Medicaid Preferred Drug List Annual Report

State Fiscal Year 2023

Report Prepared in Accordance with Louisiana Revised Statutes 46:153.3

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LOUISIANA DEPARTMENT OF HEALTH

Table of Contents

1 Executive Summary

The Louisiana Medicaid Supplemental Rebate Program is a partnership between the Centers for Medicare & Medicaid Services (CMS), Louisiana Medicaid, and participating drug manufacturers. Funds received through this program go back to the state general fund. Supplemental rebates on both fee-for-service (FFS) and managed care organization (MCO) claims are collected in addition to federal rebates, and drug manufacturers must have a federal rebate agreement in place to participate in Louisiana's supplemental rebate program.

The federal rebate program requires a drug manufacturer to enter into rebate agreements at the national level, with the Secretary of the Department of Health and Human Services, in exchange for Medicaid coverage of most of the manufacturer's drugs. Louisiana's supplemental rebate program requires drug manufacturers to enter into agreements with Louisiana Medicaid in exchange for preferred status of the manufacturer's drug(s). These drugs are place on the Preferred Drug List (PDL) for Louisiana Medicaid. Generally, drugs on the PDL have an associated supplemental rebate, while drugs not on the PDL require prior authorization (PA). In addition to supplemental rebates, the PDL also allows LDH to contain costs through market shifts. Market shift savings are realized by requiring a PA on non-preferred products, which results in prescriptions being shifted from medications that are more expensive to cost-effective alternatives with similar clinical effectiveness.

Below is a summary of collected rebates in State Fiscal Year (SFY) 2023. This report details the evolution of these rebates.

1.1 State Fiscal Year 2023

In SFY 2023, supplemental rebate collections totaled approximately $206 million, of which approximately $172.7 million were federal share funds. The federal government funded roughly $1 million of the program's $1.8 million total administrative cost.

2 Background

2.1 Legislation and Program Implementation

Before 2001, Louisiana had an open formulary law, which required Medicaid reimbursement of most Federal Drug Administration approved prescription drugs. The law also prohibited the use of prior- or post-authorizations in the pharmacy program. These laws restricted Louisiana's use of tools available to other states to control costs.

Act 395 of the 2001 Regular Session of the Louisiana Legislature amended R.S.46:153.3 and allowed the Department to utilize a prescription prior authorization process and/or any combination of processes that prove to be cost-effective for the Medicaid program. In 2002, Louisiana implemented a PDL process where, in general, drugs on the PDL have an associated supplemental rebate, while drugs not on the PDL require PA.

The Legislature enacted the single PDL as an effort to enhance cost avoidance through supplemental rebates. Act 263 of the 2019 Regular Legislative Session mandated the use of a single PDL for both the FFS and managed care programs that include all therapeutic drug classes that are subject to prior authorization. LDH implemented the first single PDL in May 2019. Act 263 further prohibited MCO pharmacy benefit managers (PBMs) from retaining drug rebates. These changes allowed LDH the opportunity to accrue additional supplemental rebates and alleviated the confusion of multiple PDLs for Medicaid recipients and providers.

2.2 Pharmaceutical and Therapeutics Committee

In accordance with R.S. 46:153.3, the Department established a Pharmaceutical and Therapeutics (P&T) Committee made up of physicians and pharmacists who are nominated by state licensing and regulatory boards, educational institutions, and others. The Governor appoints P&T Committee members who are confirmed by the Senate. The P&T Committee meets semiannually and is charged with developing PDL recommendations based on both clinical and financial data. Upon LDH approval of the committee's recommendations, the PDL is updated and posted online at www.lamedicaid.com.

2.3 Reporting Requirements

R.S. 46:153.3 requires that the Department provide an annual written, public report to the legislature and the Governor. The report must include:

- The cost of administering the preferred drug list, including:
  - The cost of administering the prior authorization function;
  - The costs of development and maintenance of the preferred drug list; and
  - Aggregate funds returned to the federal government related to pharmaceutical rebates.
- An analysis of the utilization trends for medical services provided by the state and any correlation to the preferred drug list.

3 Supplemental Rebate Collections

In SFY 2023, LDH continued to contract with Magellan Medicaid Administration, Inc./Provider Synergies to negotiate state supplemental rebates with drug manufacturers for the FFS and MCO programs. Based on these negotiations, supplemental rebate collections totaled over $206 million in SFY 2023. The table below provides detailed information regarding the total rebates collected and the amount returned to the federal government[1].

