

Testimony
Engrossed House Bill 1374 - Department of Human Services
Senate Human Services Committee
Senator Judy Lee, Chairman

March 18, 2019

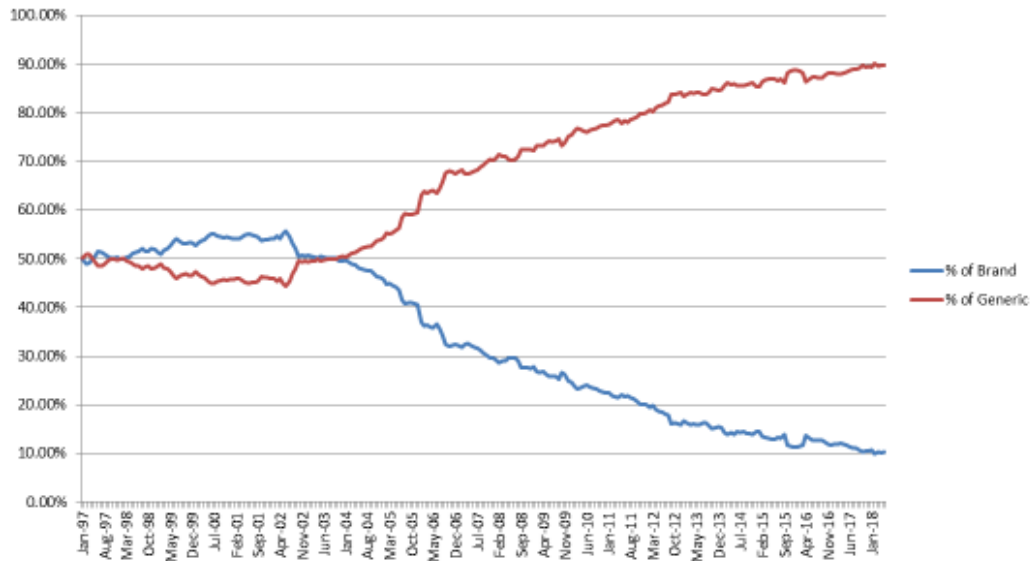
Chairman Lee and members of the Senate Human Services Committee, I am Brendan Joyce, Administrator of Pharmacy Services for the Medical Services Division for the Department of Human Services (Department). I appear today to provide testimony on Engrossed House Bill 1374 and to offer an amendment.

Engrossed House Bill 1374 would allow the Department to bring the pharmacy benefit for the Medicaid expansion program in-house. This would provide significant administrative savings and efficiencies. This would also streamline the drug utilization review processes for any patients whose eligibility changes between traditional Medicaid and Medicaid expansion. For instance, since February 1, 2016, there have been 16,406 individuals who have had periods of eligibility for both Medicaid expansion and traditional Medicaid.

The ND Medicaid pharmacy claim processing system is very robust and efficient. By using the system to its fullest extent, the Department has ensured Medicaid recipients receive the care that is fully supported by the most current evidence.

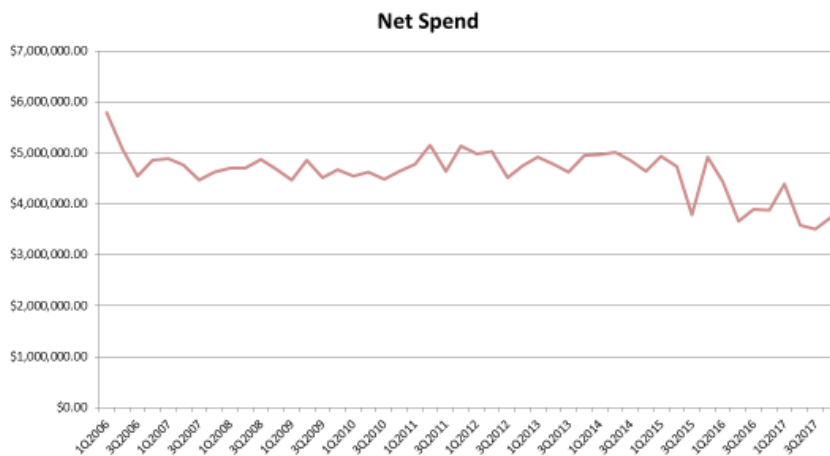
I'll share some data which helps summarize our current status. Due to program management, our brand generic split has progressed to 89-90% generic:

