

Alabama Medicaid Pharmacy, Physicians, and Insurance

May 17, 2016

STEPHANIE MCGEE AZAR
COMMISSIONER
ALABAMA MEDICAID AGENCY



Alabama Medicaid Pharmacy Program

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AGENDA

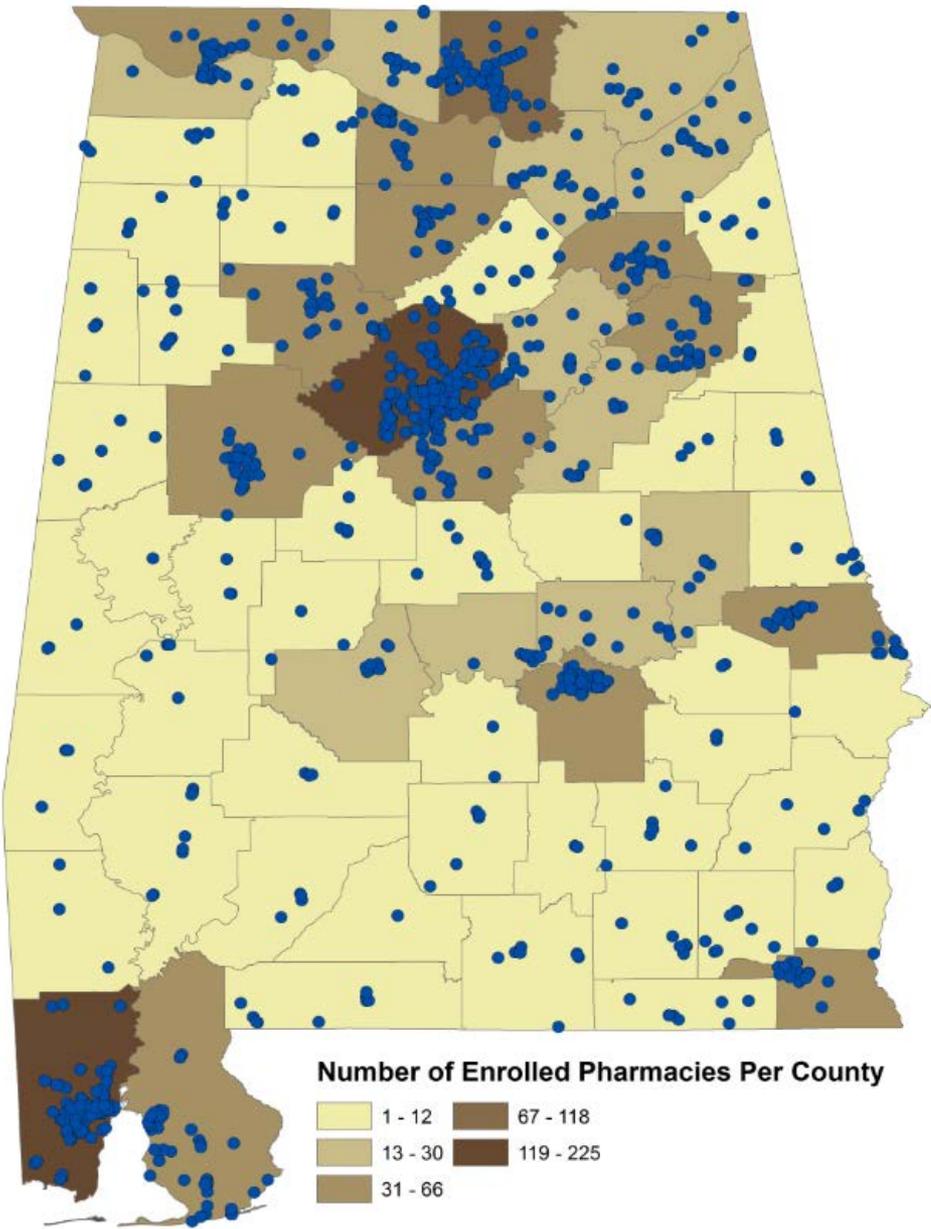
- Pharmacy Program Overview
- Expenditures
- Funding



Pharmacy Program Overview



FY 2015 Alabama Medicaid Pharmacies by County



Number of Pharmacies

Total in Alabama* 1,479
Accept Medicaid 1,381

FY 2015

Pharmacy Services: \$621 Million
Medicare Part D Clawback: \$64 Million
Total Expenditures: \$685 Million

Pharmacy Services:
Unique Recipients: 594,426
Number of Claims: 6,892,907

*Number provided by Alabama Board of Pharmacy



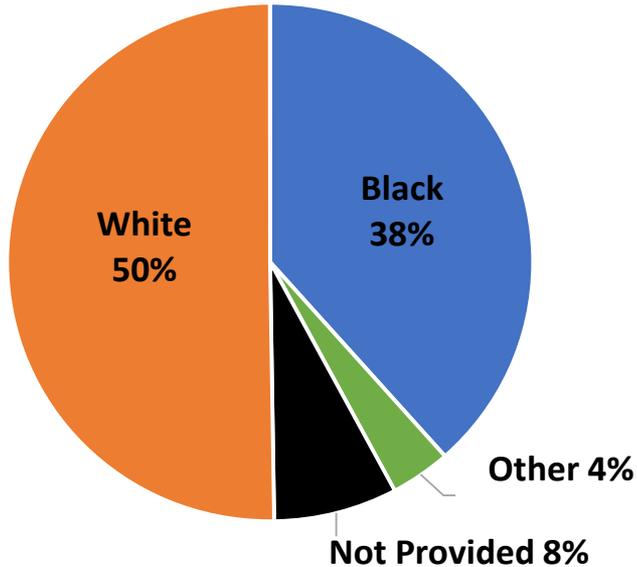
Alabama Medicaid Pharmacy Program

- Optional Program for adults
- Drugs for individuals under 21 are mandatory
- Medicaid is federally required to cover most drugs
- Optional drug classes (State can choose)
 - Cough/cold (*non-covered in AL*)
 - Cosmetic (*non-covered in AL*)
 - Prescribed Over-the-Counter (OTC) (*only insulins, antihistamines, and nutritionals*)

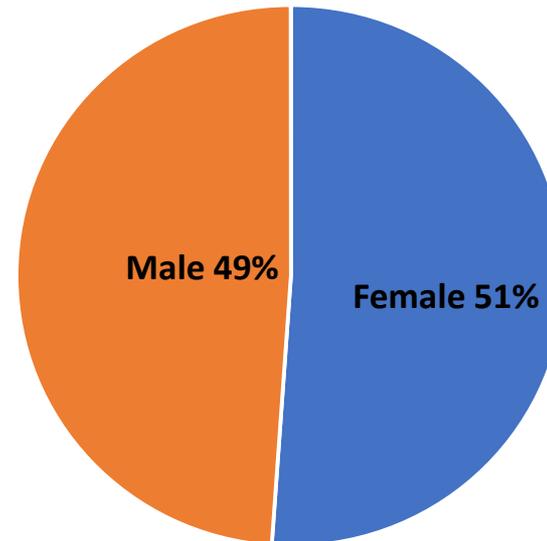


FY 2015 Medicaid Pharmacy Expenditures by Race and Gender

By Race



By Gender



Pharmacy Cost Management

- Preferred Drug List (PDL)
- Pharmacy and Therapeutics Committee (P&T)
- Drug Utilization Review Board (DUR)
- Prior Authorization
- Monthly Prescription Limit
- Three Month Supply



Pharmacy Cost Management continued

- Early Refill Request
- Maximum Units
- Maximum Cost Edit
 - >\$1,000 per claim review
- Therapeutic Duplication
- Dispense As Written (DAW) – 1 Edit
- Accumulation Edit

