

# **Medicaid Prescribed Drug Program**

## **Spending Control Initiatives**

**For Quarters Ended**

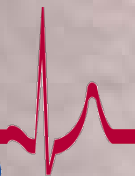
**September 30, 2011**

**December 31, 2011**

**March 31, 2012**

**June 30, 2012**

**FLORIDA**  
**MEDICAID**



**Medicaid Prescribed Drug Spending Control Program Initiatives**  
**July 1, 2011-June 30, 2012**

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**Purpose of Report**

Per section 409.912(37)(c), Florida Statutes, the Agency for Health Care Administration (Agency) shall submit quarterly reports to the Governor, the President of the Senate, and the Speaker of the House of Representatives which must include, but need not be limited to, the progress made in implementing this subsection and its effect on Medicaid prescribed drug expenditures. This report includes data for all quarters of state fiscal year 2011-2012, from July 1, 2011 through June 30, 2012.

# Medicaid Prescribed Drug Spending Control Program Initiatives

## July 1, 2011-June 30, 2012

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### Executive Summary

Requirements of section 409.912, F.S. (relating to cost-effective purchasing of health care, ss (37)(a) Medicaid prescribed drug spending control program) have been fully implemented, and specified spending control measures continue, including:

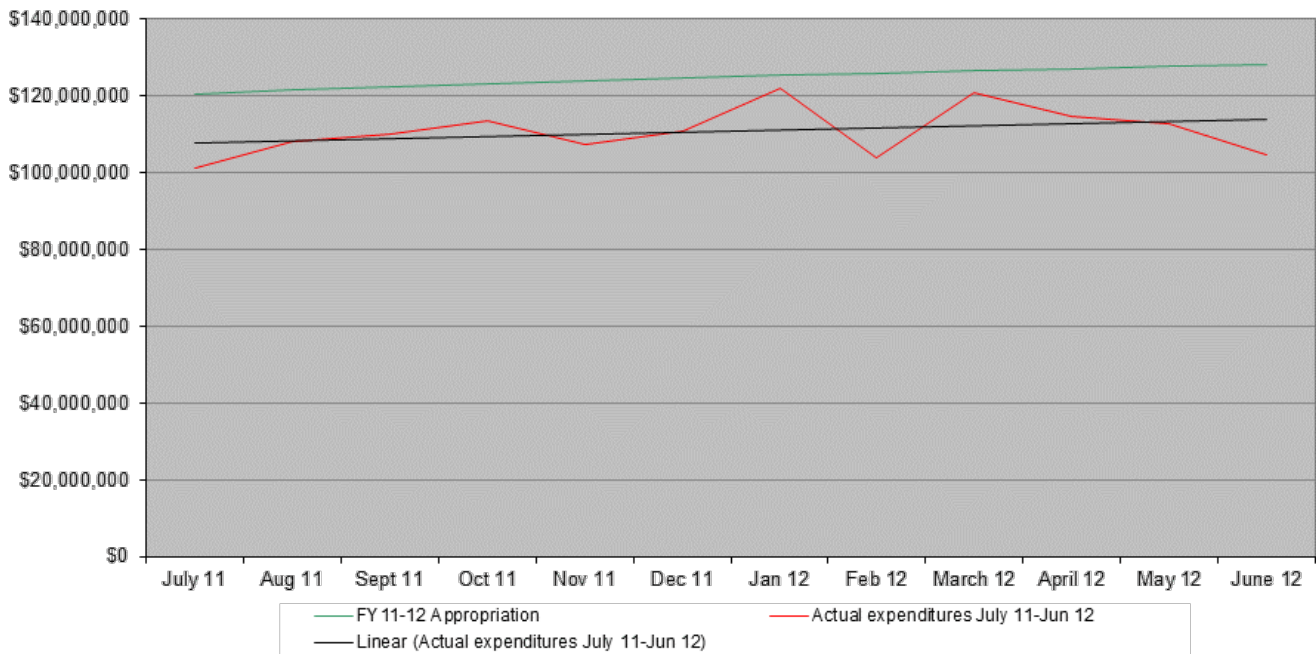
- Section 409.91195, F.S., created the Medicaid Pharmaceutical and Therapeutics (P&T) Committee to make recommendations to the Agency for the purpose of developing and maintaining the Florida Medicaid Preferred Drug List (PDL). The Committee performs ongoing scheduled reviews of the Medicaid Preferred Drug List, with negotiated state supplemental rebates from manufacturers and continued updating of prior authorization and step therapy protocols for drugs not on the PDL. The Committee may also recommend prior authorization protocols for Medicaid-covered prescribed drugs to ensure compliance with clinical guidelines, for indications not approved in labeling, and for prevention of potential overuse, misuse or abuse. For detailed information, upcoming review schedule and the current PDL, see the website at: [http://ahca.myflorida.com/Medicaid/Prescribed\\_Drug/](http://ahca.myflorida.com/Medicaid/Prescribed_Drug/).
- Age-related prior authorization for specific drugs, to ensure safe and appropriate prescribing.
- Through a contract with the Florida Mental Health Institute (FMHI) at the University of South Florida, the Agency continues to develop and disseminate best practice guidelines, with separate specific efforts for adults and children, for coordination of care for behavioral health drug therapy management, to develop improved patient education, prescriber education, compliance with drug therapies, and improved patient outcomes. Current guidelines and links to resources available for prescribers are on the program website at: [www.flmedicaidbh.com](http://www.flmedicaidbh.com).
- Medicaid pharmacists throughout the state continued review of prior authorization requests, initiatives to support use of the Medicaid Preferred Drug List, and making initial contact with patients who may choose to receive comprehensive reviews of their drug therapies.
- Through a contract with the University of Florida Medication Therapy Management Call Center, trained pharmacists conduct comprehensive prescribed drug case management, which involves direct patient contact if the patient chooses to participate. This statewide Medication Therapy Management Program continues to improve the quality of care and prescribing practices based on best practice guidelines; improve patient adherence to medication plans; reduce clinical risk; and lower prescribed drug costs including the rate of inappropriate spending on Medicaid prescription drugs. As part of the Florida MEDS-AD demonstration waiver granted by the Centers for Medicare and Medicaid Services, this statewide program will measure whether maintaining health coverage for this population results in fewer institutionalizations and improved health outcomes.
- The contracted prescription benefit manager vendor, Magellan Medicaid Administration (Magellan), continues to process more than 1.3 million drug claims per month for the Medicaid fee-for-service pharmacy program. The system of automated claim edits is continuously refined and improved to support safe prescribing, adherence to the Preferred Drug List, and prevention of fraud and abuse.

