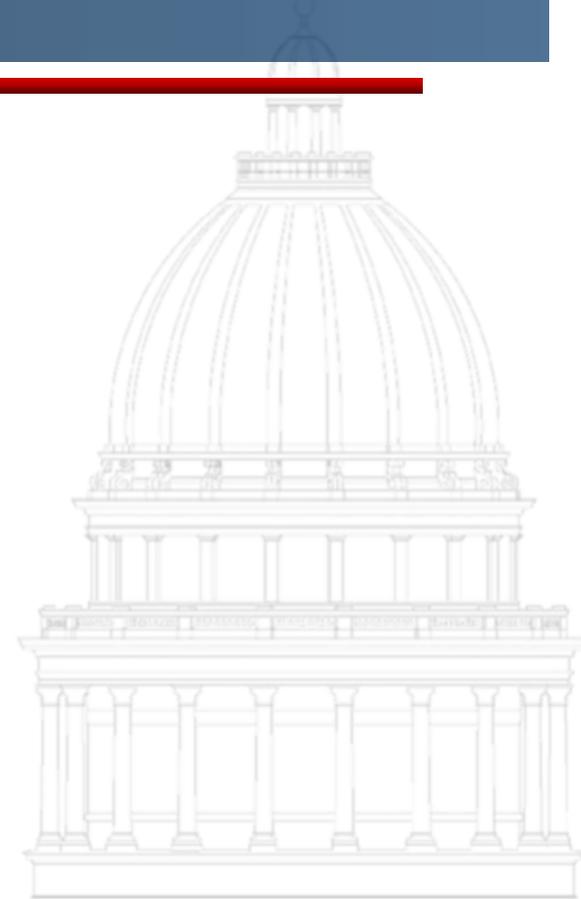

Performance Audit of Medicaid's Pharmacy Benefit Oversight

Utah Legislative Auditor General
Report to the Social Services
Appropriations Subcommittee
August 17, 2020



Audit Summary

FOR MORE INFORMATION

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UTAH STATE LEGISLATURE

AUDIT SUMMARY

REPORT #2020-02 | MAY 2020

Office of the Legislative Auditor General | Kade R. Minchey, Auditor General

PERFORMANCE AUDIT

AUDIT REQUEST

The Legislative Audit Subcommittee requested that we review the prescription drug costs for Medicaid and determine if there are possible savings, review Pharmacy Benefit Managers (PBMs) in the Medicaid market, and evaluate if Medicaid is providing effective oversight of the pharmacy benefits for their Accountable Care Organizations (ACOs).

BACKGROUND

The Utah Department of Health Division of Medicaid and Health Financing (DOH, DOH Medicaid or Utah Medicaid) is charged with providing pharmacy benefits for its Medicaid population. Pharmacy benefits are administered to Medicaid recipients in two ways: through four separate Medicaid Accountable Care Organizations (ACOs), or directly through the DOH Medicaid program known as fee-for-service, or FFS. FFS utilizes the Medicaid Drug Rebate Program (MDRP), which is designed to offset federal and state prescription costs. Medicaid collects rebates for FFS and ACO prescription volume. Accordingly, most of the ACOs utilize a PBM to manage their claims and negotiate prescription prices for their plans.

Medicaid's Pharmacy Benefit Oversight

KEY FINDINGS

- ✓ Medicaid has full transparency of the net costs for prescription drugs, allowing them to provide effective care at the best rates.
- ✓ Savings could be realized by utilizing a statewide Preferred Drug List (PDL) for drugs with the lowest net cost to the state.
- ✓ Additional savings are available through increased oversight of ACOs and FFS pricing.

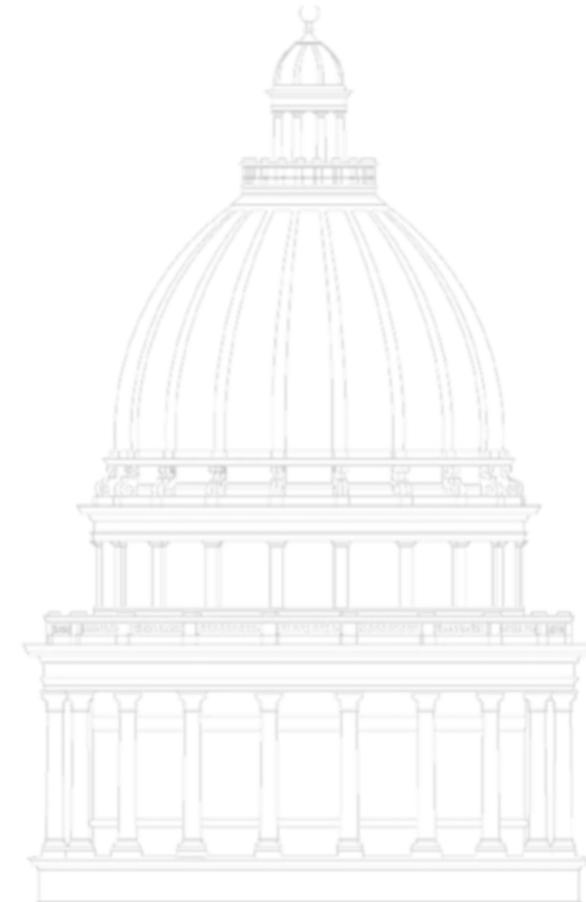
Medicaid's Ability to Prioritize Lowest-Net-Cost Drugs Could Lead to Savings

Medicaid has access to rebate information for all drugs covered, which can be used to compile the net cost of each drug after rebates. Utilization of this information through a statewide PDL for FFS and the ACOs could save the state up to \$3.4 million a year.

