NACDS NATIONAL ASSOCIATION OF CHAIN DRUG STORES

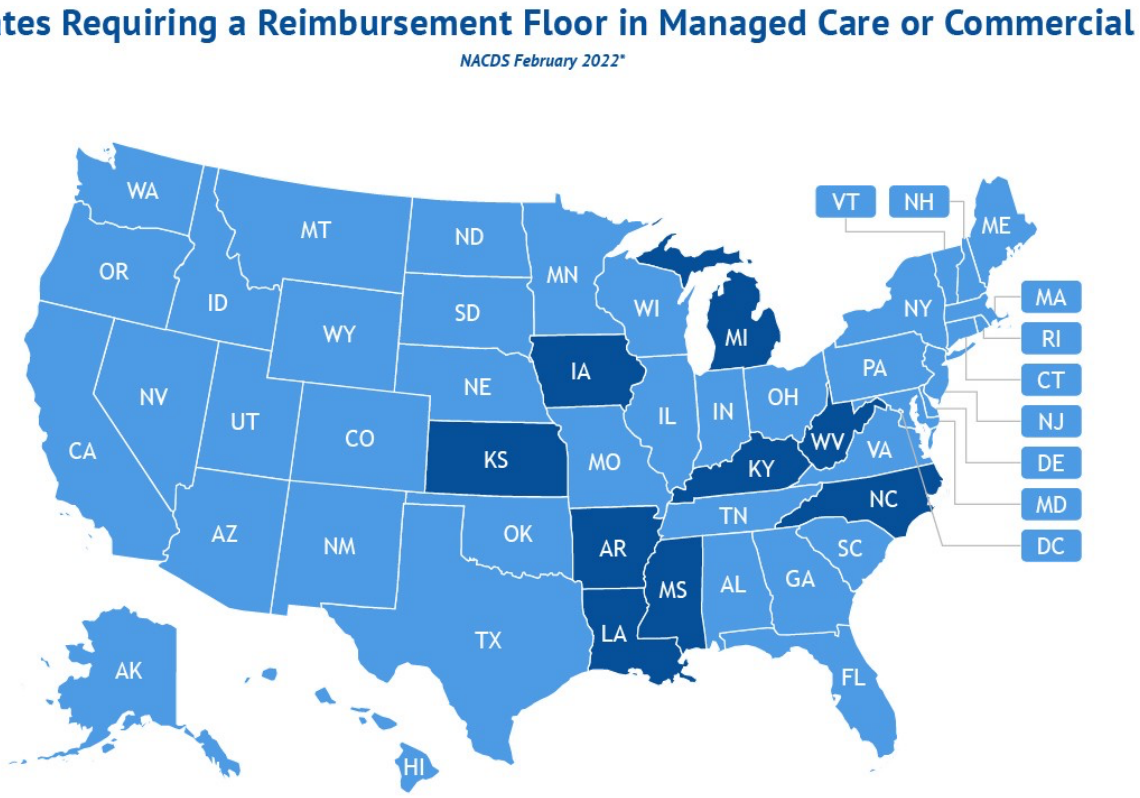
A.9165/S.7909 Provides Necessary Medicaid Managed Care Oversight

Improves Care for Vulnerable Populations While Lowering Program Costs

Background and Summary

Recently, the New York legislature introduced A.9165/S.7909, which establishes urgently needed reforms for pharmacy benefits under Medicaid managed care organizations (MCOs). Specifically, the legislation helps reduce Medicaid program costs while also preserving and improving vulnerable populations' access to pharmacy services by:

1. Requiring Medicaid MCOs to reimburse local pharmacies on part with the **transparent, state-established rate in the the Medicaid fee-for-service program**, which is based on actual pharmacy costs to provide services to Medicaid beneficiaries.