Brand / Generic Split

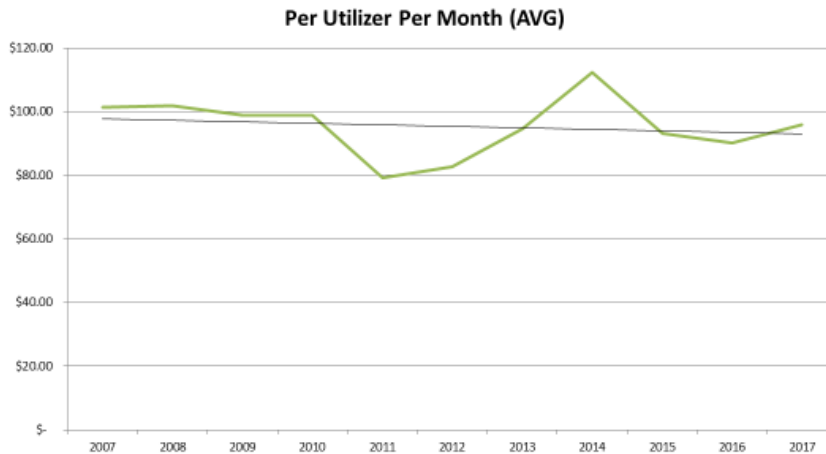


The Department has also worked hard to ensure appropriate care while also being efficient with costs:

Traditional Medicaid



Per Utilizer Per Month

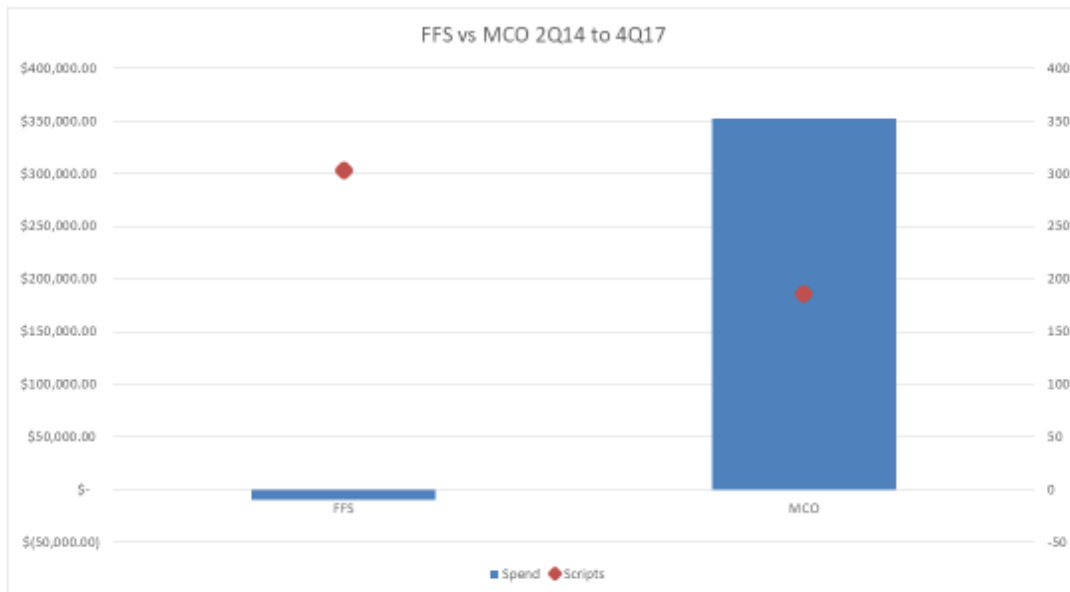


Overall, the Department's has a high functioning pharmacy claim processing system. Engrossed House Bill 1374 would allow the Department to process the pharmacy claims for the Medicaid Expansion population instead of paying a health plan to pay a pharmacy benefit manager to process claims, as is currently done. This current process equates to the Department paying for two separate claim processing systems, which is inefficient.

Under the current managed care approach, the Department estimates payments of \$4.554 million to Sanford Health Plan for administrative costs (admin, profit, and the Health Insurance Provider Fee (CY 2020 plus first six months of CY 2021)). By bringing the pharmacy claims in-house, we would incur \$562,347 in administrative costs, so the net administrative savings would be \$3.991 million.

We would also save on the pharmacy claim costs due to the removal of conflicts between the premium rate calculation and the post rebate costs. For instance, some supplemental rebates are not accepted due to the pre-rebate costs and the impact of those costs on the premium.

Lower Cost Generic in MCO vs Brand in FFS



In the above example, the brand product costs the most but pays a 100% rebate. The generics cost less, but their rebate percent is only 30%. Having the MCO pay the higher rate up front results in the premium being higher than if they paid for the generic. Paying for the generic results in a lower premium but the net cost is much higher due to the lower rebate.

The current MCO does follow our preferred drug list, but there are still some instances where the Department cannot accept a proposed supplemental rebate due to the impact it would have on the premium calculation. Also, there are additional efficiencies in utilization management that occur outside of the preferred drug list. These efficiencies gained through managing all of Medicaid in-house will result in an expected \$2.1 million in additional savings.

This concludes my testimony, and I am happy to answer any questions you may have.