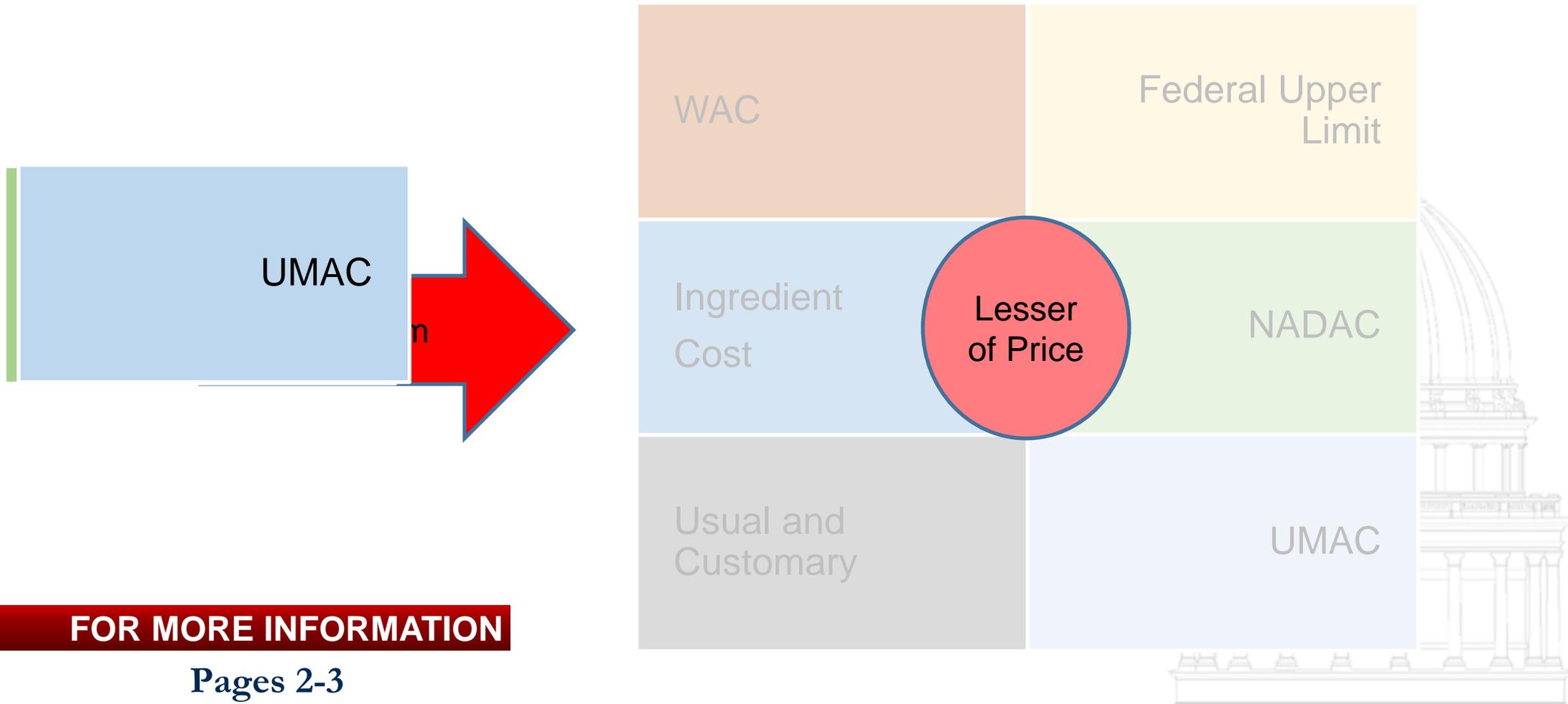
RECOMMENDATIONS

- ✓ DOH should research and provide a report to the Legislature regarding the potential savings, benefits, and costs from creating a statewide Preferred Drug List (PDL).
- ✓ DOH should create a process to ensure pricing and rebates are processed correctly.
- ✓ DOH should take steps to provide better oversight of the Accountable Care Organizations (ACOs) to review cost trends, contract changes, and compliance.

Summary continues on back >>



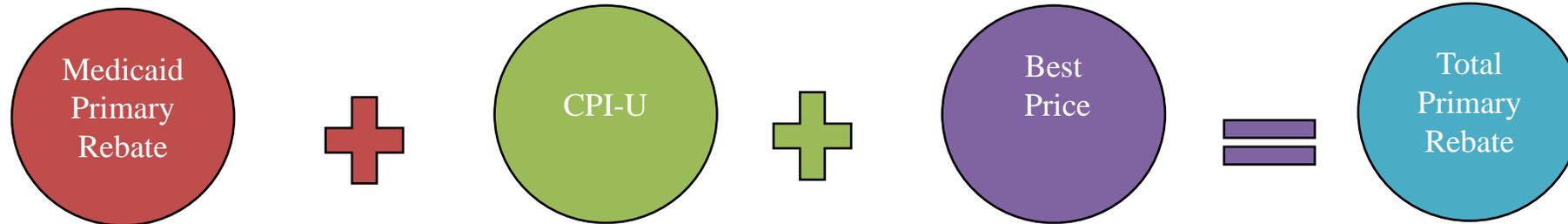
Fee for Service Receives Price Guarantees for Prescriptions



FOR MORE INFORMATION

Pages 2-3

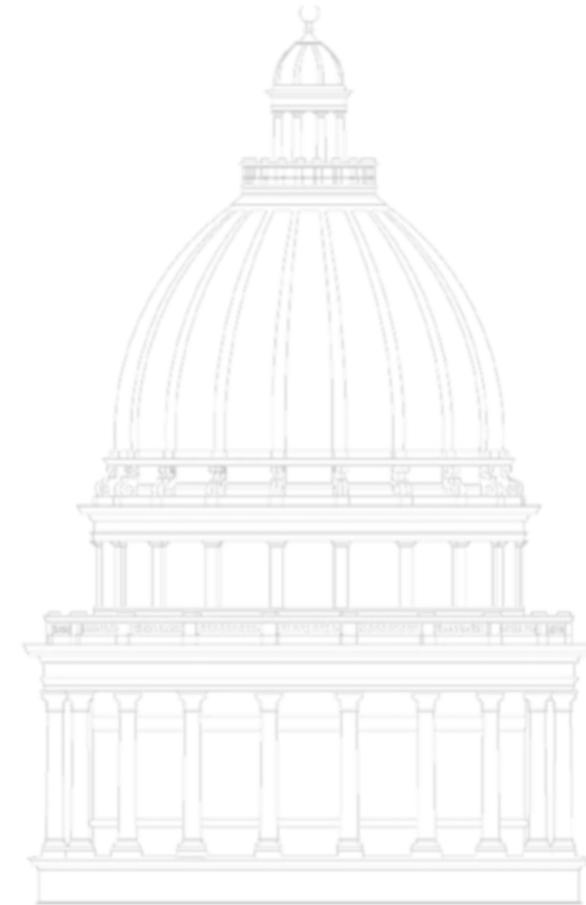
Total Primary Rebate is Determined by Three Components