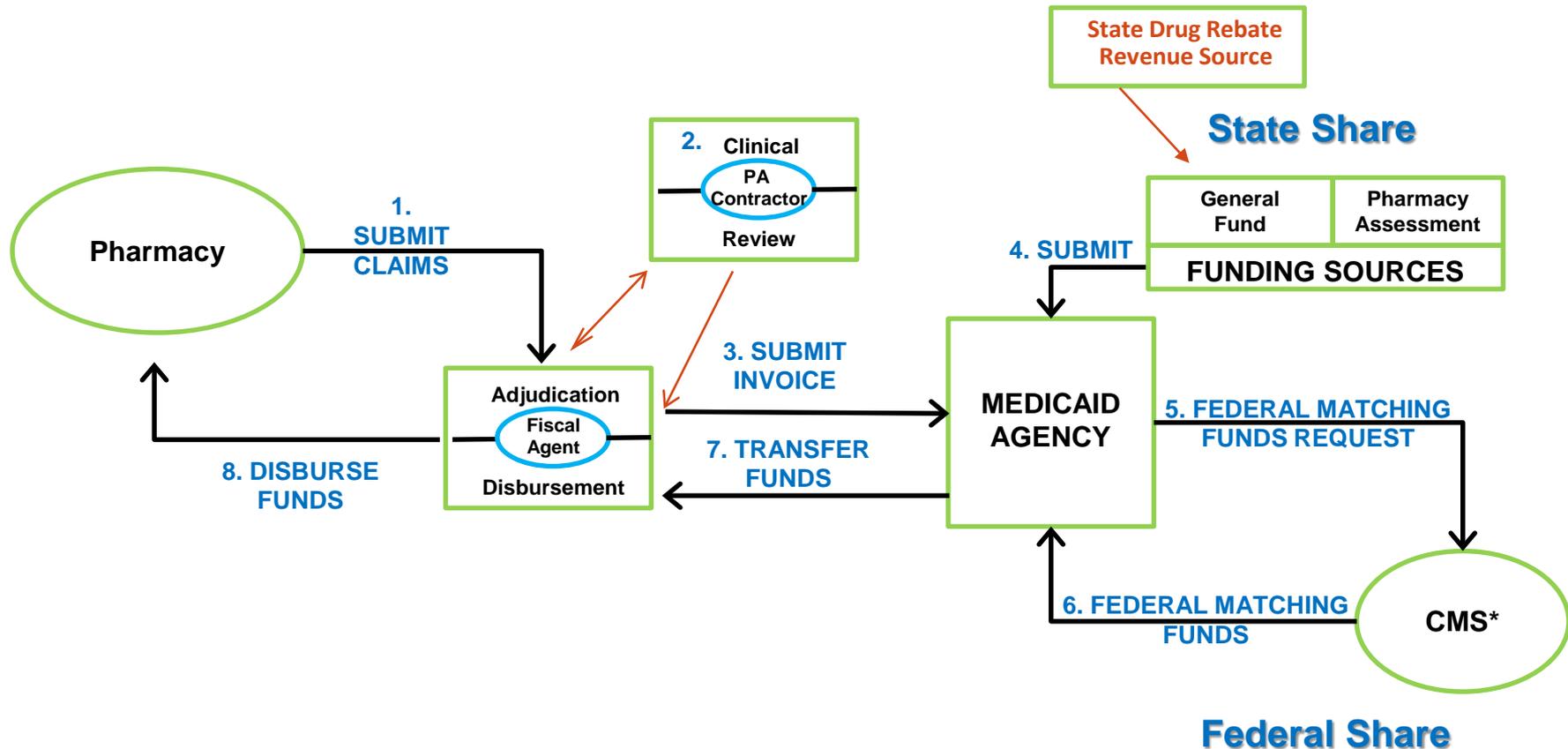


Pharmacy Program Overview

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Pharmacy Services	\$ 496,128,925	\$ 526,082,696	\$ 525,307,376	\$ 560,729,827	\$ 621,333,757
Medicare Part D Clawback	\$ 50,798,631	\$ 67,028,930	\$ 67,938,260	\$ 66,736,487	\$ 64,122,006
Pharmacy Budget Expenditures	\$ 546,927,556	\$ 593,111,626	\$ 593,245,636	\$ 627,466,314	\$ 685,455,763
Unique Recipients	585,200	594,138	594,639	571,007	594,426
Per Recipient	\$ 848	\$ 885	\$ 883	\$ 982	\$ 1,045
Pharmacy Claims					
Brands	1,534,506	1,319,417	1,144,702	1,077,892	1,101,709
Generic	6,415,846	6,729,510	6,786,456	5,659,468	5,575,747
Prescribed Over-the-Counter (OTC)	<u>549,831</u>	<u>585,136</u>	<u>684,832</u>	<u>251,227</u>	<u>215,451</u>
Overall	8,500,183	8,634,063	8,615,990	6,988,587	6,892,907
Generic/OTC Percentage	81.9%	84.7%	86.7%	84.6%	84.0%
* Pre-rebate					



PHARMACY REIMBURSEMENT PROCESS (PAID TWICE PER MONTH)



* Center for Medicare & Medicaid Services

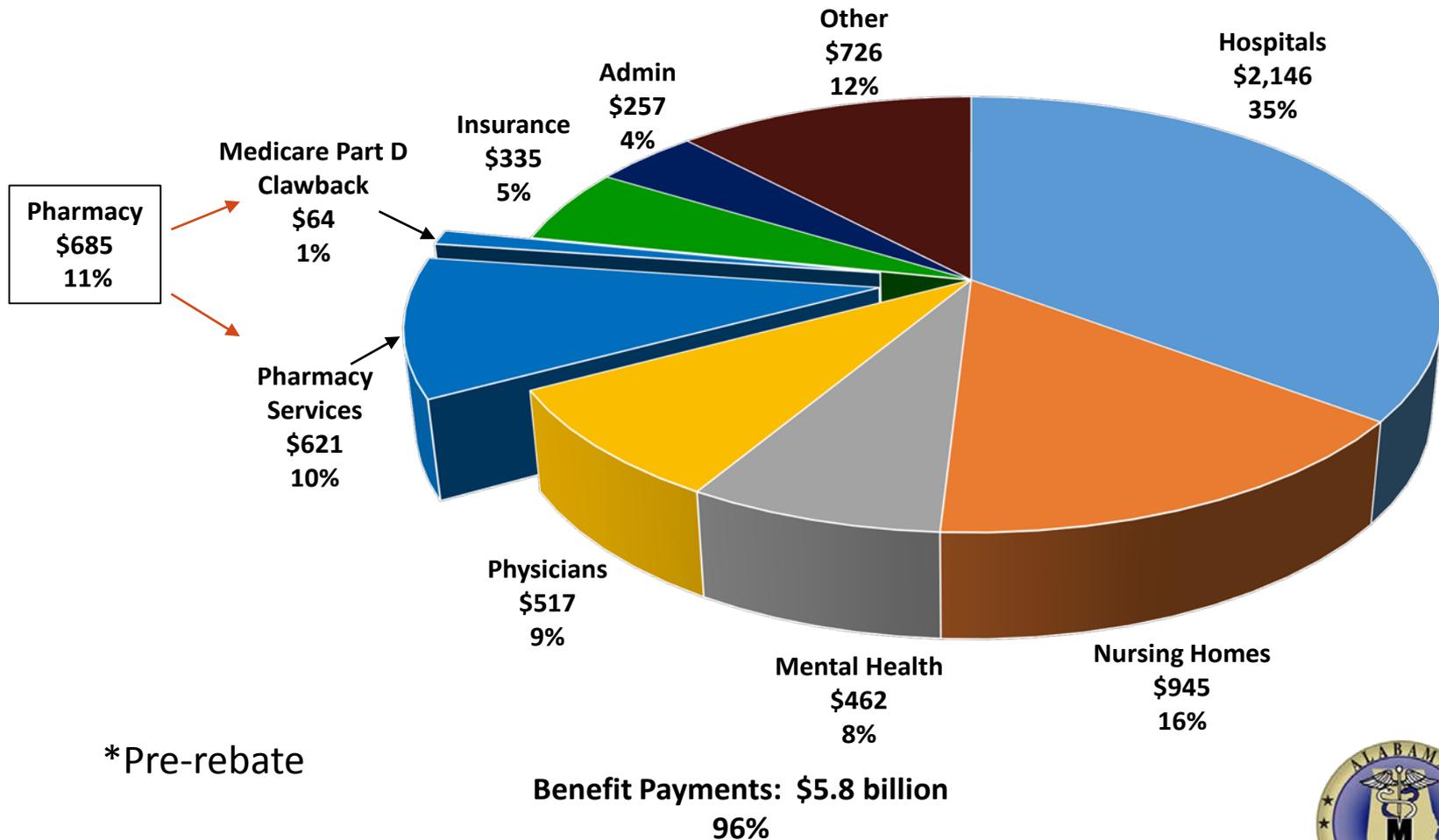


Pharmacy Program Expenditures



FY 2015 Medicaid Expenditures* Analysis

Benefit Payments and Administrative Costs (in millions)



