

Retail Pharmaceutical Profits (In billions of dollars)



Source: The PEW Charitable Trusts. [The Prescription Drug Landscape, Explored](#). 2019.

Ohio Medicaid is working to modernize its pharmacy program by increasing transparency throughout the pharmaceutical supply chain and by implementing a unified preferred drug list that will improve clinical efficiencies while harnessing the state's purchasing power.

Budget Impact

The Department of Medicaid's efforts to modernize its prescription drug program include driving toward greater transparency within the layers of the pharmaceutical supply chain while increasing clinical efficiencies through a unified preferred drug list. Together, these changes may offset state expenses by \$10.5 million over the biennium.

Background

Interest in understanding and pinpointing inefficiencies throughout the prescription drug supply chain is growing across the nation. With consumers and taxpayers facing increasingly high costs for pharmaceuticals, stakeholders are asking questions about opaque pricing and fees as dollars flow between drug manufacturers, wholesalers, retail pharmacies, payors (insurance and managed care), and pharmacy benefit managers (PBMs).

In 2018, the Ohio General Assembly, Department of Medicaid, Auditor of State, and other stakeholders examined a critical part of this system: PBMs and the spread pricing model they used within Medicaid and other state programs that purchase drugs. In conjunction with these inquiries, Ohio Medicaid identified an urgent need to

bring transparency to this and other aspects of the retail drug supply chain to better understand the drivers of cost and quality in the system.

Policy Proposal

Ohio is now leading the nation in looking for new and innovative ways to maintain transparency, quality, and access at fair prices in Medicaid's pharmacy systems. The Department of Medicaid is developing the following strategies to drive toward greater clinical effectiveness, efficiency, and accountability in its pharmacy program in over the coming biennium:

Increasing Transparency and Data Analysis

Bringing transparency to the relationships between Medicaid managed care plans (MCPs), PBMs, and retail pharmacies will give the Department greater ability to align incentives driving quality for individuals, value for taxpayers, and fair and sustainable pricing for providers, including pharmacists, who partner with Ohio Medicaid.

- » On January 1, 2019, the Ohio Department of Medicaid prohibited the use of spread pricing and began requiring each MCP to use a transparent pass-through pricing model that ensures pharmacies are paid exactly what the MCP pays its PBMs per transaction, while PBM's are paid an administrative fee for the work.
- » Medicaid is also requiring the MCPs and their respective PBMs to report key metrics, pricing models, and fees at least two times per year.
- » Careful ongoing analysis of this data will allow Ohio Medicaid to drive quality for individuals, value for taxpayers and fair and sustainable pricing for providers, including pharmacists, who partner with Ohio Medicaid.

Driving Clinical Efficiencies with a Unified Preferred Drug List

Federal law requires state Medicaid programs and Medicaid MCPs to provide coverage for nearly all medications. Today, each Ohio Medicaid managed care plan manages their own preferred drug list from which prescriptions can be filled without prior authorization, and consumers can obtain medications outside of the plan's preferred list if they obtain prior authorization and/or go through step therapy. Ohio Medicaid is proposing a new policy to require all Medicaid MCPs to follow a unified preferred drug list set by the Department. This policy offers benefits for the following:

- » Consumers: Uniform drug list coverage will help members obtain quicker access to medically necessary pharmaceuticals while reducing member confusion. These changes will drive improved adherence to medications for chronic conditions and improve health outcomes.
- » Prescribers: Learning and using a uniform list of frequently prescribed drugs for members of all five MCPs and Medicaid's fee for service system will simplify their processes, reduce administrative burden, and may decrease medication errors.
- » Pharmacists: A unified drug list will decrease the time and resources pharmacists spend on high volumes of prior authorization requests. The new policy will also improve the ability of pharmacies with high

Medicaid volume to manage inventory, as current policy results in variances and frequent changes in drugs that must be stocked for each plan.

- » Population health: The Department of Medicaid will have much greater ability to streamline its approaches to address changing population health needs and align drug list policy with the goals of other initiatives, including the Comprehensive Primary Care program.

Ohio Medicaid is moving toward a uniform drug list to drive clinical efficiencies. The unified preferred drug list may also harness the program's purchasing power, which could offset expenses by \$10.5 in state GRF over the biennium.

Implementing Innovative Prescription Health & Safety Management

As Ohio continues to combat the opioid crisis, Ohio Medicaid and the MCPs are playing a critical role in connecting individuals to treatment and providing other strategies that help improve individuals' health outcomes. Medicaid's Coordinated Services Program (CSP) is an example of the innovative approaches Medicaid will continue to take to improve health and safety for enrollees:

- » Through CSP, Medicaid allows MCPs to "lock-in" high-risk individuals to a single pharmacy that can oversee and review potential prescription drug abuse. Managed care plans may also assign a designated prescriber and offer care management for members through this program. CSP provides added protections for member health and safety, including continuity of member medical care and avoidance of inappropriate or unnecessary use of services, including prescription medications.
- » As of March 2019, CSP is serving 7,062 managed care members and fee-for-service enrollees, and it's having a real impact. In collaboration with our sister state agencies, state professional boards, prescribers, and law enforcement, Ohio decreased prescription opiates by 328 million doses in 2018.¹
- » Ohio Medicaid will seek additional opportunities to implement similar health and safety-driven programs in the coming biennium.

¹ State of Ohio Board of Pharmacy. Opioid Prescribing in Ohio Down 325 Million Doses in 2018. March 2019. Available at: <https://www.pharmacy.ohio.gov/Documents/Pubs/NewsReleases/2019/Opioid%20Prescribing%20in%20Ohio%20Down%20325%20Million%20Doses%20in%202018.pdf>