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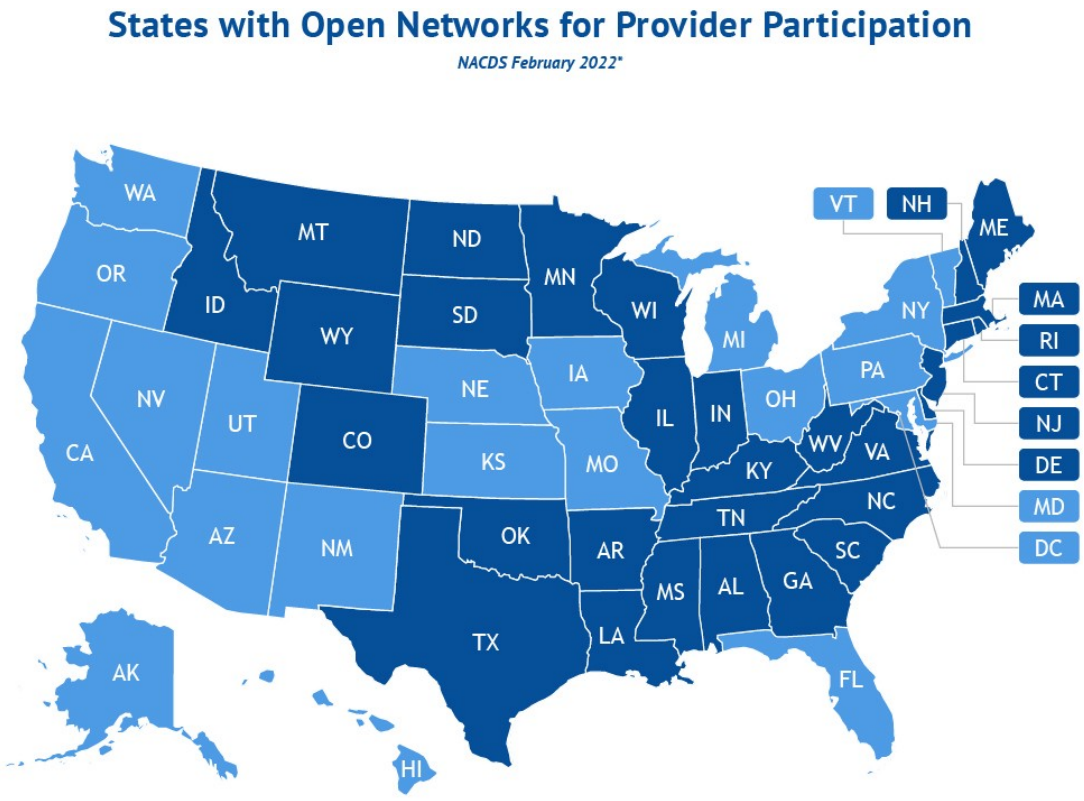
1. Expanding beneficiary access to Medicaid services by **prohibiting**:
    - MCOs from **arbitrarily excluding pharmacies in networks**; and
    - Insurers from **pushing beneficiaries into the MCO's own mail-order facility instead of enabling beneficiaries to use their local pharmacy for prescription delivery**.



Medicaid Managed Care Organizations' Actions Increase Costs

This legislation is based on sound research. The State's Comptroller recently found that New York paid its Medicaid MCOs $605 million in needless costs over four years.1 A.9165/S.7909 would prevent this unnecessary waste of taxpayers' dollars by allowing the state to set pharmacy reimbursement rates. New York is not the first state to attempt to rein in MCOs.2 By gaining transparency, states can have a better understanding of where their dollars are being spent when they know what the pharmacy is being paid.

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[1] Office of the New York State Comptroller, Medicaid Program: Cost of Pharmacy Services Under Managed Care, Sept. 2020, available at https://www.osc.state.ny.us/files/state-agencies/audits/pdf/sga-2020-19s11.pdf

[2] In West Virginia, the 2019 West Virginia Medicaid Pharmacy Savings Report the Bureau for Medical Services reported that their initiative to carve prescription drugs out of its managed care program and has resulted in an actual savings of $54.4 million to the West Virginia Medicaid program for the first year. In addition to the savings to the state, the prescription drug benefit carve-out resulted in $122 million paid to West Virginia pharmacies. In Texas, a state-commissioned Study of Potential Cost Savings in the Administration of Prescription Drug Benefits showed that had the carve-out been in place in SFY2017, the potential impact ranges from an estimated savings of $90.3 million (a 4.9% decrease in total net pharmacy costs) to an estimated cost increase of $75.3 million (a 4.1% increase in total net pharmacy costs).

Further, MCOs impose on Medicaid beneficiaries requirements that limit access to their local, trusted pharmacy and often require beneficiaries to abide by a restrictive pharmacy network and/or receive their medications from a remote, mail-order facility that commonly is in another state. Especially in times of healthcare emergencies, such as the ongoing pandemic, vulnerable beneficiaries should be assured they can visit their local pharmacy for expert care that could include critical testing, consultation services, and vaccinations. They should also be able to receive medications for those maintenance drugs via delivery from their local pharmacy if they choose to do so, not be forced to use out-of-state mail pharmacies.

Having convenient access to a local pharmacy lowers overall healthcare costs. Patients are much more likely to seek care and adhere to their medication regimen when they can receive care from a local, trusted professional, such as their neighborhood pharmacy. It is well-established that medication adherence begets long-term savings for other parts of the Medicaid program by ensuring that patients do not develop more problematic health conditions. Of note, one recent study found that the disease-specific cost of non- adherence is estimated at up to $44,190 per person, and costs attributed to “all causes” non-adherence is estimated up to $52,341 per person.3 By maintaining patient access with pharmacy networks that allow for any willing provider to participate, as required under A.7598/S.6603, New York can help improve health outcomes and also generate savings by reducing the use of more costly medical interventions.

Moreover, when MCOs push patients to their own remote mail order facilities, transparency is lost, as well as the benefits of a patient using one pharmacy for all of their medication needs if they choose to.

In sum, beneficiaries should have continuous access to their local pharmacy of choice, who they have come to rely on for face-to-face interaction, consultation, and other healthcare needs and valuable clinical services. A.9165/S.7909 would help achieve this goal with Medicaid managed care and save money for the state of New York.

Conclusion

NACDS urges that the protections from A.9165/S.7909 be put in the budget this year to:

- Shine a light on MCO practices, lower Medicaid costs and improve beneficiary access to services;
- Eliminate senseless barriers to care that raise costs and stifle market-based competition; and,
- Improve the overall quality of care and value to the state and vulnerable beneficiary populations.

[3] See https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5780689/