Expenditures* Categorized in the Pharmacy Budget Line

In millions

Service Category	FY 2015	FY 2016	FY 2017
Pharmacy Services	\$621.3	\$684.5	\$725.6
Medicare Part D Clawback	\$64.1	\$71.2	\$71.2
	\$685.4	\$755.7	\$796.8

*Pre-rebate



FY 2015 Pharmacy Program Recipients and Expenditures by Age

Age	Unique Recipients	Expenditures*	% of Total	Average Cost per Recipient
0-7	210,211	\$ 90,350,584	15%	\$ 430
8-18	198,209	\$ 197,304,004	32%	\$ 995
19-40	109,573	\$ 129,720,045	21%	\$ 1,184
41-68	71,004	\$ 203,042,126	33%	\$ 2,860
69 & Over	5,429	\$ 916,998	0%	\$ 169
Total	594,426	\$ 621,333,757	100%	\$ 1,045

*Pre-rebate



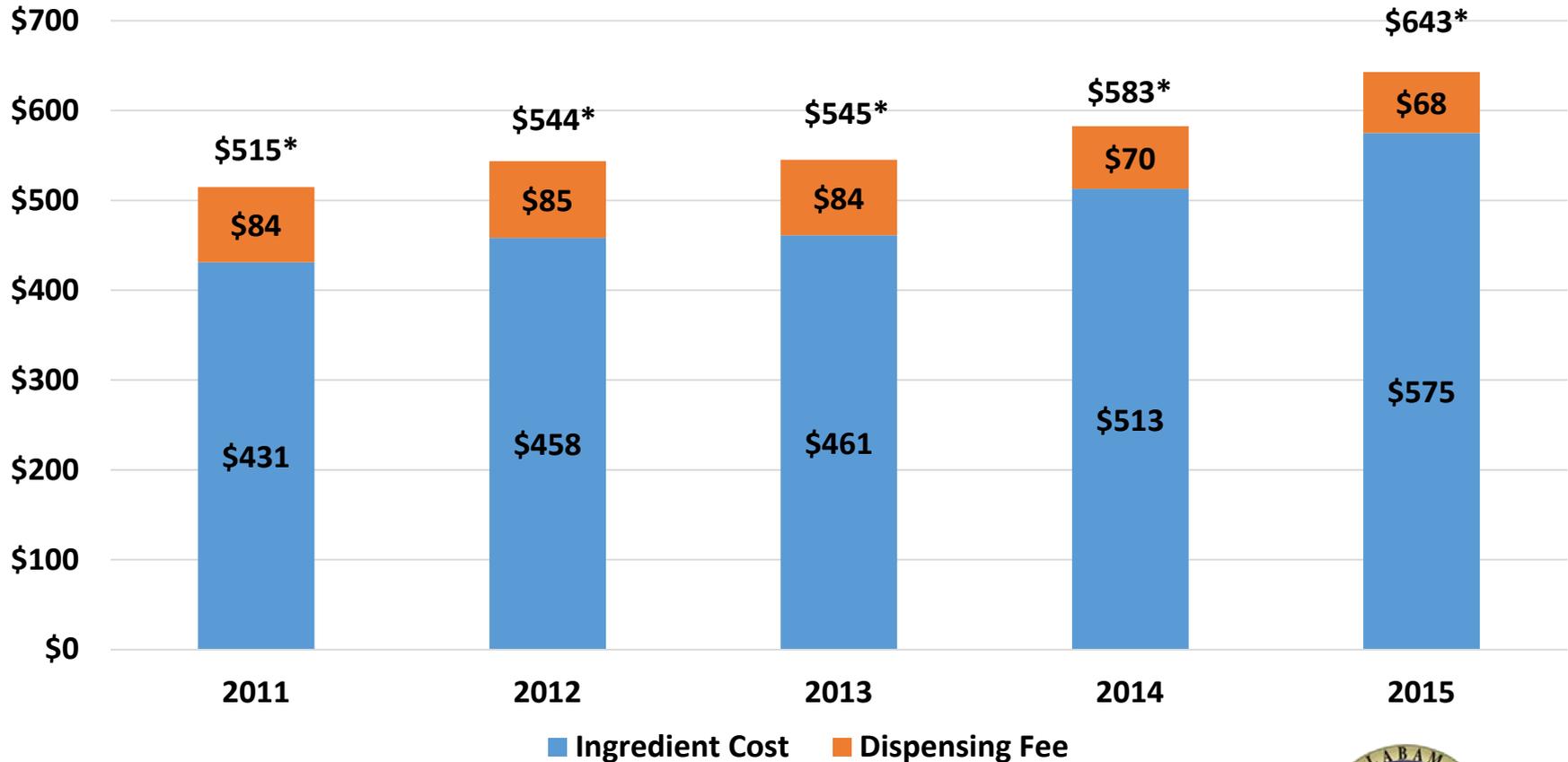
Pharmacy Reimbursement

- Pharmacies are reimbursed based on ingredient cost and a dispensing fee per prescription to cover the administrative cost of doing business
- Ingredient cost is based on a statewide Average Acquisition Cost (AAC) per drug as determined by a survey approved by CMS
- The dispensing fee per prescription is based on a cost of dispensing survey and approved by CMS



Pharmacy Program Ingredient Costs & Dispensing Fees in millions

FY 2015	
Medicaid Paid	\$621
Patient Copay	\$ 7
Third Party Payer	\$ <u>15</u>
	\$643



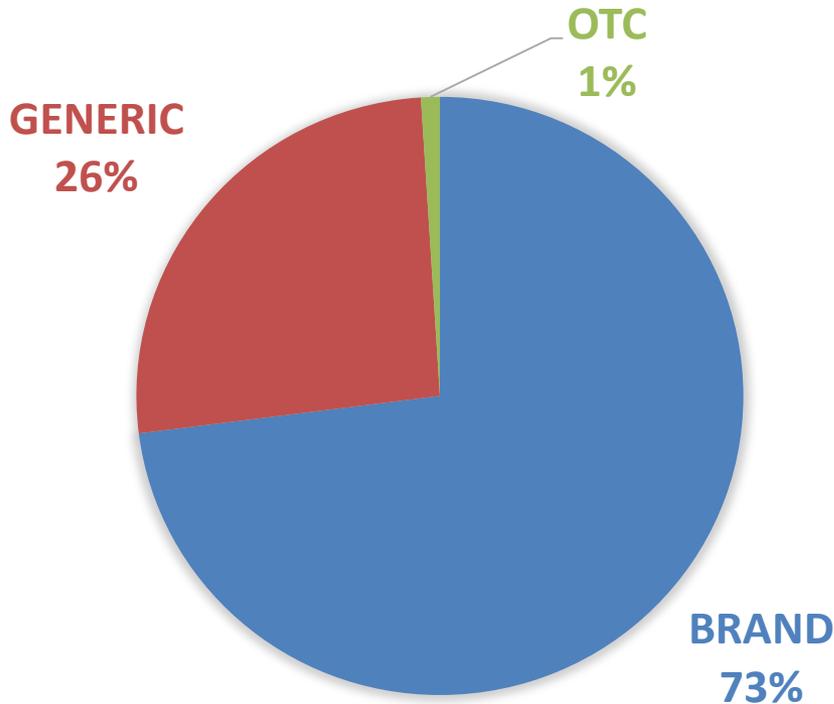
*Includes Third Party Payments and Copayments not paid by Medicaid