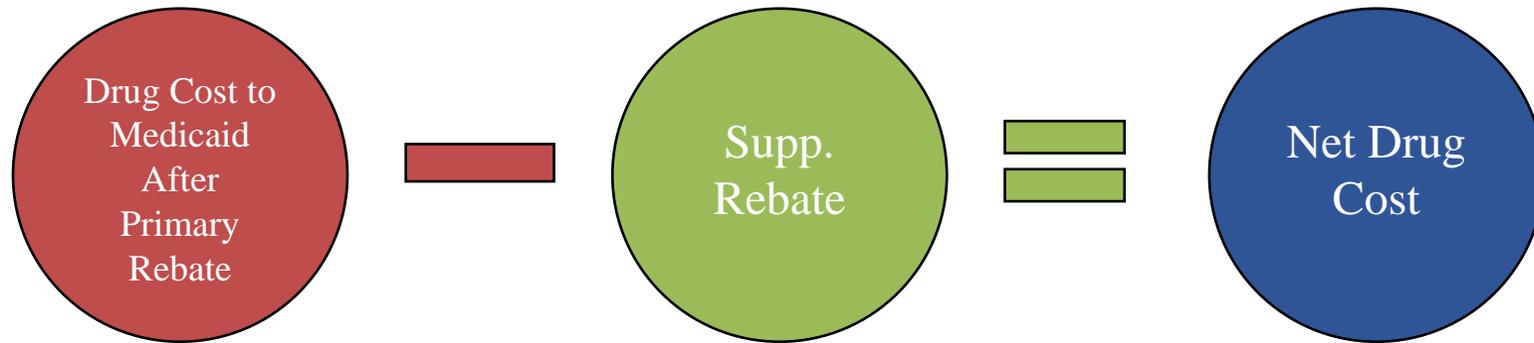
Brand Drugs: **23.1%**
Generic Drugs: **13%**

