MICHIGAN DEPARTMENT OF HEALTH AND HUMAN SERVICES
Medical Services Administration
Pharmacy Management Division

Pharmacy Provider Liaison
Minutes From Meeting on June 16, 2016

Attendees

Jackie Morse, Meijer; Eric Roath, Michigan Pharmacists Association; Ashley Ligon, Clark Hill (representing Rite Aid); Amy Drumm, Michigan Retailers Association; Jose Saleh, Arab-American Pharmacists Association; Eddie Abueida and Ed Saleh, MedCart Specialty; Ron Melaragni and Stacey Pearl, Sparrow; Kevin Roeder, MI IV Rx; Joe Leonard and Ray Casambre, Walgreens; Caitlin Vincent, Michigan Government Strategy representing MedCart Specialty; Lynne Adrian-Roberts, Indispensable Health; Sameer Pandya, Office of Inspector General; Adrienne McCormick, Matt Hill and Allan Hansen, Myers & Stauffer; Trish O'Keefe, Brian Keisling, Vicki Goethals, Tina Villarreal, Glenda England, Helen Walley, Sabato Caputo, Linda VanCamp, and Rita Subhedar, Michigan Department of Health and Human Services (MDHHS).

Medicaid Policy Updates

Sameer Pandya from the Office of Inspector General provided background on a draft policy issued for public comment in April that prevented pharmacies from automatically refilling prescriptions for Medicaid beneficiaries. In July 2015 the US Government Accountability Office issued a report recommending that states implement a prohibition on automatic refills to promote patient safety and prevent fraud, waste, and abuse.[1] Several states have implemented this policy, as well as Medicare Part D. Joe Leonard noted that beneficiaries must request that their prescriptions be automatically filled. Eric Roath said that automatic refill practices are used by pharmacies to promote medication adherence, and suggested that the policy should target mail order pharmacies where the majority of waste related to automatic refill may be occurring. Rita Subhedar said that the Department will meet internally on this draft policy and an update will be provided at our next Pharmacy Liaison meeting in September.

Medicaid Health Plan Common Formulary

Trish O'Keefe provided an update on the Common Formulary. Medicaid Health Plans will be transitioning their members to the Michigan Medicaid Managed Care Common Formulary over the next several months. With the exception of drug therapies that are grandfathered, it is expected that all members' drug therapies will be transitioned to the Common Formulary by September 30, 2016.

[1] "Medicaid: Additional Reporting May Help CMS Oversee Prescription-Drug Fraud Controls." United States Government Accountability Office Report to Congressional Requesters, July 2015. GAO-15-390.

Members who are taking a maintenance drug that is not on the Common Formulary, and members who are taking a drug that is on the Common Formulary but requires prior authorization will be affected. These members will receive a letter from their MHP on their options to obtain PA or transition to a drug that is on the Common Formulary. Please see Provider Bulletins MSA 15-55 and MSA 16-06 for more information. The Common Formulary is available at Michigan.gov/MCOpharmacy.

Jose Saleh asked whether pharmacy providers would have the opportunity to suggest drugs that should be added to the Common Formulary. Trish replied that the Department holds 30-day public comment periods on a quarterly basis to give providers and other members of the public the opportunity to comment on the Common Formulary. The next Public Comment period will occur in August.

Maximum Allowable Cost Pricing Updates for Medicaid Health Plans

Ron Melaragni asked about the requirements for health plans in updating their Maximum Allowable Cost (MAC) prices. Rita explained that health plans must update their MAC rates and all other pharmacy pricing standards at least once every 7 days. A process for MAC pricing reconsiderations must be developed to ensure compliance with MCL 400.109l.

Medicaid Budget Update

Brian Keisling provided an update on the Fiscal Year 2017 Medicaid Budget:

Total FY17 Pharmaceutical Services line: $537.5 million

Specialty Drugs – Hepatitis C and Cystic Fibrosis

- Executive Recommendation proposed total FY17 budget of $394.1 million Gross ($135.2 million GF/GP).
    - $327.8 million Gross ($91.5 million GF/GP) for estimated Hepatitis C treatment costs
    - $66.3 million Gross ($43.7 million GF/GP) for estimated Cystic Fibrosis treatment costs
- Total amount appropriated in the final FY17 budget: $304.5 million Gross ($110.2 million GF/GP)
    - $238.2 million Gross ($66.5 million GF/GP) for estimated Hepatitis C treatment costs
    - $66.3 million Gross ($43.7 million GF/GP) is for estimated Cystic Fibrosis treatment costs

Specialty Drug Reserve Fund

- Executive Recommendation proposed creation of a one-time reserve fund of $86.1 million Gross ($30.0 million GF/GP) for potential costs associated with release of other new specialty drugs in FY 2016-17.
- Final FY17 budget does not include funding for this proposed reserve fund.

Boilerplate changes:

- According to the federal covered outpatient drug final rule with comment (CMS-2345-FC), the department shall establish a professional pharmaceutical dispensing fee for pharmacy

benefits that are reimbursed on a fee-for-service basis. In establishing this fee, the department shall comply with federal law while taking into consideration the state's long-term financial exposure and Medicaid beneficiaries' access to care. The established fee shall not be lower than the amount in effect on October 1, 2015.