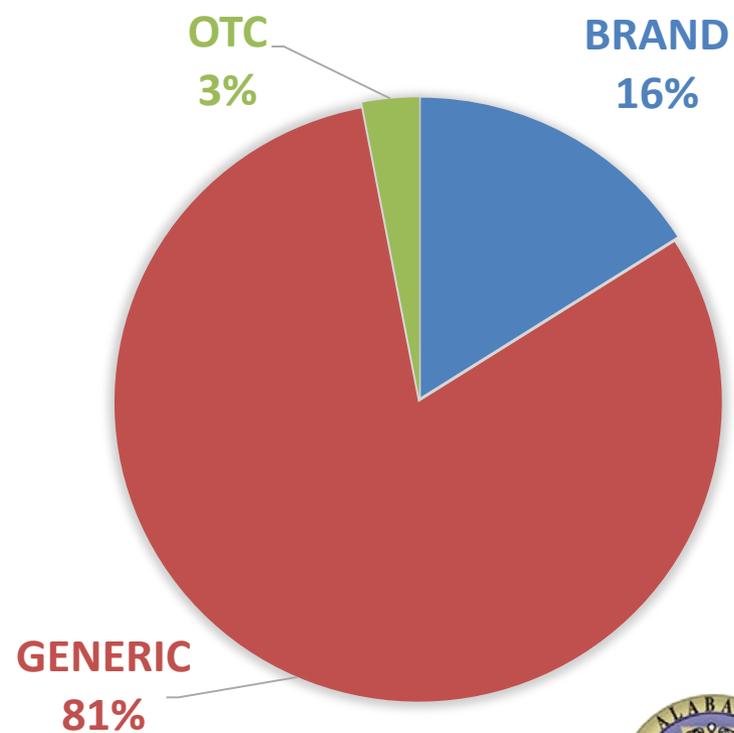
FY 2015 Medicaid Prescription Analysis

Brand vs. Generic vs. Over-the-Counter (OTC)

BY EXPENDITURES*



BY CLAIM COUNT



*Pre-rebate



Part D Clawback

- CMS sends Medicaid an invoice each month for the Clawback as a cost-sharing mechanism with the federal government related to the funding of Medicare Part D.
- Alabama paid approximately \$64 million in FY 2015. The monthly rate per member increased approximately 10% effective January 1, 2016.



Medicare Part D Clawback Payments

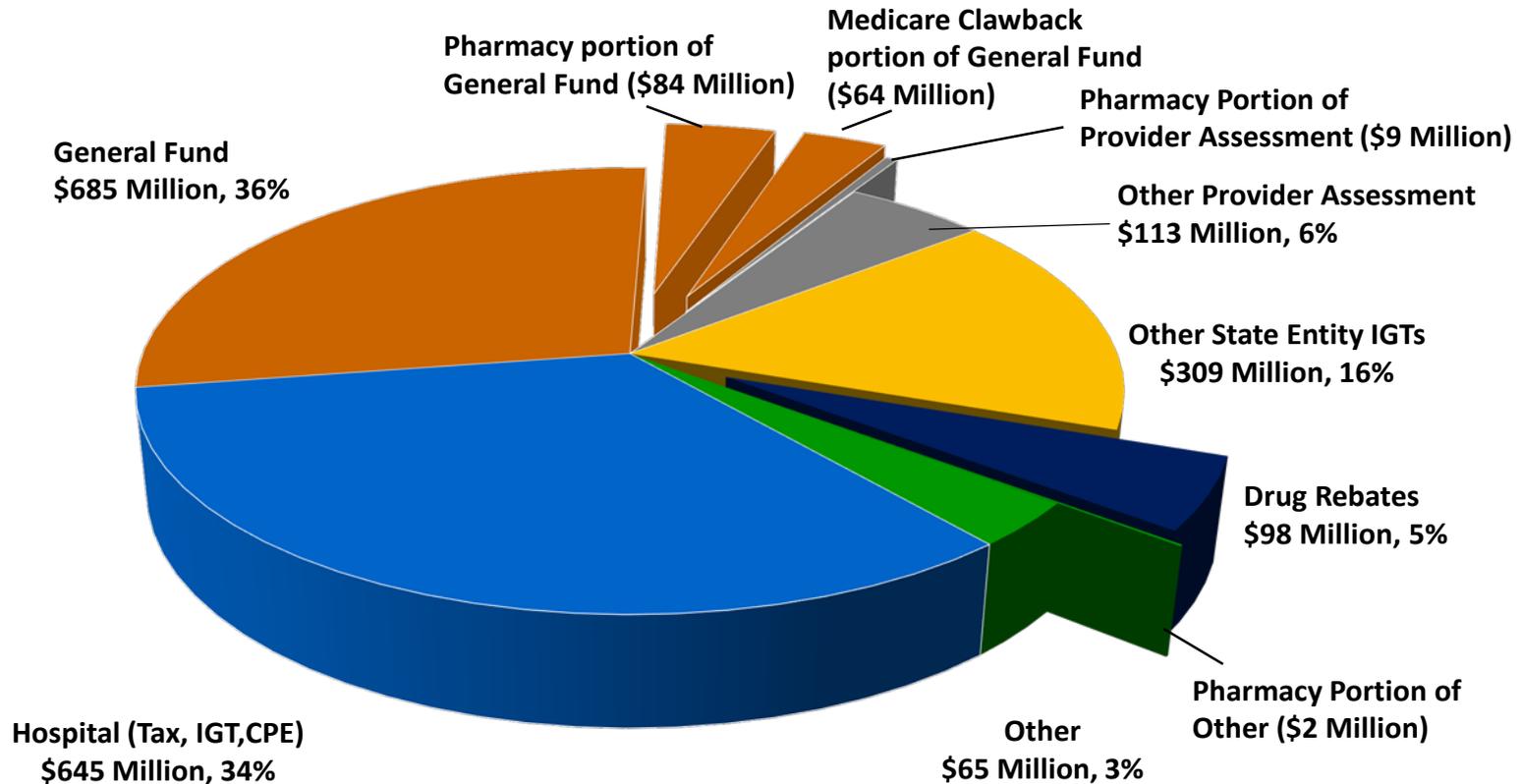
	Number of Recipients	Amount Paid
FY 2011	84,855	\$50,798,631
FY 2012	85,269	\$67,028,930
FY 2013	85,427	\$67,938,260
FY 2014	85,603	\$66,736,487
FY 2015	85,443	\$64,122,006
FY 2016	85,500	\$71,175,426
FY 2017	85,500	\$71,175,426



Pharmacy Program Funding



FY 2015 State Share Sources: Pharmacy



Total State Share Approximately \$1.915 Billion



Pharmacy Drug Rebate

- There are two types of rebates: Federal Rebates and State Supplemental Drug Rebates
- Rebates are paid by drug manufacturers to ensure drug coverage
- Rebates are split between CMS and the state primarily on regular FMAP although some drugs require additional FMAP back to CMS
- CMS determines Rebate Per Unit (RPU) on federal rebates which is a confidential number
- The state portion of rebates in 2015 totaled approximately \$98 million, representing approximately 50% of the state share of the Pharmacy Program
- The federal portion of rebates in 2015 totaled approximately \$216 million.



Pharmacy Budget Line Expenditures and Funding FY 2015 Federal and State Share

In millions

	Total	Federal Share	State Share*
Total Expenditures	\$621	\$428	\$193
Rebates	\$314	\$216	\$98
Net After Rebates	<u>\$307</u>	<u>\$212</u>	<u>\$95</u>