# Medicaid Prescribed Drug Spending Control Program Initiatives July 1, 2011-June 30, 2012

## Pharmacy Appropriations and Spending for All Quarters of Fiscal Year 2011-2012

Florida Medicaid Fee-for-Service Pharmacy Appropriation vs. Spending  
July 2011 through June 2012

Monthly appropriation, total funds



The actual retail price per prescription and fee-for-service caseload were slightly lower than the budget estimate for state fiscal year 2011-2012. The following actions helped to maintain efficiency in the Medicaid prescribed drug program.

- Significant savings were realized as patents expired on some relatively expensive brand drugs and use of generic alternatives was maximized.
- Pharmacy staff, the supplemental rebate negotiation vendor, and the Medicaid Pharmaceutical and Therapeutics Committee continued an ongoing, detailed review of the Preferred Drug List to consider removal of products when lower-cost, equally effective alternatives are available.
- The prescribed drug program performed a comprehensive systematic review of the pharmacy claim payment process and refined controls to:
  - Achieve more timely updates of the State Maximum Allowable Cost pricing for generic drugs in the point-of-sale claims system, which allows the Agency to react quickly to price changes and competition in the wholesale drug market.
  - Implement clinical dose and quantity limits for individual drugs to ensure safety and to prevent fraud and abuse.

**Medicaid Prescribed Drug Spending Control Program Initiatives  
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**Claim Details**

The following table details monthly metrics related to efficient utilization of generic products, the average cost of a brand and a generic prescription, and the number of brand and generic prescriptions reimbursed, respectively.

For months shown in the table below, 26.08 percent of claims reimbursed were for brand drug products, but these prescriptions account for 85.64 percent of total expenditures. Revenue realized by the state through negotiation of drug manufacturer rebates offsets a significant percentage of the retail cost of drugs in the fee-for-service pharmacy benefit.

