

Maryland Pharmacy Program

January 2007

Medicaid and Prescription Drugs

Medicaid is the joint state and federal health insurance program for low-income individuals. Maryland administers the program within broad federal guidelines. States are not required to offer coverage of prescription drugs under these guidelines, but every state has chosen to include them as part of the standard package of benefits.

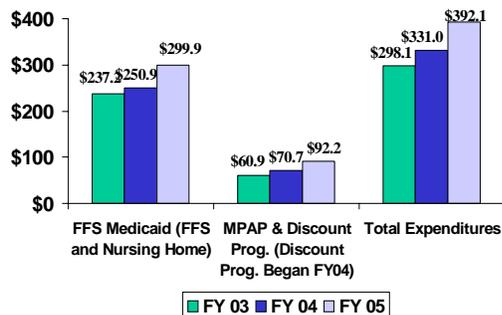
Medicare Prescription Drug Coverage

The federal Medicare Prescription Drug, Improvement and Modernization Act, changed the way dual-eligibles (those receiving both Medicare and Medicaid) and others receive prescription drug services. This significantly changed the Maryland Pharmacy Program.

On Jan. 1, 2006, dual-eligibles began receiving their prescription drug benefits through private prescription drug plans under Medicare Part D, not state Medicaid programs.

States are required to make a monthly payment to the federal government to finance the new benefit. The monthly payment will be 90% of the State's cost for its dual-eligible population in 2003, and this percentage will phase down to 75% over a 10-year period. States are also required to provide assistance with enrollment and eligibility for the program. In total, about 90,000 individuals who were enrolled in Maryland's pharmacy programs made the transition to Medicare Part D in 2006.

Medicaid Pharmacy Expenditures* (Total Funds in Millions), FYs 03-05



*Does not include pharmacy spending by HealthChoice managed care organizations

Prescription Drug Costs

In 1990, Congress established the Medicaid prescription drug rebate program. In order to receive manufacturer rebates, states are required to cover all prescription drugs produced by manufacturers that participate in their Medicaid programs. The result is

that states' Medicaid programs cover almost all drugs. Like many states, Maryland has experienced substantial growth in pharmacy costs in recent years. This growth is explained by a number of factors: growth in enrollment in State programs; increased drug utilization per enrollee; drug cost increases; and new high-cost drugs replacing less costly drugs.

In order to reduce the State's pharmacy expenditures, the Department of Health and Mental Hygiene uses tiered dispensing fees and co-pays in the fee-for-service Medicaid program. Under the tiered structure, there is a \$1 co-pay for generics or preferred brand name drugs and a \$3 co-pay for non-preferred brand-name drugs. This structure provides savings by encouraging the use of more cost-effective drug therapies. The same applies to a tiered dispensing fee. As an incentive to pharmacies to encourage prescribers to select generic and preferred brand-name products, they receive a higher dispensing fee. Community pharmacies are reimbursed \$3.69 for generic and preferred prescriptions and \$2.69 for non-preferred brand-name drugs. Long-term care pharmacies are reimbursed \$4.69 for generic and preferred prescriptions and \$3.69 for non-preferred brand-names. Some managed care organizations use tiered co-pays and dispensing fees under the State's Medicaid managed care program.

Preferred Drug List

In a further effort to contain costs and respond to statewide budgetary constraints, DHMH established a preferred drug list (PDL) in November 2003. Clinical experts formulate the PDL to contain the most cost-effective drugs from selected drug classes. In 2005 Maryland joined TOP\$, the premier multi-state pooling arrangement to establish collective purchasing power and gain better leverage in negotiating supplemental rebates with drug manufacturers.

The TOP\$ partnership allows for negotiation with drug manufacturers to provide supplemental rebates above the standard rebates that manufacturers are already required to provide under federal law. Supplemental rebates benefit States, patients and drug companies by promoting the fiscal health of programs that serve vulnerable populations, by making more drugs available to enrollees without prior authorization, and by offering manufacturers an opportunity to increase market share and encourage the use of clinically-significant products.