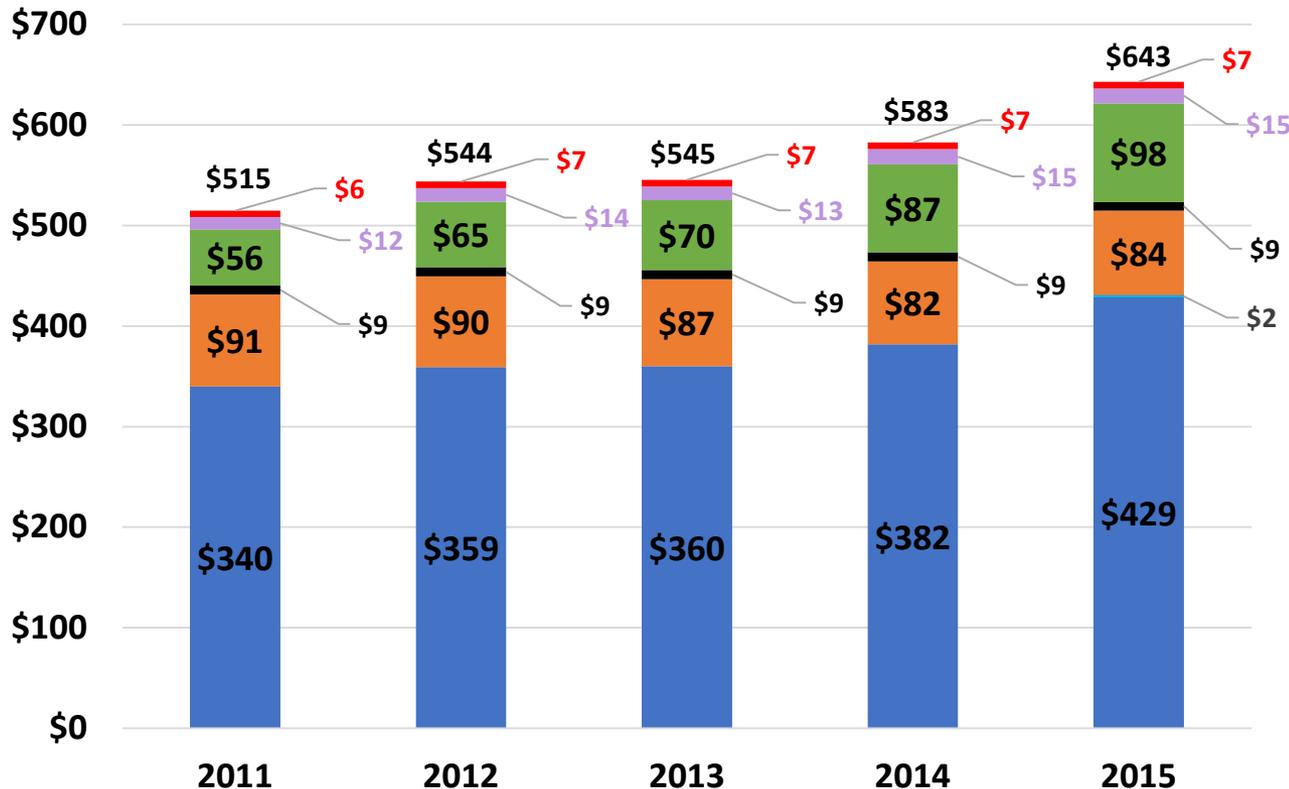
*Does not include Clawback



Pharmacy Program

Pharmacy Funding Sources: FY 2011-2015

(in millions)



FY 2015	
Medicaid Paid	\$621
Patient Copay	\$ 7
Third Party Payer	<u>\$ 15</u>
	\$643

- Patient Copay
- Third Party Liability
- State Drug Rebates
- Pharmacy Assessment
- General Fund
- Other Source
- Federal FMAP



Pharmacy Budget Line FY 2015

State Share Funding

(in millions)

Service Category	Total Expenditures	State Share	General Fund	Pharmacy Assessment	Drug Rebates	Other
Pharmacy Services	\$621.3	\$192.7	\$84.0	\$8.8	\$97.9	\$2.0
Medicare Part D Clawback	\$64.1	\$64.1	\$64.1			
TOTAL	\$685.4	\$256.8	\$148.1	\$8.8	\$97.9	\$2.0



Summary

- Pharmacy Clawback payments are federally mandated
- Rebates have a significant impact on the Pharmacy Program General Fund need
- Medicaid has multiple effective cost management programs in place
- Medicaid is vital to the health care system of Alabama



Alabama Medicaid Physician Program

May 17, 2016

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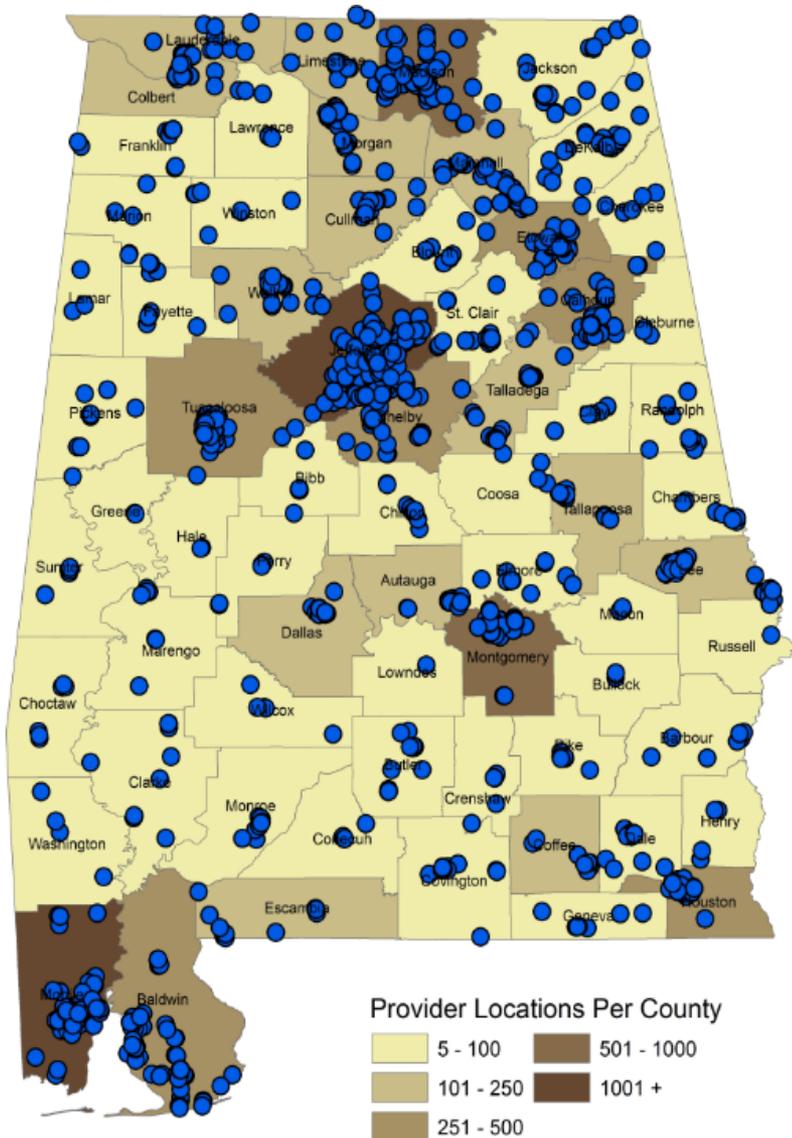
- Physician Program Overview
- Expenditures
- Funding



Physician Program Overview



Locations Where Physicians Provide Services to Medicaid Recipients*



Number of in-State Physicians:** 10,600
Number Participating in Medicaid: 7,250
FY 2015 Program Expenditures: \$517 Million