FOR MORE INFORMATION

Pages 4-5

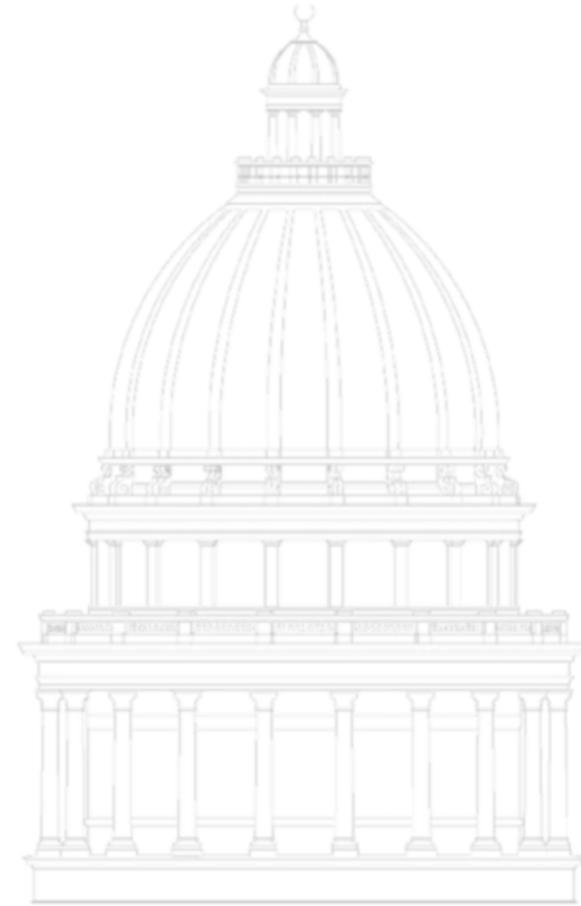


Supplemental Rebates Allow For Prescription Savings



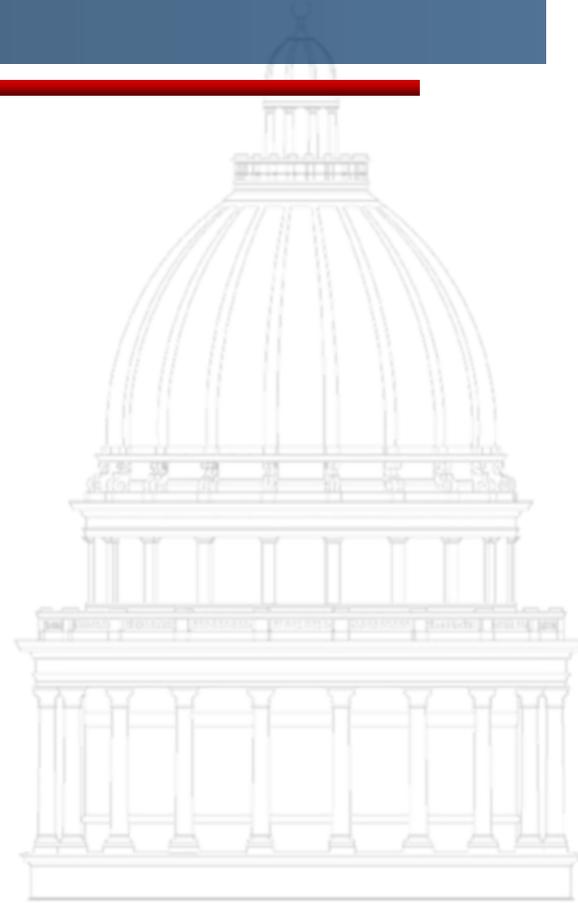
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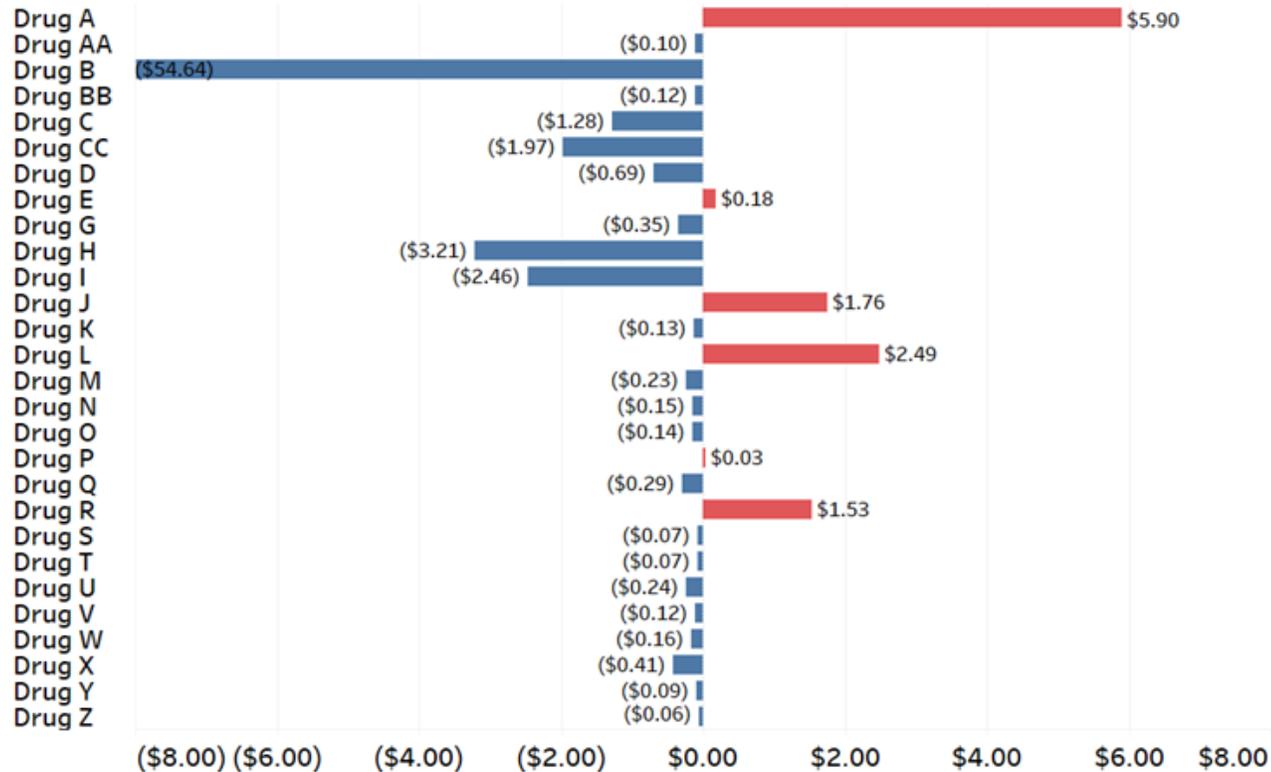