<b>Latest 12 Months</b>	<b>Jul-11</b>	<b>Aug-11</b>	<b>Sep-11</b>	<b>Oct-11</b>	<b>Nov-11</b>	<b>Dec-11</b>
Generic Utilization	73.2%	72.9%	73.0%	73.2%	73.8%	73.7%
Brand Paid/Claim	\$266.04	\$267.00	\$258.39	\$262.93	\$262.60	\$267.19
Generic Paid/Claim	\$14.23	\$14.50	\$14.38	\$14.42	\$15.10	\$15.09
Non-Drug Compound Paid/Claim	\$147.63	\$188.50	\$417.83	\$445.71	\$513.57	\$555.85
Brand Claims	327,451	361,963	359,533	364,133	354,309	349,502
Generic Claims	904,008	984,906	981,011	1,005,841	1,010,540	992,326
Non-Drug Claims	359	527	677	774	816	685
Compound Claims	2,856	3,217	3,255	3,262	3,426	3,376
Brand Paid	\$87,116,083	\$96,642,378	\$92,898,763	\$95,739,853	\$93,042,678	\$93,384,559
Generic Paid	\$12,866,508	\$14,280,077	\$14,104,808	\$14,501,480	\$15,259,240	\$14,977,740
Non-Drug Paid	\$15,566	\$23,477	\$30,644	\$36,204	\$38,519	\$31,950
Compound Paid	\$459,049	\$682,270	\$1,612,282	\$1,762,697	\$2,140,054	\$2,225,345
	<b>Jan-12</b>	<b>Feb-12</b>	<b>Mar-12</b>	<b>Apr-12</b>	<b>May-12</b>	<b>Jun-12</b>
Generic Utilization	73.5%	73.5%	73.8%	73.8%	74.1%	74.9%
Brand Paid/Claim	\$272.75	\$276.08	\$279.93	\$280.07	\$281.48	\$286.34
Generic Paid/Claim	\$15.23	\$14.70	\$14.33	\$14.17	\$14.37	\$14.07
Non-Drug Compound Paid/Claim	\$528.48	\$554.27	\$506.73	\$349.95	\$178.77	\$171.59
Brand Claims	361,919	346,569	363,323	348,712	359,290	320,183
Generic Claims	1,016,863	973,872	1,034,269	992,391	1,037,815	967,956
Non-Drug Claims	723	775	801	759	705	528
Compound Claims	3,568	3,616	3,770	3,438	3,451	3,133
Brand Paid	\$98,715,210	\$95,679,588	\$101,705,550	\$97,664,715	\$101,133,053	\$91,682,555
Generic Paid	\$15,485,119	\$14,313,331	\$14,816,562	\$14,060,445	\$14,913,345	\$13,616,761
Non-Drug Paid	\$33,233	\$35,919	\$37,480	\$35,181	\$32,630	\$24,311
Compound Paid	\$2,234,471	\$2,397,898	\$2,278,767	\$1,433,572	\$710,355	\$603,885

Note: Compound claims show a seasonal variation in drug utilized for respiratory syncytial virus (RSV) prophylaxis.

# Medicaid Prescribed Drug Spending Control Program Initiatives July 1, 2011-June 30, 2012

## Prescription Spending Trends

### *Fee-for-Service Caseload and Retail Prescription Costs*

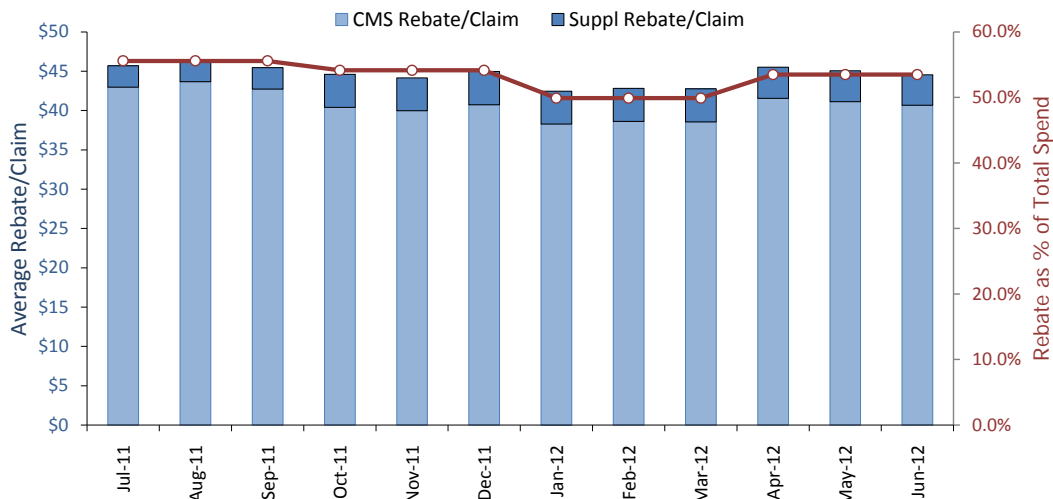
The number of individuals served through the Medicaid fee-for-service drug program as of June 30, 2012 was 1,315,534. More than 16 million claims were reimbursed during state fiscal year 2011-2012, at a total expenditure of \$1.3 billion. While the price of brand drug products increased over the year, the program maintained cost efficiency through appropriate use of available generic products. There were significant savings as generic versions of some widely used products became available during the year. The slight drop in the amount of average rebate per claim reflects the use of more generic products, for which prices and manufacturer rebates are significantly lower. The following table details some basic program monthly benchmarks and overall trends for the program in state fiscal year 2011-2012.

