these products. State Medicaid programs struggle with utilization controls on these products for a variety of reasons, which may include lack of competition, legislative protections, grandfathering, or pharmacy department policy.

### 5.1.2 Decline in Claims Volume

The total amount of prescriptions paid by Louisiana Medicaid declined from 22.5 million in 2023 to 20.2 million in 2024. This is most likely due to the decrease in the number of Louisiana Medicaid enrollees observed in the same period. As a result, there was a reduction in savings since less prescriptions directly correlates with less rebates.

### 5.1.3 COVID-19 Pandemic

The COVID-19 pandemic has affected the LDH PDL program. LDH switched several nonpreferred, more expensive products to preferred status due to shortages of preferred products (i.e., albuterol HFA inhalers used for breathing difficulties).

 

## 5.2 Projected Savings for FY2025

Savings estimates for FY2025 total almost $136.8 million.

**Table 3: Projected Savings by Quarter for FY2024**

| Calendar Quarter | LA Fiscal Quarter | Estimated Savings | Comments |
|---|---|---|---|
| 3Q24 | Q125 | $30,892,252 | Actual 3Q2024 (reflecting CMS federal rebates amounts under rebate rules established by ACA) |
| 4Q24 | Q225 | $34,058,975 | Estimated 4Q2024. Projections may be impacted by list of factors below |
| 1Q25 | Q325 | $35,300,575 | Estimated 1Q2025. Projections may be impacted by list of factors below |
| 2Q25 | Q425 | $36,538,438 | Estimated 2Q2025. Projections may be impacted by list of factors below |
| Totals | | $136,790,239 | |

Actual savings may be different from projections due to following various factors:

- Medicaid expansion with eligibility.
- Drug utilization may change depending on the health of the newly eligible population.
- Large population changes as a result of economy, hurricanes or other disasters would have a potentially large effect on the population.
- The percent of federal share of the newly eligible population changes over several years.
- New drugs will enter the market – unforeseen impact on drug utilization and unknown participation in supplemental rebate program.
- Drugs may enter the market for diseases that are currently not treated.
- Recalculation of AMP and the changes in FUL calculation may have a significant impact on pricing of drugs.
- The level of aggressiveness of a state MAC list can impact the number of branded drugs listed on the PDL.
- If state MAC pricing is more aggressive over time, it will likely make generics lower cost than branded products in some classes.
- Limiting the number of branded products in a class would likely lower supplemental rebates in that class and potentially for the whole PDL program.
- Base Federal Rebates for generic drugs has increased from 11 to 13%.
- The Health Care Reform Act establishes a generic program within the FDA for biologic agents; the impact of this over the next 10 years is unknown.
- FMAP changes will impact the State’s share of all rebates.

## 6.0 Features of the Louisiana Medicaid PDL that Impact Savings

Louisiana's PDL program has achieved numerous significant improvements over the past years. However, some limitations still exist that the State continues to work on.

### 6.1 Strengths

Louisiana participates in the multi-state purchasing pool and benefits from volume purchasing while maintaining autonomy in PDL decisions. States receive, in some cases, better offers for supplemental rebates as a part of the TOP$ program compared to other single states soliciting for supplemental rebates.

Effective June 2, 2016, pursuant to Act 33 of the 2016 Regular Session of the Louisiana Legislature, any new drug introduced into the market in one of the therapeutic classes reviewed by the P&T Committee may be prior authorized until the next P&T meeting. Previously, new drugs (both brand and generic) were covered without a prior authorization before being reviewed by the P&T Committee. New drugs are usually very expensive and can gain market share quickly before the P&T Committee has an opportunity to review them, so this change has been a huge stride in achieving additional savings.

The number of reviewed PDL classes for Louisiana Medicaid has increased to an impressive 136. This is an important achievement because usually a positive correlation exists between the number of reviewed classes and savings accrual.

The switch to a Single PDL in May 2019 is another major advancement taken by the State. Supplemental rebates can be collected on contracted medications dispensed to all Medicaid beneficiaries, rather than to FFS members only. Additional savings can be attained by favorable market shifts. Both factors result in a massive surge in cost avoidance for the State.

### 6.2 Weaknesses

LDH does not achieve the full savings potential for the HIV/AIDS drug class because legislative regulations currently mandate all HIV/AIDS drugs to be available to members without a prior authorization. Due to this restriction, many of these drugs do not qualify for supplemental rebate offers worth millions of dollars.

Preferred branded drugs continue to be intentionally limited on the Single PDL due to pharmacy provider abrasion and increased MCO expenditures.

Certain drugs with high MCO utilization are made preferred on the PDL, even if they are more costly for the State, in order to increase convenience for providers, members, and MCOs.

## 7.0 Summary

The Preferred Drug List generates cost savings in two ways. First, supplemental rebates are collected from pharmaceutical manufacturers for their inclusion as a preferred product. Secondly, by requiring a prior authorization (PA) on non-preferred products, claims are shifted from expensive medications to more cost-effective alternatives.

The LDH PDL program continues to be very successful. Savings for FY2024 were over $120.4 million, mainly due to supplemental rebates. Savings have declined from FY2023 due to decreased prescription volume and the continued growth of specialty drugs with no supplemental rebate offers. The COVID-19 pandemic continues to result in keeping some nonpreferred, more expensive products in preferred status due to production shortages. Louisiana's estimated savings for FY 2025 are almost $136.8 million.