Medicaid Preferred Drug List Annual Report

State Fiscal Year 2024

Report Prepared in Accordance with Louisiana Revised Statutes 46:153.3

Prepared by:

Louisiana Department of Health

Bureau of Health Services Financing

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LOUISIANA DEPARTMENT OF HEALTH

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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 to the state general fund. Supplemental rebates on fee-for-service (FFS) and managed care organization (MCO) claims were collected in addition to federal rebates.

The federal rebate program requires a drug manufacturer to enter into rebate agreements at the national level with the Secretary of the U.S. 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 the preferred status of the manufacturer's drug(s). These drugs are placed on the Preferred Drug List (PDL) for Louisiana Medicaid. Generally, drugs on the PDL have an associated supplemental rebate and are the most cost-effective, clinically sound drugs. In addition to supplemental rebates, the PDL allows LDH to contain costs through market shifts. Market shift savings are realized by requiring a prior authorization (PA) on non-preferred products, resulting in prescriptions being shifted from more expensive medications to cost-effective alternatives with similar clinical effectiveness.

LDH desires to improve the management and administration of pharmacy benefits for beneficiaries by increasing financial accountability, streamlining processes, ensuring alignment with clinical and policy goals, and improving transparency. In October 2023, Prime Therapeutics State Government Solutions, LLC became the single managed care organization (MCO) pharmacy benefit manager (PBM) for Louisiana's Medicaid managed care program. This will provide one PBM solution that interfaces with each MCO. Below is a summary of collected rebates in state fiscal year (SFY) 2024. This report details the evolution of these rebates.

1.1 State Fiscal Year 2024

In SFY 2024, supplemental rebate collections totaled approximately $195 million, of which approximately $61 million remained with the state.

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 (FDA) 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 prior authorization 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.

In May 2019, Medicaid implemented a single PDL to enhance cost avoidance through supplemental rebates, decrease beneficiary and provider abrasion, and provide administrative simplification. 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. Act 263 prohibited MCO PBMs from retaining drug rebates. These changes allowed LDH to accrue additional supplemental rebates and alleviated the confusion of multiple PDLs for Medicaid beneficiaries 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 state licensing and regulatory boards, educational institutions, and others nominate. The Governor appoints P&T Committee members. The appointees are then 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 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 2024, LDH continued to contract with Prime Therapeutics State Government Solutions, LLC, to negotiate state supplemental rebates with drug manufacturers for the FFS and MCO programs. Based on these negotiations, supplemental rebate collections totaled over $195 million in SFY 2024. The table below provides detailed information regarding the total rebates collected and the amount returned to the federal government[1].

SFY 2024 Fee-For-Service and Managed Care Organization Rebates

Per CMS-64.9R Medicaid Drug Rebate Schedule

	FFS		MCO		Total	
Means of Financing:	**Federal**	**Supplemental**	**Federal**	**Supplemental**	**Federal**	**Supplemental**
Federal Share	$50,370,139	$6,539,922	$823,036,965	$127,462,006	$873,407,105	$134,001,927
State Share	$23,087,844	$2,997,662	$377,250,282	$58,423,958	$400,338,126	$61,421,621
Total	**$73,457,983**	**$9,537,584**	**$1,200,287,247**	**$185,885,964**	**$1,273,745,231**	**$195,423,548**

3.1 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 reflects the agency's cash flow.

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, the University of Louisiana at Monroe (ULM) College of Pharmacy, and Prime Therapeutics State Government Solutions, LLC. PDL/PA program administrative roles are listed below:

PDL/PA Program Administrative Roles

Gainwell Technologies	Functions as the Medicaid fiscal intermediary for 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.

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

ULM College of Pharmacy	Operates the pharmacist-staffed FFS PA desk and provides physician consultations. Additionally, ULM serves as a 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.
Prime Therapeutics State Government Solutions, LLC	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$), and 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 the federally mandated and state supplemental rebate programs. Effective April 1, 2020, Prime Therapeutics assumed services/functions previously provided by the University of New Orleans.
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 2024 PDL/PA Administrative Costs

Contract/Administrator	Match Rate	Total Cost	Federal Share	State Share
Gainwell	50/50	$700,518	$350,259	$350,259
ULM	75/25	$314,125	$235,594	$78,531
Prime Therapeutics	50/50	$661,090	$330,545	$330,545
LDH†	75/25	$139,063	$104,297	$34,765
SFY 2024 TOTAL COSTS		**$1,814,796**	**$1,020,695**	**$794,100**

† 15% of salaries

5 Analysis of Utilization Trends for Medical Services

Prime Therapeutics State Government Solutions, LLC annual "Preferred Drug List Program Overview and Results" report, located in Appendix A, provides an analysis of the utilization trends for outpatient pharmacy services provided by the state and any correlation to the PDL.

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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Louisiana Department of Health
628 N. 4th St., Baton Rouge, LA 70802
225-342-9500
ldh.la.gov

@ladepthealth