Florida Medicaid Fee-for-Service Program	Annualized		Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12
	Annual Trend	Latest 3-Month Trend												
	Jul-11 to Jun-12	Apr-12 to Jun-12												
Paid PMPM	-13.9%	-36.1%	\$88.28	\$87.87	\$91.45	\$86.13	\$89.21	\$80.52	\$80.46	\$83.33	\$76.35	\$84.53	\$78.38	\$77.00
Net Paid PMPM--After Rebates	-14.5%	-36.1%	\$42.26	\$42.07	\$43.79	\$40.20	\$41.64	\$37.59	\$38.11	\$39.46	\$36.16	\$40.04	\$37.12	\$36.47
Paid PUPM	-4.7%	-14.4%	\$275.88	\$268.53	\$274.69	\$268.68	\$272.41	\$265.39	\$284.99	\$283.58	\$257.18	\$268.08	\$257.72	\$258.57
Net Paid PUPM--After Rebates	-5.3%	-14.4%	\$132.08	\$128.56	\$131.52	\$125.42	\$127.16	\$123.88	\$134.98	\$134.31	\$121.80	\$126.97	\$122.06	\$122.46
Paid/Claim	-4.5%	-3.4%	\$84.21	\$84.86	\$84.75	\$84.14	\$83.35	\$82.00	\$86.09	\$85.64	\$81.18	\$81.73	\$80.33	\$81.04
Net Paid/Claim--After Rebates	-5.2%	-3.4%	\$40.32	\$40.63	\$40.58	\$39.27	\$38.90	\$38.28	\$40.77	\$40.56	\$38.45	\$38.71	\$38.05	\$38.38
Claims/User	-0.2%	-11.0%	3.3	3.2	3.2	3.2	3.3	3.2	3.3	3.3	3.2	3.3	3.2	3.2
% Users	-9.6%	-22.3%	32.0%	32.7%	33.3%	32.1%	32.7%	30.3%	28.2%	29.4%	29.7%	31.5%	30.4%	29.8%

The program continues to negotiate agreements for manufacturers to provide supplemental rebates for their brand drug products. These rebates reduce the retail cost of reimbursement to community pharmacy providers and allow prescribers more choices of preferred products within therapeutic classes.

### *Drug Manufacturer Rebates to the State*

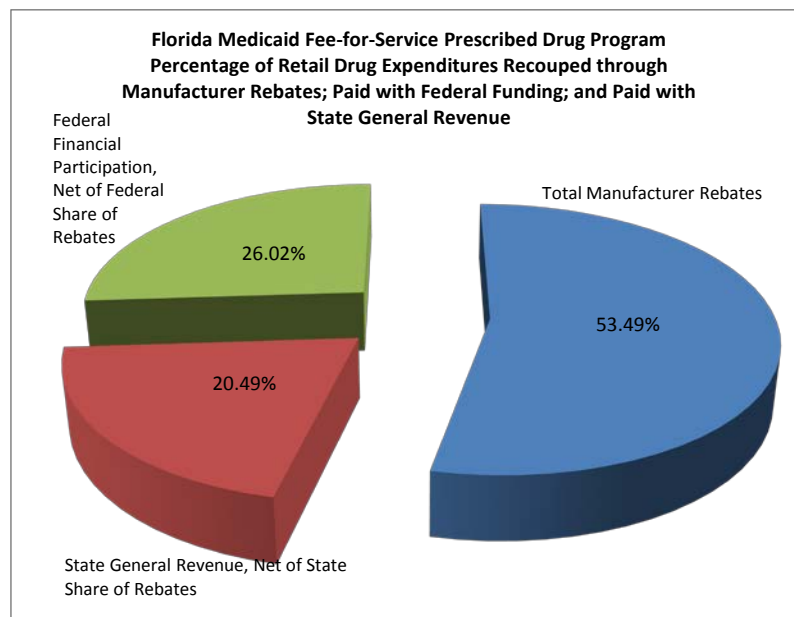
The following chart illustrates the proportion of the total retail drug cost that the Florida Medicaid program is able to recoup through federal rebates and additional negotiated supplemental rebates.