Chapter II

Medicaid's Ability to Access Protected Pharmacy Data Can Lead to Savings

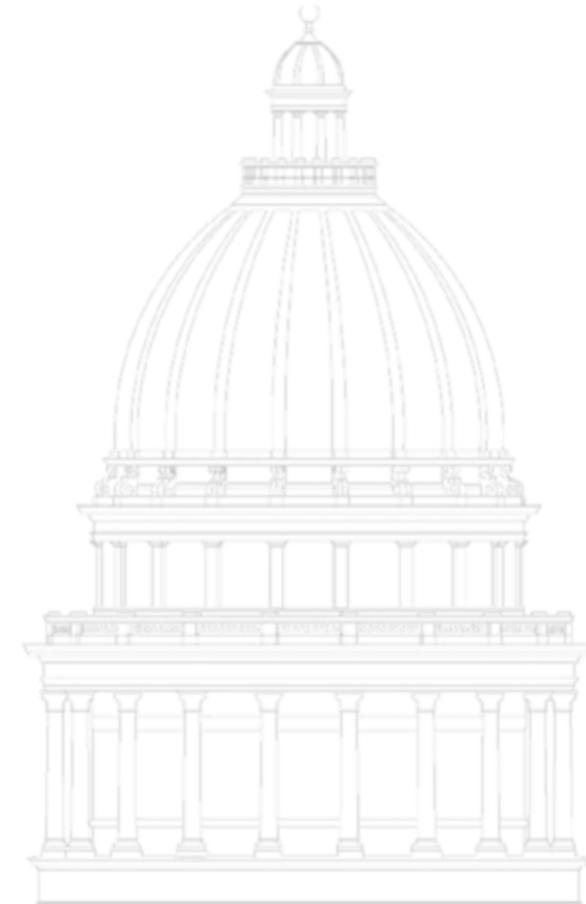


Good Rx Compared to One of FFS Pricing Indices

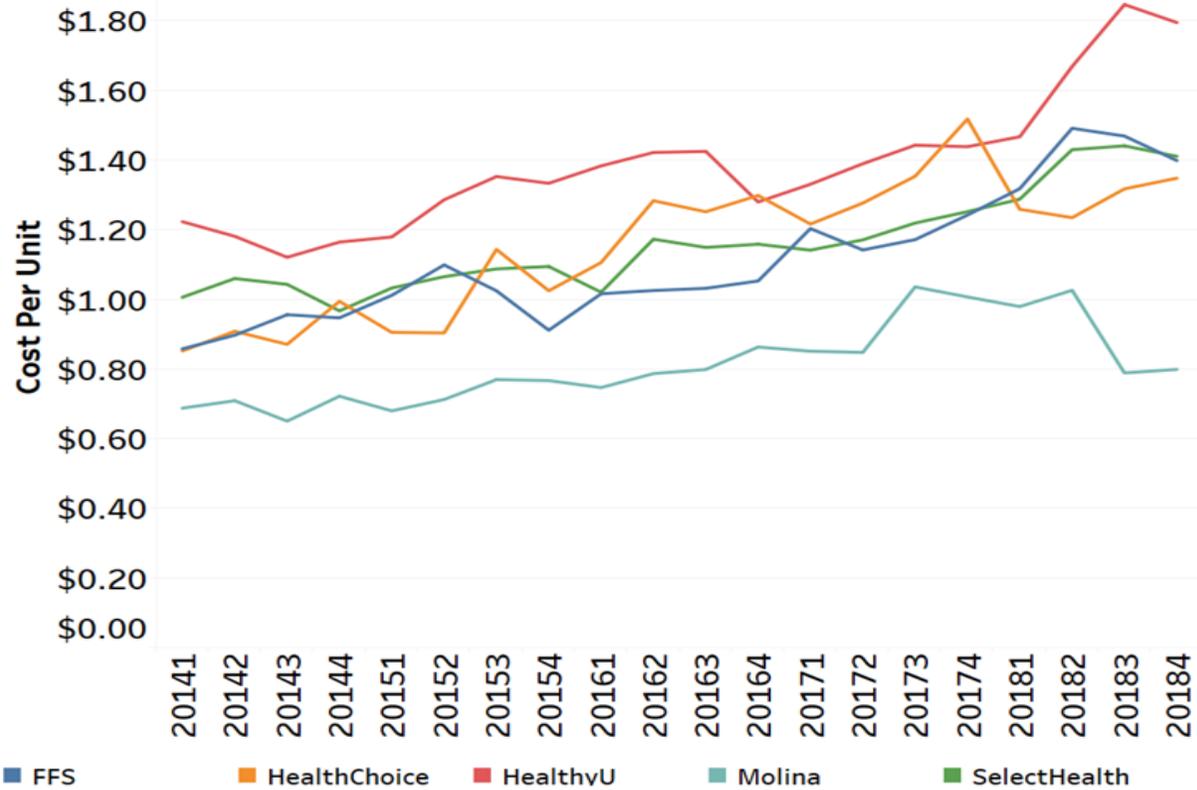


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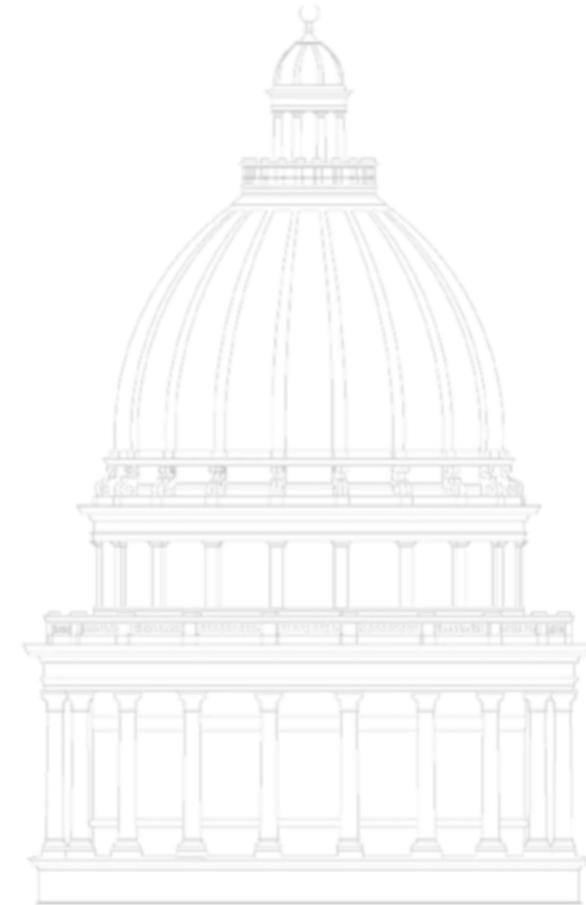


