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Memorandum

FOR IMMEDIATE RELEASE: JANUARY 21, 2016

Re: A.1174 (Rodriguez) – AN ACT to amend the social services law and the public health law, in relation to prescription drugs in Medicaid managed care programs; and to repeal certain provisions of the social services law, relating to payments for prescription drugs.

This legislation, A.1174, would require Medicaid managed care (MMC) and Child Health Plus plans to adopt the procedures of the Medicaid Fee-for-Service (FFS) Preferred Drug Program, restore "prescriber prevails" for all drugs and allow any MMC plan to opt out of the delivery of the Medicaid pharmacy benefit. The New York Health Plan Association (HPA) has concerns regarding this legislation as it may significantly increase the cost of the Medicaid pharmacy benefit and have a direct impact on the Medicaid global cap.

With the equalization of the federal rebates and MMC plans' ability to utilize management tools that are unavailable under the Medicaid FFS program, the Medicaid Redesign Team (MRT) proposed reinstating the pharmacy benefit back into the MMC benefit package. This MRT proposal was enacted as part of the 2011-12 state budget and the savings associated with it were critical in avoiding other cuts to beneficiaries and providers. The transition of the pharmacy benefit from the State-administered FFS program to the MMC program was intended to achieve a state budget savings of $100 million annually. In reality, it has achieved greater savings than was projected.

In addition to generating savings that were unavailable under the FFS pharmacy program, the reinstatement of the pharmacy benefit in the MMC benefit package allowed the state to improve coordination of care. With the pharmacy benefit carved-out of the MMC package, plans did not have the ability to monitor whether members were actually taking their medications. To provide true coordinated care for enrollees, it is necessary to monitor both the medical benefit as well as the pharmacy benefit—especially for enrollees with chronic conditions such as diabetes where adherence to the medication regime is as important as being seen by a health care provider. This improved care coordination results in increased care quality as MMC plans work with enrollees to ensure that they go to their primary care physicians and take necessary medications, thus reducing expensive emergency room visits.

Along with better coordination of care, the carve-in of the pharmacy benefit allowed MMC plans to utilize pharmacy benefit management tools not available under the FFS program. MMC plans use their expertise in pharmacy to develop formularies and medical management including the use of prior authorization, step therapy, specialty pharmacy and mail order.

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According to the sponsor of A.1174, there are **no** fiscal implications or costs associated with implementing this legislation. That is simply not true. Because this legislation would effectively reverse many of the tools plans use to manage the pharmacy benefit and improve care coordination for Medicaid beneficiaries, the net result is a serious erosion of the savings associated with the MMC pharmacy benefit carve-in. As part of 2013-2014 State Budget, the Medicaid pharmacy benefit was amended to expand the "prescriber prevails" provision beyond the atypical antipsychotic drug class to include eight other drug classes. The budget also amended the Medicaid mail order/specialty pharmacy benefit to allow specialty drugs to be dispensed at retail pharmacies. Both of these Medicaid pharmacy benefit changes resulted in nearly a $60 million erosion of the targeted savings. This legislation would expand "prescriber prevails" to all drug classes, allow MMC plans to opt out of the Medicaid pharmacy benefit and create a new looser prior authorization process. While the exact cost of this expansion of benefits is unknown, this legislation fails to appropriate funds for these increased services. It is important to note that any increased costs associated with this legislation will also have a direct impact on the Medicaid global cap.

HPA has concerns that A.1174 will significantly increase the cost of the Medicaid pharmacy benefit, while negatively affecting care quality and threaten the Medicaid global cap.