## Medicaid Prescribed Drug Spending Control Program Initiatives July 1, 2011-June 30, 2012

### Manufacturer Rebates Reduce Net Cost of Drugs to State

Rebate revenue is a significant offset to the retail cost of prescription reimbursement. The chart below illustrates the percentage of state general revenue dollars required for the state to offer the Medicaid drug benefit in the fee-for-service program. Once federal matching funds and rebate revenue are received, state general revenue accounts for only 20.49% of the cost of the fee-for-service drug benefit.



### Medicaid Fee-for Service Prescribed Drug Program Ongoing Cost Controls

#### *Cost-Effective Medicaid Preferred Drug List (PDL)*

The Florida Medicaid Preferred Drug List continues to produce significant savings of pharmacy costs since its implementation as a mandatory program in 2005. The savings are achieved two ways: 1) Through efficient prescribing protocols (cost avoidance through prior authorization and step therapy); and 2) Through the State Supplemental Rebate Program (negotiated cash rebates from manufacturers relating to placement on the PDL).

#### *Preferred Drug List Adherence—PDL Products Share of Florida Medicaid Market*

Through aggressively negotiating supplemental rebates and favorable net pricing, the Florida Medicaid prescribed drug program is able to maintain an array of choices for prescribers within each therapeutic class on the Preferred Drug List. Since fully implementing the mandatory PDL in fiscal year 2005-2006, PDL products represent more than 95 percent of prescriptions reimbursed by Florida Medicaid for fee-for-service recipients. Approval for reimbursement of prescriptions for products not on the PDL may be obtained through prior authorization.

#### *Rebate Collection Productivity*

The rebate collection contractor performs follow-up on all unpaid or disputed invoices and has achieved an overall collection percentage of over 99 percent of invoiced rebates from manufacturers. Nonpaying labelers are reported to the federal Centers for Medicare and Medicaid Services. The contractor continues to refer



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providers who cannot or will not reverse billing errors and rebill correctly to the Agency for Health Care Administration's Bureau of Medicaid Program Integrity.

***Prior Authorization of Specific Drugs***

As in all states' Medicaid programs, authorization prior to reimbursement for certain drugs in specific circumstances continues. Response to prior authorization requests is immediate through automatic claim system edits or by the Medicaid fiscal agent's Pharmacy Benefits Manager (Magellan Medication Administration) 24-hour toll-free request line, which is staffed by pharmacists at all times. Approval of some specific medications requires clinical review by a Medicaid staff clinical pharmacist. These requests are handled within 24 hours. Florida Medicaid processes over 1.3 million reimbursement claims per month for prescriptions, and the program currently receives an average of 16,844 prior authorization requests monthly.

The following chart details metrics related to prior authorization requests received during the last two quarters of state fiscal year 2011-2012:

	Jan 2012	Feb 2012	Mar 2012	April 2012	May 2012	June 2012
Clinical Calls Received	5,721	5,685	6,029	5,697	5,952	5,509
Faxes Received	10,888	11,663	11,748	10,552	10,900	10,722
Faxed requests worked by Magellan staff	8,423	9,386	8,919	8,085	8,199	5,094
Faxed requests worked by AHCA staff	2,465	2,277	2,829	2,467	2,701	2,628
<b>Total Calls/Faxes</b>	<b>16,609</b>	<b>17,348</b>	<b>17,777</b>	<b>16,249</b>	<b>16,852</b>	<b>16,231</b>

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**Medication Therapy Management**

***Medication Therapy Management***

Section 409.912(37), F.S., requires that the Agency for Health Care Administration “shall implement a Medicaid prescription drug management system...with a vendor that has experience in operating prescription drug management systems.” (The program will be designed)...to “improve the quality of care and prescribing practices based on best practice guidelines.”