Pre-Rebate Costs Are Generally Rising Across All Plans

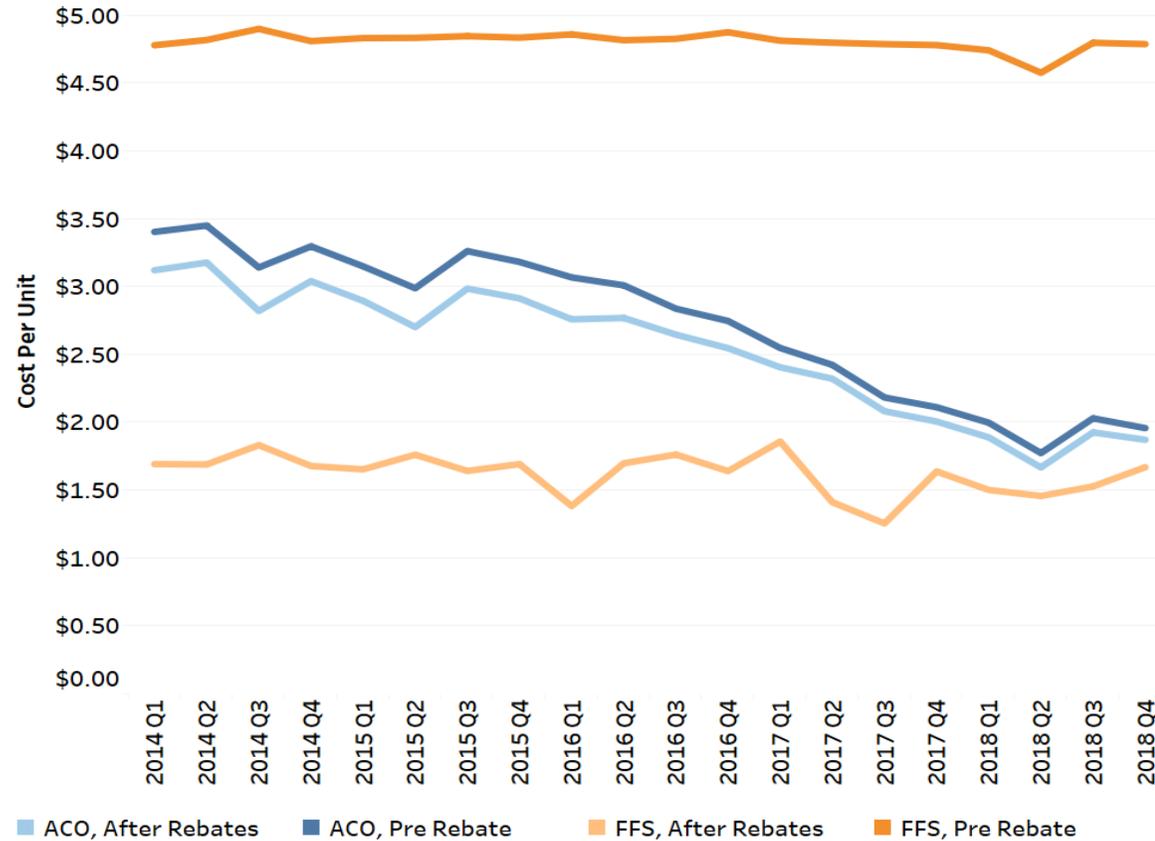


FOR MORE INFORMATION

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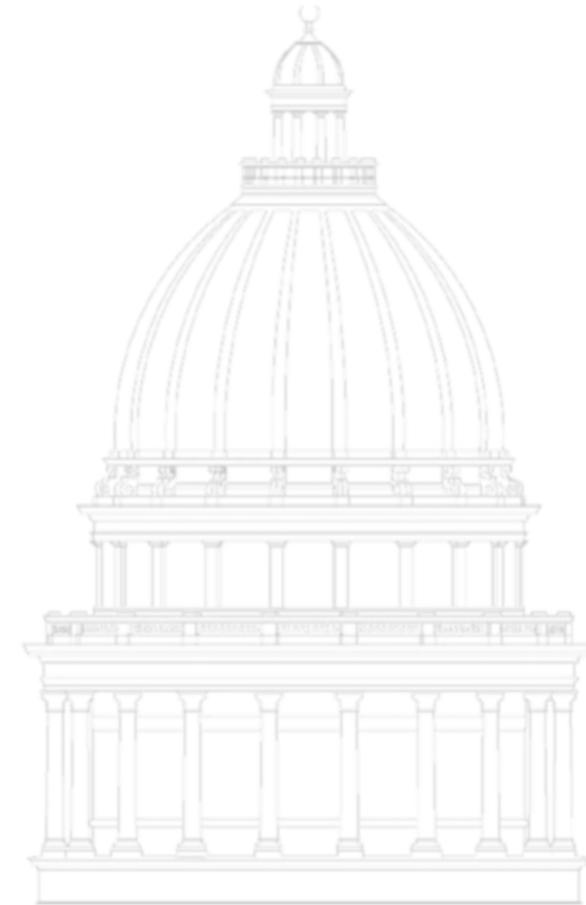


