



CABINET FOR HEALTH  
AND FAMILY SERVICES

## **Single Pharmacy Benefit Manager**

**Prepared for the Interim Joint Committee on Health Services**

**Veronica Judy-Cecil, DMS Senior Deputy Commissioner  
Steve Bechtel, DMS Chief Financial Officer**

**September 27, 2023**

# Senate Bill 50 (2020 RS)

## Single Managed Care Organization Pharmacy Benefit Manager (PBM)

- MedImpact contracted by December 30, 2020
- Implemented on July 1, 2021
- Aligned Fee-for-Service & MCO:
  - Over-the-counter and outpatient prescription drug coverage
  - Dispense fee
  - Drug reimbursement except for 340B

## Single Preferred Drug List

- Implemented on January 1, 2021
- Aligned managed care and fee-for-service policy
- Brand to generic changes reviewed and recommended by Pharmacy and Therapeutics Advisory Committee quarterly
- Maximize rebates

# Senate Bill 50 Analysis

## METHODOLOGY:

- Analyzed time periods *before* (CY 2018-2020) and *after* (CY 2021-2022) provisions of Senate Bill 50 were implemented.
- Evaluated the total managed care pharmacy costs defined as:

***Total pharmacy cost = MCO claim expenditures + MCO report non-benefit expenses – estimated rebates***

- All amounts (including rebates) are on an incurred date of service basis.
  - Claims plus non-benefit expenses underlie the future capitation rates paid to the MCOs.
  - 340B, Title XXI CHIP, and zero paid claims are not eligible for rebates.
- Per member per month (PMPM) amounts were adjusted to normalize for enrollment mix changes that have occurred, particularly during the COVID-19 public health emergency.

# Senate Bill 50 Analysis

CY	Average MCO Enrollment	Total Pharmacy PMPM	PMPM Percentage Change vs. prior year
CY2018	1,228,000	\$52.23	
CY2019	1,197,000	\$59.42	13.8%
CY2020	1,231,000	\$65.74	10.6%
CY2021	1,357,000	\$60.07	-8.6%
CY2022	1,434,000	\$69.60	15.9%

➤ **Prior to SB 50: Annual total PMPM trends were above 10%**

- Claim PMPMs increased 5.7% on average between CY 2018 and CY 2020 under MCO management.
- Rebate PMPMs declined 6.9% in that same period primarily due to increased 340B utilization and MCOs switching to newly launched generics with lower rebates.

➤ **CY 2021: 8.6% reduction is due to rebates outpacing the increase in MCO claim expenditures**

- Rebates maximized after implementation of the single Preferred Drug List (PDL).
- Reduction would have been larger if not for the continued increase in 340B utilization.

➤ **CY 2022: 15.9% increase is due to MCO claim expenditures outpacing the increase in rebates**

# Senate Bill 50 Analysis

	A	B	C	D = (A * C) * 12mths	E = (A * B) * 12mths	F = D - E	G = F * 80%	H = F * 20%
CY	Average MCO Enrollment	Total Pharmacy PMPM	Estimated Pharmacy PMPM (without SB 50)	Total Estimated Costs (without SB 50)	Actual Total Costs	Difference in Costs	Federal Share (Blended @ 80%)	State Share (Blended @ 20%)
CY2018	1,228,000	\$52.23	\$52.23	\$769,661,300	\$769,661,300	\$0	\$0	\$0
CY2019	1,197,000	\$59.42	\$59.42	\$853,508,900	\$853,508,900	\$0	\$0	\$0
CY2020	1,231,000	\$65.74	\$65.74	\$971,111,300	\$971,111,300	\$0	\$0	\$0
CY2021	1,357,000	\$60.07	\$70.67	\$1,150,708,900	\$978,179,900	\$172,529,000	\$138,023,200	\$34,505,800
CY2022	1,434,000	\$69.60	\$76.01	\$1,307,894,000	\$1,197,676,800	\$110,217,200	\$88,173,800	\$22,043,400

➤ **Without SB 50, the total pharmacy expenditure would have been higher by the following estimates:**

- \$172.5M in CY2021 (\$138M federal funds and \$34.5M state funds)
- \$110.2M in CY2022 (\$88.2M federal funds and \$22.0M state funds)

➤ **While rebates have increased year-over-year, so has overall pharmacy cost**

- Preferring brand drugs over generic increases cost reimbursed through the PBM but results in lower net cost due to maximizing rebates.
- There has been a significant increase in utilization of high-cost brand drugs, most of which are relatively new to the market.

# Senate Bill 50 Analysis

## 340B Provider Claims

- Non-discrimination reimbursement provision in SB 50
- Covered entities or their contract pharmacies retain the margin, which is the difference between acquisition cost and reimbursement from the single PBM
  - Margin has grown significantly due to increases in managed care expenditures from \$49 million in CY 2019 to \$358 million in CY 2022
  - For CY2022, we estimate 340B providers retained \$196 million
- These claims are not subject to rebate

# Fee-for-Service Pharmacy Benefit Manager

MedImpact was the successful bidder on the most recent Request for Proposal

➤ Implementation Date: January 1, 2024

# QUESTIONS?