The statewide Medication Therapy Management (MTM) Program provides interventions that help improve prescribing, dispensing, and medication usage for recipients through population-based strategies. Participating pharmacists are trained to deliver detailed medication reviews and improve coordination of medical care for patients. In April 2011, the MTM program transitioned to a patient-centered review process in which recipients may choose to speak directly via telephone with pharmacists who have real-time access to the patients’ drug profiles and medical claim histories. Feedback from recipients who chose to participate has been measurably positive, and their self-reported understanding of and compliance with their drug therapies has improved. The reviews are now performed through the University of Florida Medication Therapy Management Call Center.

***Behavioral Pharmacy Management Program***

The Florida Medicaid Drug Therapy Management Program for Behavioral Health was created by the Florida Legislature in 2005. Its purpose as stated in section 409.912(37), F.S., is to accomplish the following:

- Improve the quality of behavioral health drug prescribing;
- Improve patient adherence;
- Reduce clinical risk; and
- Lower costs.

The Agency contracted with the Florida Mental Health Institute at the University of South Florida. Initially the focus was to slow the escalation of expenditures on mental health prescriptions. The focus of the program has broadened to include quality and safety issues, with separate specific recommendations for children and adults. Detailed information, including current guidelines and links to resources available for prescribers are on the program website at: [www.flmedicaidbh.com](http://www.flmedicaidbh.com).

***Recipient Pharmacy Lock-in Program***

In October 2002, the Agency implemented a recipient lock-in program. This program improves coordination of medical care and prevents potential fraud by ensuring that at least one medical professional, the pharmacist, is aware of all the medications the recipient is receiving. Recipients who have been identified as high users and potential abusers of prescribed drugs, or who obtain prescriptions from multiple physicians, are enrolled into the lock-in program and must obtain all of their medications from a single pharmacy. The majority of recipients originally enrolled in the program now receive their prescription drug benefits through Medicare. Further, highly efficient claim system enhancements now monitor the patient’s full drug profile and systematically control for overutilization and potential abuse so that the number of lock-in patients who required manual monitoring can be kept to a minimum. Consequently, only 52 individuals required manual “lock-in” to a single pharmacy as of June 30, 2012.

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**MEDS-AD Waiver**

The Florida Medicaid Medications for Aged and Disabled (MEDS-AD) demonstration waiver provides Medicaid coverage for aged or disabled residents of the State of Florida with incomes at or below 88 percent of the federal poverty level and assets at or below \$5,000 for an individual (or \$6,000 for a couple). Coverage is limited to those aged and disabled persons who are either receiving or elect to receive institutional care, hospice or home and community-based services coverage, or who are not eligible for Medicare. The current MEDS-AD Program was implemented to continue coverage for a group of individuals who would not have been eligible for Medicare Part D as of January 2006. This waiver is designed to delay the need for institutionalization of these vulnerable individuals by maintaining their level of care in the community longer through the provision of:

- Access to health care services.
- High-Intensity Pharmacy Case Management services for non-institutionalized individuals.

The continued coverage, as well as the High-Intensity Pharmacy Case Management program, is designed to avoid costs of preventable hospitalizations or institutional placement that would otherwise occur in the next five years had these vulnerable individuals been denied access to prescribed drugs and other medical services. The focus of the demonstration is to provide high-intensity pharmacy case management for enrollees who are not yet receiving institutional care.

The table below contains monthly MEDS-AD enrollment counts for July 2011 through June 2012.

**1115 MEDS-AD Waiver Total Enrollment by Month, July 2011-June 2012**

Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12
39,665	39,574	39,777	40,642	40,906	41,493	42,136	43,008	43,234	43,174	42,967	42,906

Expenditures reimbursed for recipients who were eligible for Medicaid through the MEDS-AD demonstration program totaled \$753,867,550 for state fiscal year 2011-2012. Annual and cumulative expenditures remain below the budget neutrality ceiling approved by CMS for this waiver. In December 2010, federal CMS approved a three-year extension of this waiver through December 31, 2013.

***Report Conclusion***

This concludes the report of Medicaid Prescribed Drug spending control for all quarters of fiscal year 2011-2012.