One Example of FFS Selecting the Lowest-Net-Cost for a Single Prescription

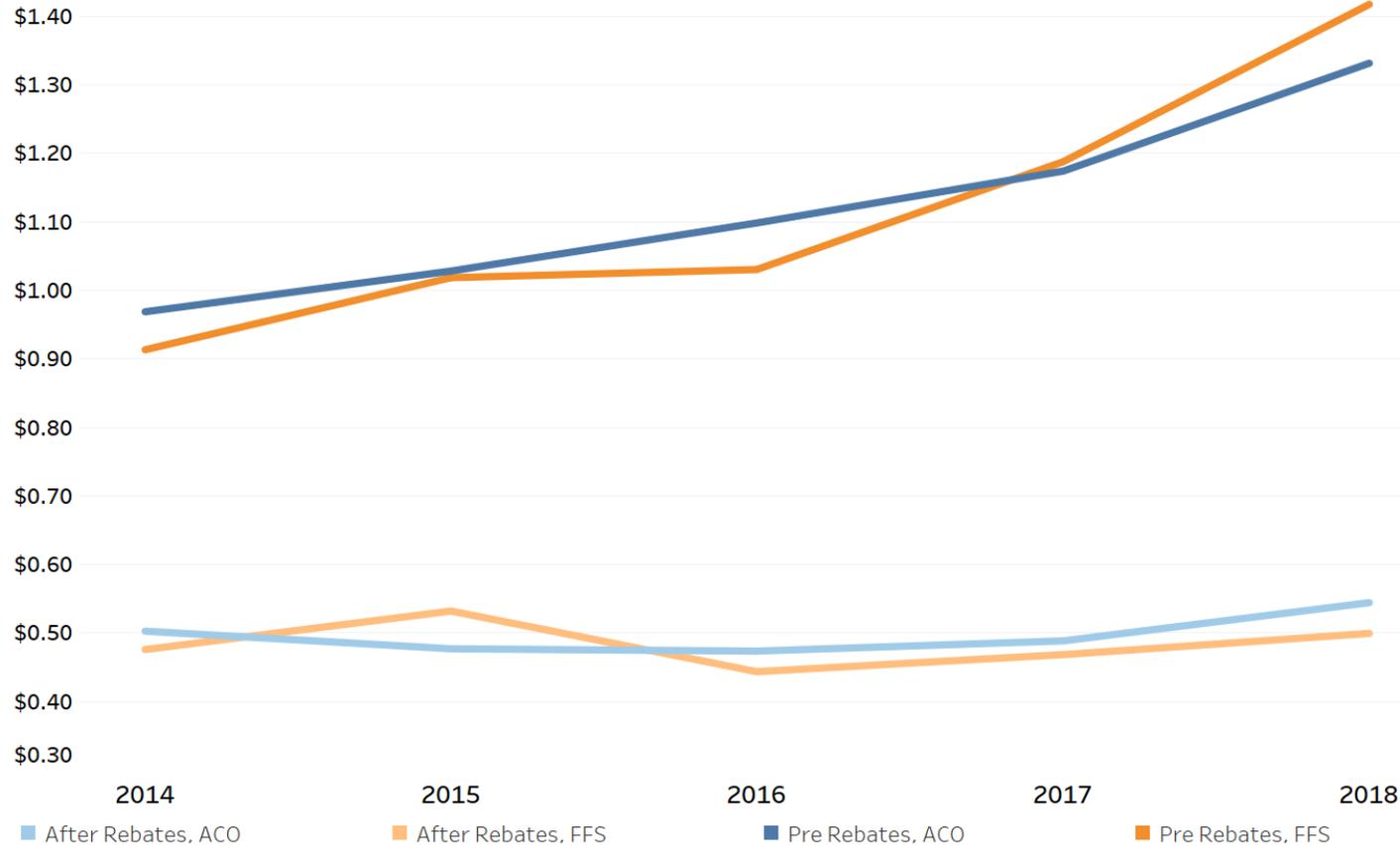


FOR MORE INFORMATION

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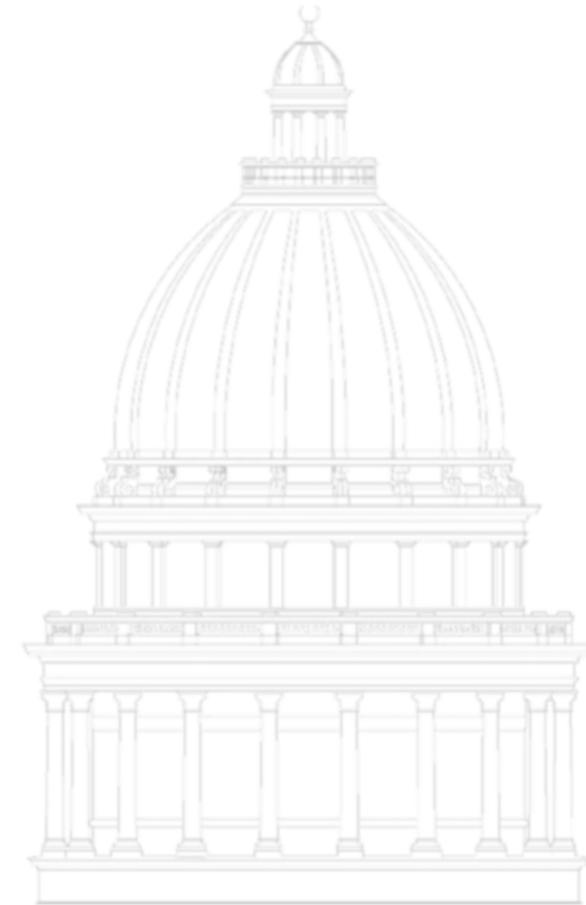


ACO's Post-Rebate Costs Were 16 Percent Higher than FFS' in 2018



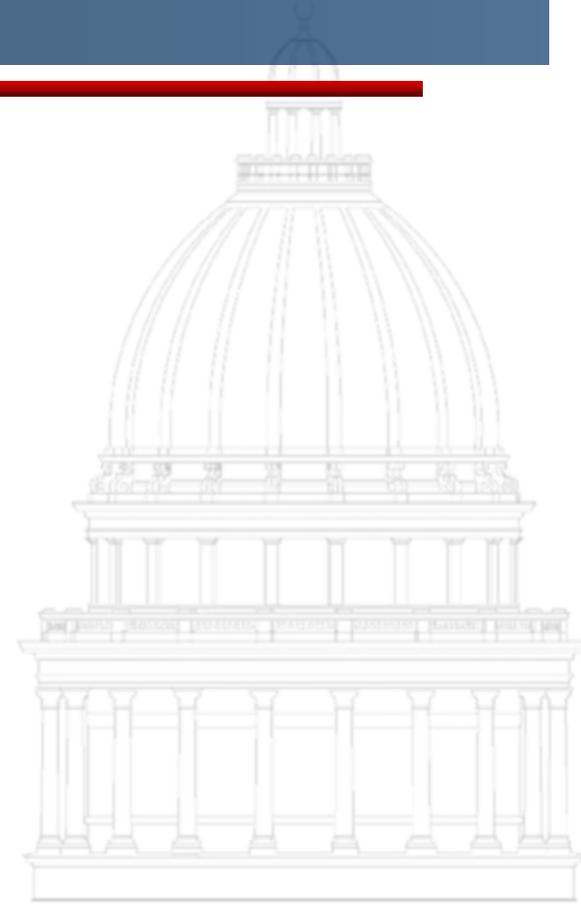
FOR MORE INFORMATION

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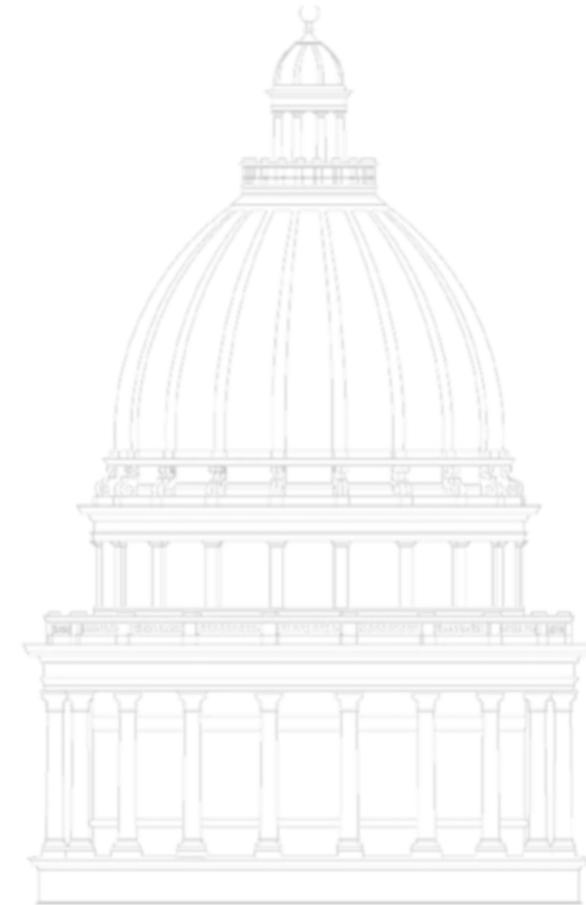