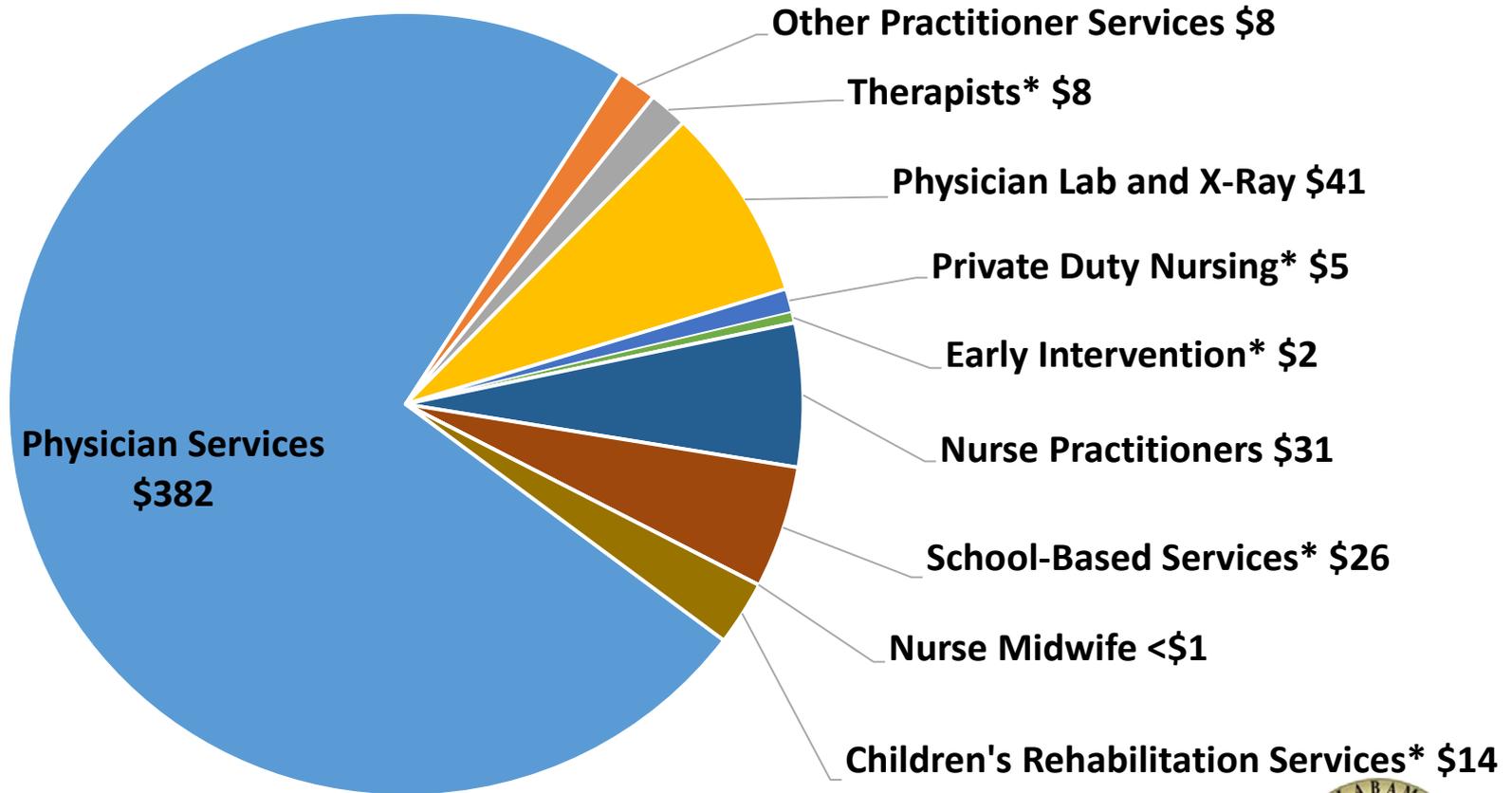
* Includes locations of Federally Qualified Health Clinics and Rural Health Clinics

** Provided by Alabama Board of Medical Examiners as of June 2015. Excludes Alabama licensed physicians with an out-of-state address and physicians older than 70 years of age.



FY 15 Physician Budget Line Expenditures

(in millions)



* Services only provided to individuals under 21

Total \$517



Physician Coverage: \$382 million

- Physician services are a mandatory benefit through CMS. Alabama Medicaid does not cover cosmetic procedures or experimental treatments.
- Under Age 21:
 - Medically necessary services to Medicaid recipients as required by federal law through Early Periodic Screening Diagnosis Treatment (EPSDT).
- Age 21 and older:
 - Office Visits: Limited to medically necessary services for Medicaid recipients up to **14** physician visits per calendar year. These include office visits and emergency room visits (unless it is a certified emergency).
 - In-Hospital Visits: Medicaid covers up to **16** inpatient dates of service per physician, per recipient, per calendar year.



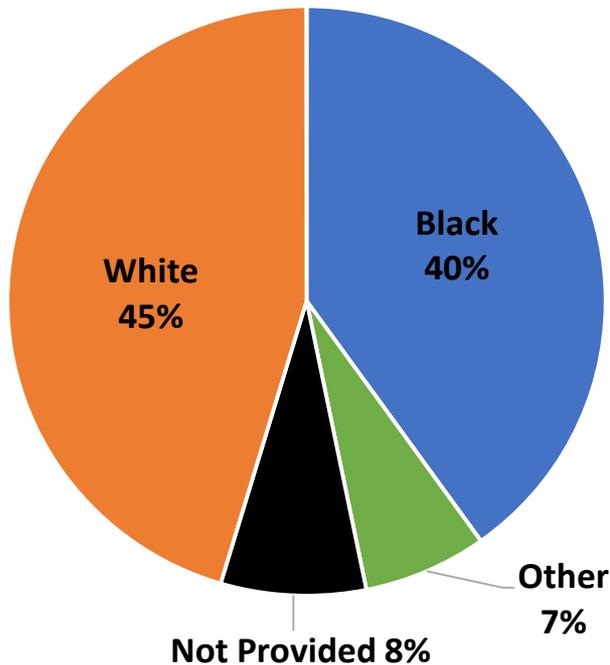
Physician Cost Management

- National Correct Coding Initiative (NCCI)
- Medical Prior Authorization for certain services
- Physician visits annual limit
- Claims processing audits and edits

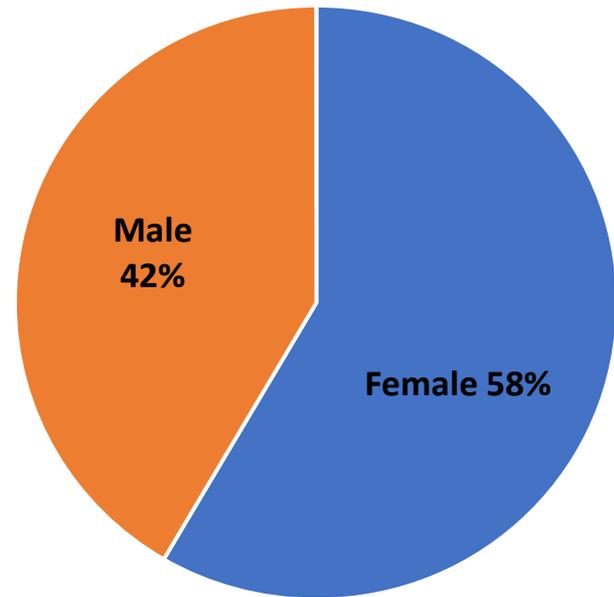


FY 2015 Physician Services Expenditures by Race and Gender

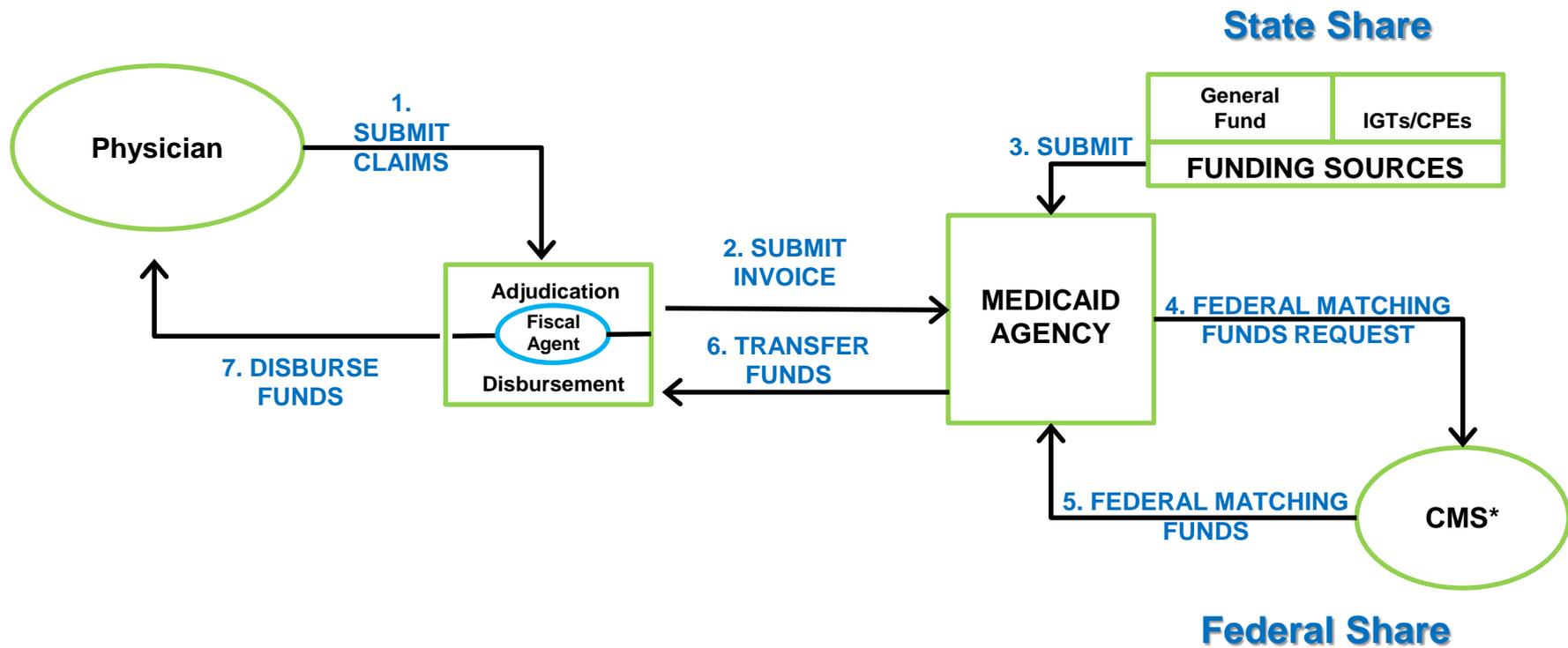
By Race



By Gender



PHYSICIAN REIMBURSEMENT PROCESS (PAID TWICE PER MONTH)



