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

# Minutes from Pharmacy Provider Liaison Meeting on June 8, 2018

Attendees

Brett Gingrich, Cherry Health
Chelsea Seal, Cascade Hemophilia
Eric Liu, Michigan Pharmacists Association
Herve Pola, Michigan Pharmacists Association
Jeff Castle, AdvanceMed
John Gross, Gateway Pharmacy
Ray Burzynski, Meijer
Sara Hernly, Clark Hill/Rite Aid
Sarah Staebler, Sparrow
Sharon Jackson, GSK
Stacey Pearl, Sparrow
Tiffany Agate, Cherry Health
Warren Deppong, UofM (via Phone)
Wayne Seiler, SRS
Yvonne Gallagher, Sav-Mor

MDHHS Attendees

Craig Boyce, Policy Specialist, Program & Policy Division
Donna Kreps, Secretary, Pharmacy Management Division
Heather Slawinski, Manager, Plan Management Section
Helen Walley, Manager, Pharmacy Services Section
Kathy Stiffler, Acting Medicaid Director and Director of Medicaid Care Management & Quality Assurance Bureau
Kim Hamilton, Director, Managed Care Plan Division
Micki Smith, Reimbursement Resolution Specialist, Children's Special Health Care Services
Pamela Bragg, Manager, Audit Vendor Oversight, Office of Inspector General
Rita Subhedar, Policy Specialist, Pharmacy Management Division
Sabato Caputo, Analyst, Health Insurance Recovery Unit, Third Party Liability Division
Tina Villarreal, Senior Pharmacy Analyst, Pharmacy Services Section
Trish Bouck, Director, Pharmacy Management Division
Vicki Goethals, Specialist, Pharmacy Services Section

Opening Remarks

Rita Subhedar, Policy Specialist in the Pharmacy Management Division at MDHHS, welcomed everyone. Attendees and MDHHS staff introduced themselves.

MI Marketplace Option

Craig Boyce, Policy Specialist in the Program and Policy Division at MDHHS, provided an update on the MI Marketplace Option. At the last Pharmacy Provider Liaison meeting on March 29, Craig said that a select population of Healthy Michigan Plan beneficiaries will be required to transition to the MI Marketplace Option if they have not completed a healthy behavior, and meet certain other criteria described in Provider Bulletin MSA 18-05. At the meeting on June 8th Craig said that those changes are currently on hold, and no beneficiaries have been transitioned to the MI Marketplace Option.

Brett Gingrich asked whether the Department has an estimate of the number of beneficiaries that will be transitioned to the MI Marketplace Option. Craig responded that the Department estimates about 8,000 beneficiaries may be transitioned to the MI Marketplace Option, if it is implemented.

Managed Care Reimbursement

Several pharmacies have raised concerns about Medicaid Managed Care pharmacy reimbursement. Rita thanked John Gross for working with the Department to identify this issue. MDHHS staff have had extensive discussions with the Medicaid Health Plans about reimbursement levels to pharmacies. In addition, language has been added to the MDHHS Comprehensive Health Plan Contract for Fiscal Year 2019 to prohibit the practice of "spread pricing." The Department has clarified the Medicaid Health Plans' encounter reporting requirements to report the amount paid to the pharmacy. MDHHS will be evaluating these reports to monitor reimbursement levels, and in instances where reimbursement is significantly below prices reported in standard drug pricing compendia, MDHHS will be following up with the respective Medicaid Health Plans.

Yvonne Gallagher thanked MDHHS for the steps they have taken to address the issue. She asked whether the Department has plans to look at encounter claim data retrospectively. Rita said that the Department is considering this.

John said that on average, his pharmacies lose money on Medicaid Health Plan claims. Kim Hamilton, Director of the Managed Care Plan Division, said that the Department believes that the language that has been added to the Comprehensive Health Plan contract will address this.

John said that he is trying to understand how the capitated rates for the health plans are set. Kathy Stiffler, Acting Medicaid Director and Director of the Bureau on Medicaid Care Management and Quality Assurance, responded that the contracted actuaries develop the rates based on actual experience in the encounter data. The Department reviews and finally the actuary certifies the rates to be actuarially sound. The appropriation process is separate from rate development. The certified rates typically do not exceed appropriations.

Kathy added that other provider types are able to negotiate Medicaid Health Plan network contracts. Pharmacies appear to be unique in that they do not negotiate directly with Medicaid Health Plans for participation in their networks. The Department's current contracts with the risk based managed care

plans do not dictate how much the Plans reimburse providers. The Department recognizes that it is challenging to oversee managed care Pharmacy Benefit Managers (PBMs) and continues to review other State best practices and evaluate additional steps the Department can take to address the pharmacy providers' reported reimbursement concerns.

John shared that he talked to the Medicaid Pharmacy Director of West Virginia, who said that an actuarial study showed that the program could save $30 million annually by administering the pharmacy benefit directly. West Virginia Medicaid opted to carve the pharmacy benefit out of managed care based on this information.

John said that several pharmacies have closed due to inadequate reimbursement. He asked MDHHS to look at where the responsibility lies to ensure that pharmacies are being adequately reimbursed.

Wayne Seiler said that of the pharmacies he works with, 16% of their reimbursements don't even cover the acquisition cost of the drug. That is not a business plan that will survive.

John said that he appreciates being able to discuss these issues at the liaison meetings.

Rita assured the attendees that this issue is a priority for the Department, and that it recognizes that the partnership of pharmacy providers to the program is vital. It is very important to the Department that reimbursement to pharmacies is fair. As described earlier, MDHHS is doing several things to address this issue.