Enrollees still have access to all drugs covered by Medicaid under the PDL; non-preferred drugs are

available through prior authorization by physicians. The preferred drugs on the PDL are recommended by the Department's Pharmacy and Therapeutics Committee (P & T Committee) and are approved by DHMH. The PDL applies to fee-for-service prescriptions within Medicaid, including carved-out specialty mental health drugs for managed care enrollees. MCOs are permitted to establish their own PDLs, subject to DHMH approval.

The State's PDL provides numerous protections to ensure patient safety. The P & T Committee is made up of five physicians, five pharmacists, and two consumers who identify the appropriate medications for the list based on medical review. The PDL covers at least two drugs in each class where there are four or more different drugs available. Atypical anti-psychotic medications and anti-retroviral medications (for persons with HIV/AIDS) are not subject to the PDL, making them exempt from prior authorization. Other mental health drugs are 'grandfathered,' which means enrollees who have been stabilized on mental health drugs are not subject to prior authorization. The

P & T Committee meets twice a year to review the preferred drug list. A 24-hour hotline is available to respond to requests for prior authorization. When the pharmacist is unable to contact the prescriber, a 72-hour emergency supply of a prescribed drug will be authorized when necessary.

Primary Adult Care Program (PAC), Formerly Maryland Pharmacy Assistance Program (MPAP)

The Maryland Pharmacy Assistance Program (MPAP) was a federally approved Medicaid waiver program that helped low-income Maryland residents pay for Medicaid covered drugs. The program was not limited to the elderly or disabled. All Medicare enrollees were disenrolled from this program effective January 1, 2006 to receive prescriptions from the Medicare Part D drug benefit.

Effective July 1, 2006, MPAP was combined with the Maryland Primary Care program to create the Primary Adult Care program (PAC). PAC provides primary care and outpatient mental health in addition to prescription drugs to Maryland residents aged 19 or older. To be eligible for PAC, an individual must not be eligible for Medicare and must have annual income at or below 116% of the federal poverty level (FPL) and resources below \$4,000. The income limit for couples and larger households is 100% FPL and the asset limit is \$6,000.

PAC enrollees receive primary care and most of their prescriptions through managed care organizations. They continue to pay up to a \$2.50 co-pay for generic drugs and up to a \$7.50 co-pay for brand-name drugs. There are no premiums or deductibles.

Maryland Pharmacy Discount Program

The Pharmacy Discount Program, which began on July 1, 2003, allowed Medicare recipients with incomes up to 175% of the poverty level to purchase Medicaid formulary drugs at 65% of the Medicaid price. This program was terminated effective January 1, 2006 so that enrollees could receive prescriptions from the Medicare Part D drug benefit.

Legislation from the General Assembly's 2005 session required DHMH to apply to the federal Centers for Medicare and Medicaid Services (CMS) to change this program to serve non-Medicare populations with incomes below 200% FPL. DHMH submitted a waiver request to CMS to reconfigure the program. However, CMS denied the request.

Senior Prescription Drug Assistance Program

The Senior Prescription Drug Assistance Program is a privately-run program that was established in 2000 to assist Medicare beneficiaries. In 2006, the program was restructured to provide assistance to Medicare Part D enrollees with their cost-sharing obligations. The program is under the authority of the Maryland Insurance Administration's Maryland Health Insurance Plan (the State's program for the medically uninsurable), and is administered by Affiliated Computer Services. The program receives its funding from the value of CareFirst BlueCross-BlueShield's premium tax exemption. Enrollment is limited to Medicare beneficiaries who have annual incomes below 300% FPL and are enrolled in a Medicare Part D or Medicare Advantage drug plan.

Maryland Medbank Program

The Maryland Medbank program provides access for low-income, uninsured patients to free medicines available through pharmaceutical manufacturers' patient assistance programs. Medbank is a statewide program financed by State and private funds. There are Medbank offices in five regions: Western Maryland, Central Maryland, Southern Maryland, DC Metro and the Eastern Shore.

To be eligible, patients must be referred by a physician, cannot have public entitlement or private insurance covering prescription drugs, and must meet income and other eligibility criteria established by the supplying drug companies. The manufacturer programs cover specific brand name drugs only – not generics. The kinds of drugs available depend on the supply amount and may change according to policy decisions by participating manufacturers. Drug companies process applications and send a 90-day supply, which is shipped directly to the treating physician's office. In FY 2006, 8,082 patients were actively served by the Medbank Program.