- New Prior Authorization/Carve-Out language – Section 1875
  (1) The department and its contractual agents may not subject Medicaid prescriptions to prior authorization procedures during the current fiscal year if that drug is carved out or is not subject to prior authorization procedures as of May 9, 2016, and is generally recognized in a standard medical reference or the American Psychiatric Association's Diagnostic and Statistical Manual for the Treatment of a Psychiatric Disorder.
  (2) The department and its contractual agents may not subject Medicaid prescriptions to prior authorization procedures during the current fiscal year if that drug is carved out or is not subject to prior authorization procedures as of May 9, 2016 and is a prescription drug that is generally recognized in a standard medical reference for the treatment of epilepsy or seizure disorder or organ replacement therapy.
  (3) As used in this section, "prior authorization" means a process implemented by the department or its contractual agents that conditions, delays, or denies delivery or particular pharmacy services to Medicaid beneficiaries upon application of predetermined criteria by the department or its contractual agents to those pharmacy services. The process of prior authorization often requires that a prescriber do 1 or both of the following:
  (a) Obtain preapproval from the department or its contractual agents before prescribing a given drug.
  (b) Verify to the department or its contractual agents that the use of a drug prescribed for an individual meets predetermined criteria from the department or its contractual agents for a prescription drug that is otherwise available under the Medicaid program in this state.

Other Major FY 17 Budget Changes:

- Funding provided to complete Healthy Kids Dental expansion (in Kent, Oakland and Wayne counties)—making program statewide for eligible children up to age 21.
- Funding provided for 15% increase to Private Duty Nursing rates.
- Funding provided to increase the dental services reimbursement rate for services provided to pregnant women.
- Actuarial Soundness Adjustment of 1.5% for Medicaid and 2% for Healthy Michigan Plan.

Federal Rule on Covered Outpatient Drugs

Rita explained the requirements under the new Federal Rule on Covered Outpatient Drugs. Past federal regulations required that Medicaid programs reimburse for drug ingredient costs at no more than the agency's best estimate of the acquisition cost for a drug. Estimated Acquisition Cost (EAC) as defined in 42 CFR 447.502 is the state's best estimate of the prices generally and currently paid by providers for a

drug marketed or sold by manufacturers or labelers in the package size of the drug most frequently purchased by providers.

The Federal Rule on Covered Outpatient Drugs issued February 1st 2016 changes the reimbursement methodology:

- Ingredient cost must be based on Actual Acquisition Cost (AAC)
- Redefines dispensing fee as "professional dispensing fee"

The Federal Rule requires states to provide adequate data such as a State or national survey of retail pharmacy providers or other reliable data to support changes to the reimbursement methodology.

Ingredient Cost

CMS contracted with the national accounting firm Myers and Stauffer LC to conduct surveys of retail community pharmacy prices, including drug ingredient costs, and to develop the National Average Drug Acquisition Cost (NADAC) pricing benchmark. NADAC is available for states to use as an AAC-based pricing benchmark.

Adrienne McCormick of Myers & Stauffer provided background on the development of the NADAC:

- NADAC is an acquisition based pricing index provided by CMS. It is a random nationwide sample of Retail Community Pharmacies which includes Independent and Chain pharmacies in all states (excludes closed door pharmacies). Monthly survey requests invoice purchase records from most recent 30 day period.
- NADAC rates are calculated for Brand and Generic CMS covered outpatient drugs.
- NADAC rates are updated on a weekly and monthly schedule:
    - Weekly updates occur for help desk calls and Brand drugs to reflect changes in published pricing
    - Monthly updates occur to reflect the results of the ongoing monthly acquisition cost survey for Brand and Generic drugs

Ed Saleh asked why specialty pharmacies were excluded from the NADAC survey. Adrienne responded that by federal statute the survey was limited to pharmacies that met the definition of retail community pharmacies.

Professional Dispensing Fee

In order to meet the April 1, 2017 implementation deadline in the Federal Rule, MDHHS and the Michigan Public Health Institute are in the final stages of a subcontract with Myers & Stauffer to conduct a statewide Cost of Dispensing Study this summer. Myers & Stauffer has conducted over 50 Cost of Dispensing Surveys for 20 states.

Allan Hansen from Myers & Stauffer explained the survey process. Survey forms will be mailed to all pharmacies enrolled in the Michigan Medicaid program. Chain pharmacies will be contacted through their respective corporate offices. Pharmacies will have approximately 6 to 8 weeks to complete surveys. Myers and Stauffer will conduct a thorough desk review of all surveys received and contact

pharmacies as needed for clarification. They will analyze survey data to calculate the cost of dispensing (COD) at each pharmacy using various cost allocation methods and will prepare a report for MDHHS that summarizes statistical results to measure the COD for all pharmacies in Michigan Medicaid and various breakdowns of pharmacies.

Matt Hill from Myers & Stauffer described the information that will be collected in the survey. Survey forms will collect pharmacy attributes, labor expenses and overhead expenses. Pharmacies should use their most recently completed financial statements or federal income tax return and other pharmacy records to report actual expenses incurred. Information about your pharmacy will be collected in order to allocate expenses that are shared between the prescription department and the rest of the store (e.g., sales and floor space information). Attributes collected about your pharmacy will support the calculation of COD measurements for various breakdowns of pharmacies.

COD surveys can be completed on paper or in an electronic (Excel) format. Pharmacies can call or email Myers and Stauffer to receive the Excel version. Survey instructions are incorporated into the survey tool and Myers and Stauffer is available to answer any questions. All surveys and submitted records will be kept strictly confidential.

All submitted surveys will receive a thorough desk review. Myers and Stauffer staff will contact pharmacies if there are any discrepancies or clarifications needed. Myers and Stauffer has staff experienced in pharmacy COD surveys available to answers questions through both a toll free number and an email address. The Help Desk is staffed during our normal business hours. All message left outside of business hours will be returned within one business day. Phone: 1-800-374-6858 / Email: disp_survey@mslc.com (contact information will be included on the survey forms).

MDHHS will provide more information on the Cost of Dispensing survey in the coming weeks.

The next meeting will be on September 15, 2016 from 2:30 to 4:30 pm.