John said that he is working with his state representative and with the Michigan Pharmacists Association to introduce legislation on oversight of managed care PBMs.

<u>Post-Payment Audit</u>

Rita introduced Pamela Bragg of the MDHHS Office of Inspector General (OIG) and Jeff Castle of AdvanceMed to talk about the OIG audit process.

Pamela stated that the OIG wanted to join the Pharmacy Provider Liaison meeting in order to introduce AdvanceMed, which will be conducting audits on pharmacy claims.

Jeff said that AdvanceMed is a wholly owned subsidiary of NCI, a government contractor. AdvanceMed is the Unified Program Integrity Contractor (UPIC) for the Centers for Medicare and Medicaid Services (CMS). Their mission to find fraud, waste and abuse in Medicare and Medicaid. AdvanceMed will be conducting post payment audits on behalf of MDHHS OIG, and MDHHS OIG will oversee these audit activities for the State of Michigan. They have worked with MDHHS to receive approval on audit processes, and work closely with Pamela's team at OIG to identify priorities.

The CMS' UPIC operates under multiple legislative authorities. For Medicaid Integrity Program responsibilities, the UPIC is authorized by section 1936 of the Social Security Act. The following program integrity activities conducted by the UPIC includes, but is not limited to: data analysis, audits, and medical review of provider's billing claims submitted to Michigan Medicaid.

- AdvanceMed will be conducting post payment audits on Medicaid claims to determine if there is an overpayment.

- AdvanceMed will work closely with MDHHS OIG to develop all procedures.
- AdvanceMed will work with MDHHS OIG to coordinate all audits to be sure there is no duplication of efforts
- Prior to any audit, MDHHS OIG must review and approve the Improper Payment scenarios.

AdvanceMed will utilize statistical random sampling and extrapolation, as well as claim-specific auditing methodologies. The audit actions may include, but are not limited to:

- Recipient Interviews
- Provider Interviews
- Onsite Visits
- Records Requests

Providers will be notified of the findings of these audits. Providers that agree with the final findings will be required to correct the relevant claim(s). Providers that disagree with any or all the findings will have an opportunity to appeal through the current appeal process, described in the Michigan Medicaid Provider Manual, as well as the Michigan Administrative Code R400.3402 – R400.3424.

OIG anticipates that starting July 2018, AdvanceMed will begin sending out requests for records dating back as early as October 2014.

Yvonne asked how long it takes to shut down a pharmacy. Pamela said that the process varies based on individual circumstances, but a pharmacy could be immediately sanctioned by the Department. Actual pharmacy shut down could take a couple years.

John asked how AdvanceMed will be communicating with pharmacies. Jeff responded that communication will usually be through a certified letter.

John asked if AdvanceMed would be auditing all claims or just Fee for Service. Pamela responded that the audit activities described apply only to Fee for Service claims.

Rita thanked Pamela and Jeff for their time.

<u>Outcomes-Based Contract Arrangements with Drug Manufacturers</u>

Rita said that this topic does not directly affect pharmacy providers, but since it involves managing drug costs the Department wanted pharmacy providers to be among the first to learn about it. Our federal partners are encouraging state Medicaid programs to consider entering into outcomes-based drug pricing arrangements with drug manufacturers. In a health outcome-based pricing model, payments for drugs are tied to pre-determined clinical outcomes or measurements. This model shifts some of the risk of real-world patient health outcomes to the manufacturer. These outcomes-based contract arrangements have the potential to achieve better value for drug therapies by improving health outcomes, increasing quality of care, reducing waste, and providing greater cost and spending predictability. Under this model, drug manufacturers would pay additional or full cost supplemental rebates to MDHHS if beneficiaries on the drug therapy do not show measurable clinical improvement per the terms of the outcomes-based agreement.

MDHHS intends to amend the Michigan Medicaid State Plan to allow the Department to enter into outcomes-based contract arrangements with drug manufacturers.

MDHHS PBM Request for Proposals

Trish provided an update on the MDHHS PBM Request for Proposal (RFP). The RFP for a claims processing and rebate administration PBM for Medicaid Fee-for-Service is expected to be issued later this month. MDHHS posts solicitations for bids and proposals on SIGMA Vendor Self-Service (VSS). A link to the SIGMA Vendor Self-Service website can be found on the MDHHS website at: Michigan.gov >> Doing Business with MDHHS >> Contractor Resources. The vendor for the new PBM contract will have a start date of April 1, 2019.

John asked if the RFP included specific criteria on pricing methodology. Trish responded that the RFP has requirements about payments and compliance with policy.

Open Discussion

Wayne asked if MDHHS had an official position on the federal H.R. 592, the Pharmacy and Medically Underserved Areas Enhancement Act. Rita said she did not believe the Department has issued a position on that bill.

Sharon Jackson asked the attendees about their experiences with administering adult vaccines. John said that his pharmacies do not administer vaccines. They have considered it, but decided that given the paperwork and other administrative work involved, it was not cost effective. Brett said that his pharmacy recently started to administer vaccines, and it has been going well. All of his pharmacists are already certified to do it, and the paperwork is manageable. The challenge is that they are not always sure where to send the claims, and they are not sure if the claim will be paid.

Brett also said that he submitted a comment to the Common Formulary Workgroup about adding more vaccines to the Common Formulary. Trish said she would bring this to the Common Formulary Workgroup again for consideration.

Next Meeting

The next meeting will be on September 20th.