* Center for Medicare & Medicaid Services

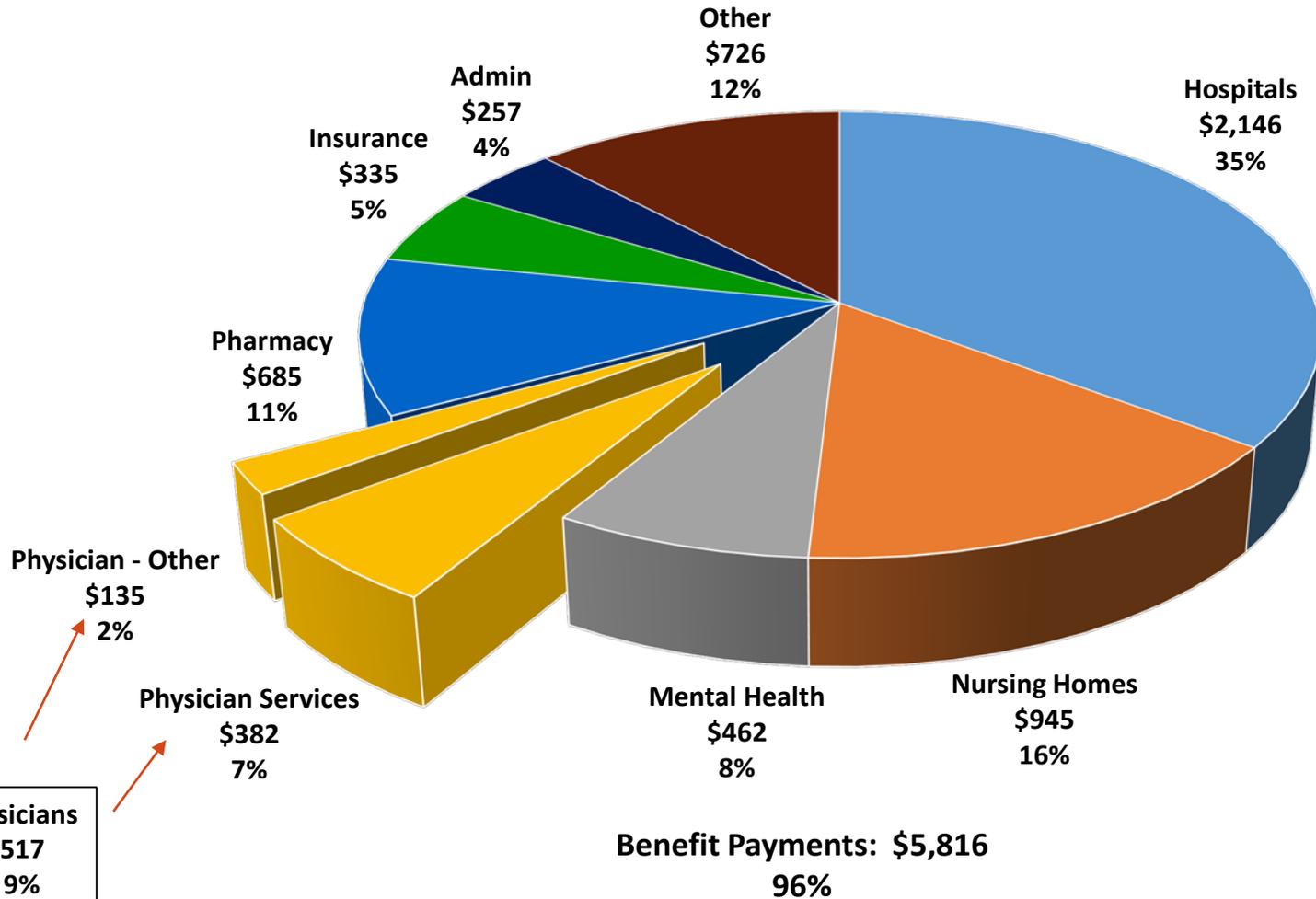


Physician Program Expenditures



FY 2015 Medicaid Expenditure Analysis

Benefit Payments and Administrative Costs (in millions)



FY 2015 Physician Reimbursement

Reimbursed based on a fee schedule

- Qualifying Primary Care Physicians – 2013 Medicare rate
 - “Bump” is the difference between the 2005 rate and 2013 rate
- Other Physicians – Fee Schedule based on Medicare 2005 rates
- Physicians associated with Teaching Facilities – enhanced fee schedule based on annually determined commercial rates
- Physician Assistants, Certified Registered Nurse Practitioners, and Certified Registered Nurse Anesthetists generally receive 80% of the maximum allowable rate paid to physicians



Physician Fee Schedule Example

Procedure Code	Description*	Primary Care Bump Current Rate	Medicaid Regular Rate	Rate without Bump + 22% Cuts
99214	25 minute office visit	\$101	\$67	\$52
99213	15 minute office visit	\$68	\$42	\$33
99212	10 minute office visit	\$40	\$31	\$24
99223	70 minute hospital visit	\$194	\$113	\$88
99233	30 minute hospital visit	\$100	\$57	\$44

*Face to face or in person visit



FY 2015 Top Ten Physician Specialties Expenditures and Recipients

(in millions)

Specialty	FY 2015 Expenditures	Unique Recipients
Pediatrician	\$89.6	299,131
General Practitioner	\$63.8	360,210
Neonatologist	\$34.9	12,776
Emergency Medicine	\$31.8	257,310
Obstetrics/Gynecology	\$20.1	61,827
Allergist	\$13.4	50,658
Anesthesiologist	\$12.9	79,200
General Surgeon	\$12.9	39,201
Cardiovascular Surgeon	\$11.1	56,582
Orthopedic Surgeon	\$10.2	44,803



FY 2015 Physician Services Recipients and Expenditures by Age

Age	Unique Recipients	FY 2015 Expenditures	% of Total	Average Cost per Recipient
0 - 1	69,662	\$ 79,931,596	21%	\$ 1,147
2 - 18	344,295	\$ 119,484,299	31%	\$ 347
19 - 64	210,437	\$ 169,008,308	44%	\$ 803
65 & Over	54,330	\$ 13,186,723	4%	\$ 243
	678,724	\$ 381,610,925	100%	\$ 562



FY 2015 Physician Reimbursement

- Approximately 67% of the physicians in the state participate in Medicaid
- However, only 18% of the participating physicians receive 75% of Medicaid's payments for physician services
- Therefore, cuts to the physicians program disproportionately affect a small group of physicians (for example pediatricians)