SFY 2023 Fee-For-Service and Managed Care Organization Rebates

Per CMS-64 and CMS-21 Medicaid Expenditure Reports

	FFS		MCO		Total	
Means of Financing:	**Federal**	**Supplemental**	**Federal**	**Supplemental**	**Federal**	**Supplemental**
Federal Share	$36,761,061	$2,513,542	$1,167,031,293	$170,162,152	$1,203,792,353	$172,675,694
State Share	$10,776,167	$894,976	$213,836,995	$32,430,339	$224,613,162	$33,325,315
Total	$47,537,228	$3,408,518	$1,380,868,288	$202,592,491	$1,428,405,515	$206,001,008

3.1 Factors Affecting Supplemental Rebate Collections

3.1.1 COVID-19 Public Health Emergency

The COVID-19 Public Health Emergency mandated state Medicaid programs to maintain coverage for enrollees throughout SFY 2023.During this time, total Medicaid enrollment continued to increase. Total prescription drug utilization rose accordingly, and with it, the amount of rebates incurred and collected.

3.1.2 Invoicing Timelines

Invoice production timelines and CMS guidelines for payment timing can cause rebate dollars to be collected in a different fiscal year than the one in which they were incurred. Therefore, invoice collection figures will typically be higher than invoice amounts, which is reflective of the cash flow of the agency.

4 Cost of Preferred Drug List and Prior Authorization Operations

4.1 Louisiana Department of Health and Contractor Roles

The Medicaid Pharmacy Benefits Management section of the Department administers supplemental drug rebate program and related PDL and PA functions utilizing the services of three contractors: Gainwell Technologies (formerly DXC and Molina), the University of Louisiana at Monroe (ULM) School of Pharmacy, and Magellan Medicaid Administration/Provider Synergies. PDL/PA program administrative roles are listed below:

PDL/PA Program Administrative Roles

[1] These figures are not directly comparable to figures reported by Magellan in the appendices, as these figures reflect cash flow, while Magellan's figures are reflective of incurred savings/cost avoidance.

Gainwell Technologies (formerly DXC and Molina)	Functions as the Medicaid fiscal intermediary for Fee for Service (FFS). In this role, Gainwell manages FFS edits to the payment system in compliance with PDL and PA changes, supports the FFS web-based PA software, and maintains and supports FFS PDL/PA and supplemental rebate systems and operations.
ULM School of Pharmacy	Operates the pharmacist-staffed FFS PA desk and provides physician consultations. Additionally, ULM serves as consultant on the PDL/PA process and performs Departmental-directed data analyses and outcome studies. ULM develops PA criteria for the Single PDL with LDH direction.
Magellan/ Provider Synergies	Secures clinical and cost data for drugs in selected therapeutic classes, performs clinical and economic analysis of manufacturer data, negotiates state supplemental rebates with manufacturers (i.e., TOP$), prepares therapeutic classifications and clinical and cost data for P&T Committee deliberation and review. Production of quarterly rebate invoices, reconciliation of drug manufacturer rebate payments, and dispute resolution for both the federally mandated rebate program and the state supplemental rebate program. Assumed services/functions previously provided by UNO effective April 1, 2020.
LDH	Oversees contractor activities related to the PDL/PA and supplemental rebate programs. Ensures recommendations are inclusive of Louisiana-specific initiatives and goals. Issues final approval of all contractor recommendations.

4.2 Administrative Costs

The table below lists administrative costs for execution of the roles described in section 4.1:

SFY 2023 PDL/PA Administrative Costs

Contract/Administrator	Match Rate	Total Cost	Federal Share	State Share
Gainwell	50/50	$683,736	$341,868	$341,868
ULM	75/25	$316,822	$237,616	$79,206
Magellan	50/50	$661,090	$330,545	$330,545
LDH†	75/25	$136,348	$102,261	$34,087
SFY 2023 TOTAL COSTS		**$ 1,797,996**	**$1,012,290**	**$785,706**

† 15% of salaries

5 Analysis of Utilization Trends for Medical Services

Magellan Medicaid Administration's annual "Preferred Drug List Program Overview and Results" report, located in Appendix A, provides an analysis of the utilization trends for medical services provided by the state and any correlation to the preferred drug list.

6 Conclusion

The PDL continues to contain costs for the state through supplemental rebates and market shift savings. The implementation of a single PDL in May 2019 enhanced the Department's ability to contain costs in the pharmacy program.

Appendix A

Louisiana Medicaid Preferred Drug List Program Overview and Results

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