Chapter III

The Utah Medicaid Program Can Strengthen Its Oversight of ACO Pharmacy Practices



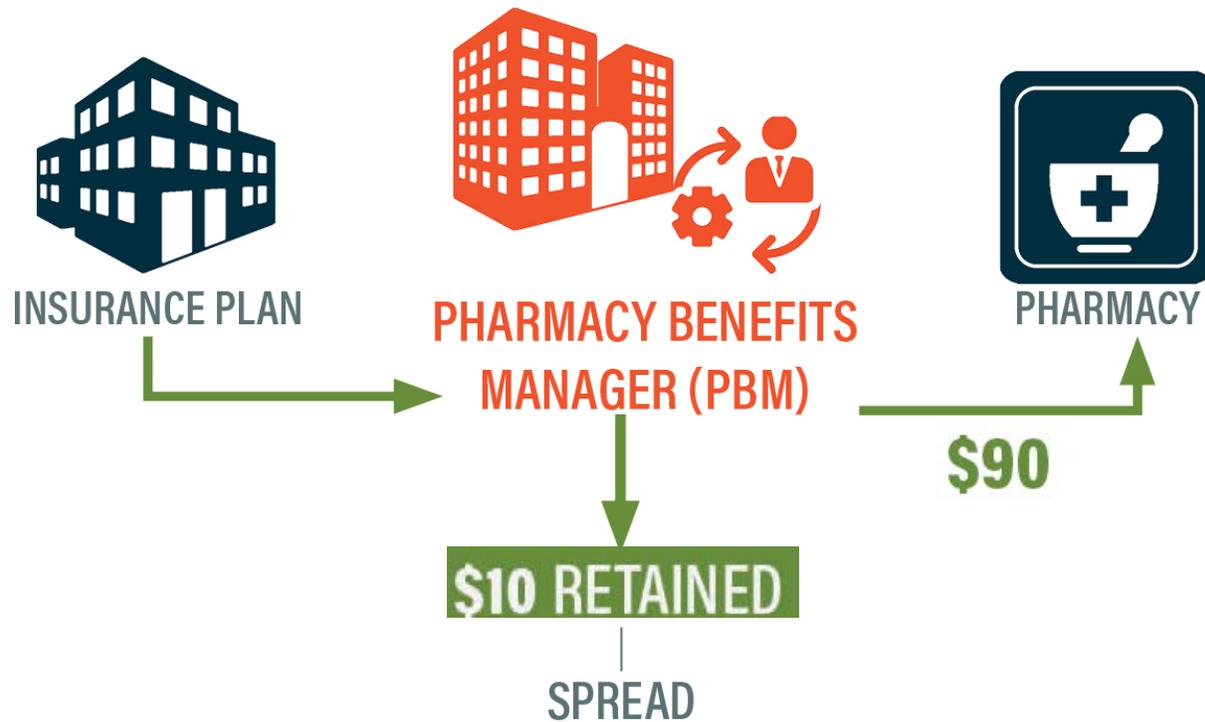
Medicaid Could Provide More Oversight of Rate Setting



FOR MORE INFORMATION

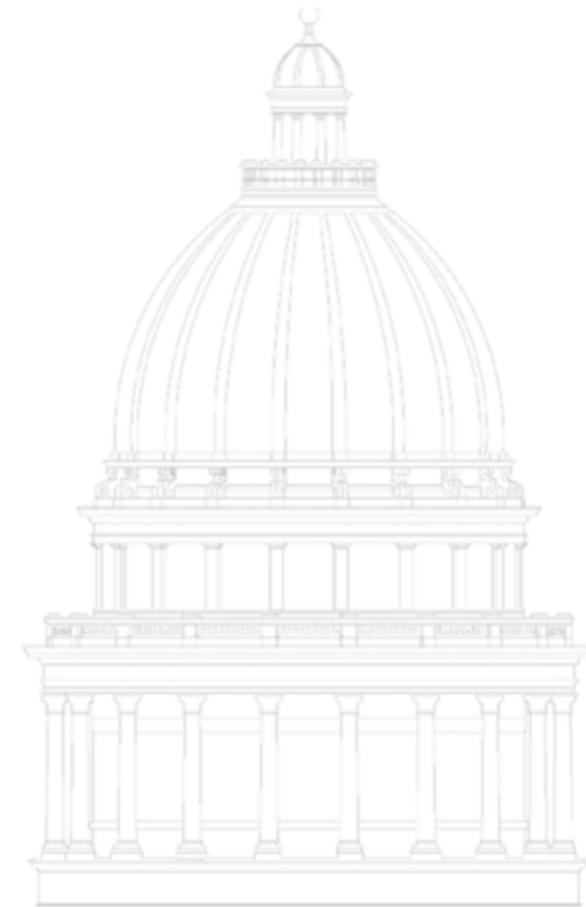
Pages 24-25

Spread Pricing Is One Way PBMs Earn Profit and Is Often Misunderstood



FOR MORE INFORMATION

See page 26



Healthy U Should Not Have Any Spread Pricing

Healthy U



**Spread
Percent:**
1.4%

Health Choice

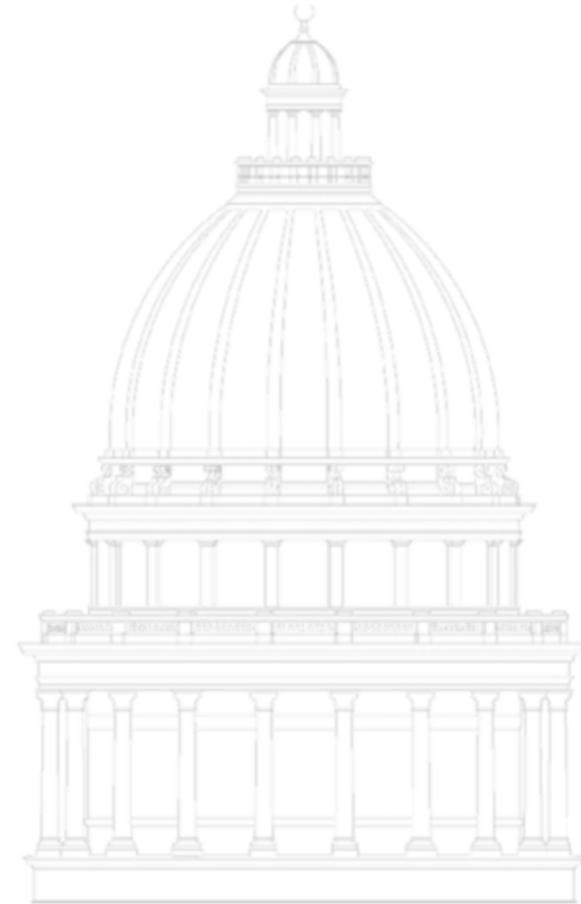


**Spread
Percent:**
6.5%

Total ACO Spread:
\$1.5 Million in CY 2018

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