Other Expenditures Categorized in the Physician Budget Line

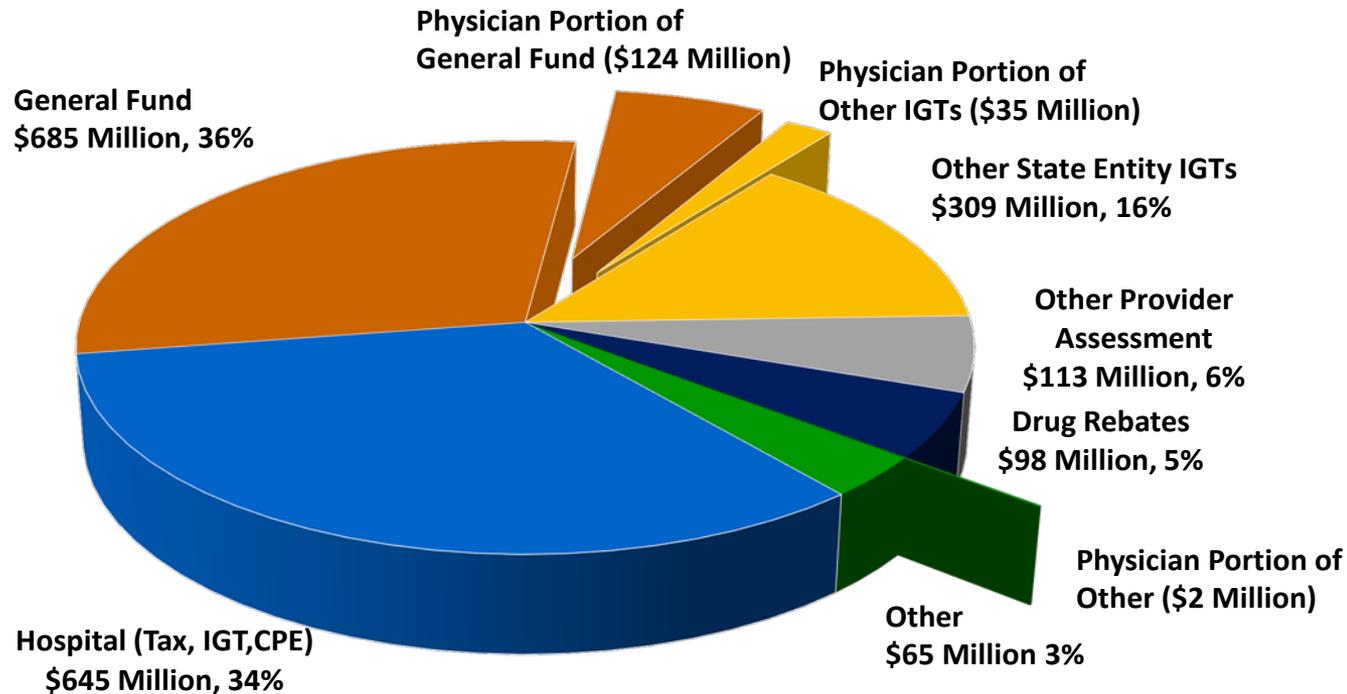
	FY 2015	FY 2016	FY 2017*
Physician Services	\$381.6	\$389.2	\$39.3
Physician Lab and X-Ray	\$41.3	\$42.1	\$3.2
Nurse Practitioners	\$30.5	\$31.3	\$1.6
School-Based Services	\$26.0	\$26.0	\$23.4
Children's Rehabilitation Services	\$13.7	\$14.0	\$14.1
Other Practitioner Services	\$8.2	\$8.6	\$.6
Therapists	\$8.2	\$8.5	\$.3
Private Duty Nursing	\$5.2	\$5.2	\$1.4
Early Intervention	\$2.2	\$2.2	\$2.3
Nurse Midwife	\$.1	\$.1	\$.1
	\$517.0	\$527.2	\$86.1
*FY 2017 estimates based on RCO implementation			



Physician Program Funding



FY 2015 State Share Sources: Physician



Total State Share Approximately \$1.915 Billion



Physician Budget Line FY 2015

State Share Funding

(in millions)

Service Category	Expenditures	State Share Funding			
	FY 2015	State Share	General Fund	Other State IGTs, CPEs	Other
Physician Services	\$381.6	\$119.2	\$95.0	\$22.1	\$2.0
Physician Lab and X-Ray	\$41.3	\$12.8	\$12.8		
Nurse Practitioners	\$30.5	\$9.5	\$9.5		
School-Based Services	\$26.0	\$8.2	\$0	\$8.2	
Children's Rehab Services	\$13.7	\$4.2	\$0	\$4.2	
Other Practitioner Services	\$8.2	\$2.5	\$2.5		
Therapists	\$8.2	\$2.5	\$2.5		
Private Duty Nursing	\$5.2	\$1.6	\$1.6		
Early Intervention	\$2.2	\$0.7	\$0	\$0.7	
Nurse Midwife	\$0.1	\$0.0	\$0.0		
	\$517.0	\$161.2	\$123.9	\$35.2	\$2.0



Summary

- Physician Services are mandated by CMS
- Approximately 18% of the participating physicians in Alabama receive 75% of Medicaid's payments for physician services
- Cuts to the program disproportionately affect this small group of providers
- Non-primary care physicians have not received an increase in payment since 2006
- Medicaid is vital to the health care system of Alabama



Alabama Medicaid Insurance Program

May 17, 2016

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AGENDA

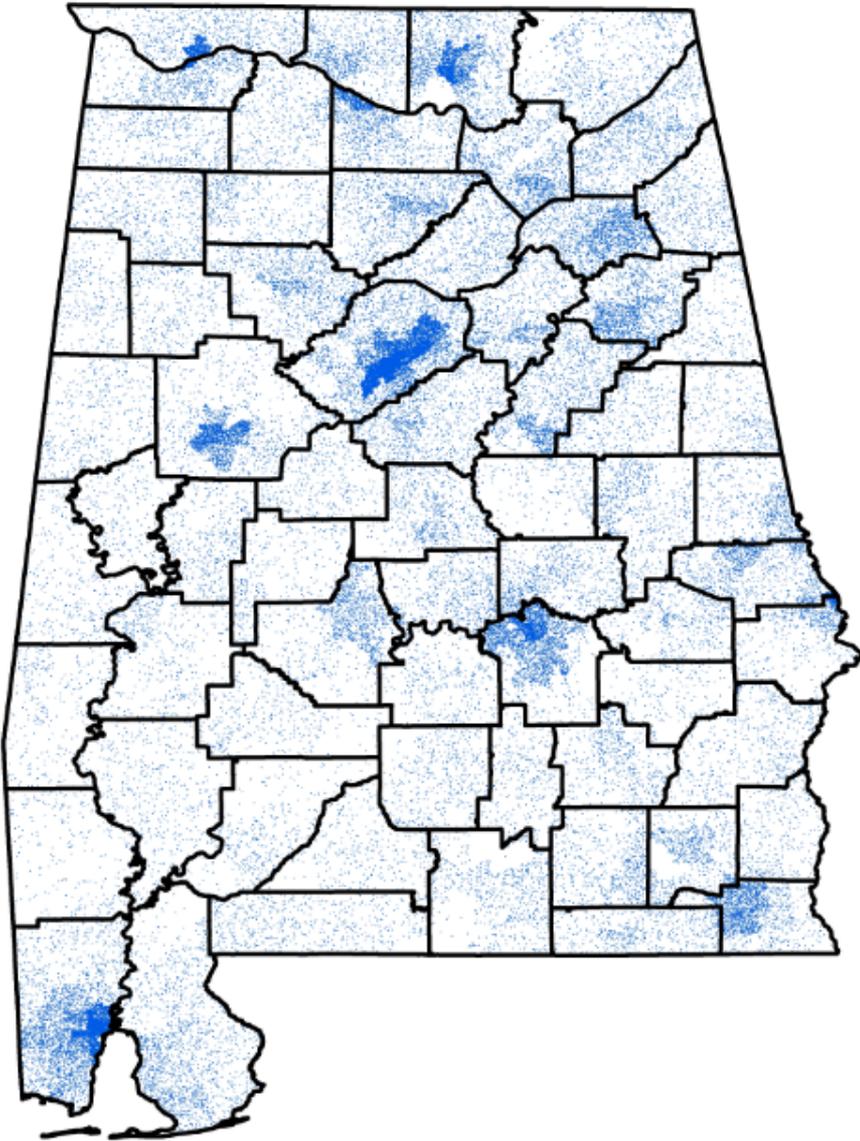
- Insurance Overview
- Expenditures
- Funding



Insurance Program Overview



Medicaid Dual Eligible Recipients



Category	Unique Recipient Count	FY 2015 Premium Expenditures (millions)	Average Annual Premium Expenditure Per Recipient
Medicare Premiums			
Part A Hospital	1,679	\$8	\$4,743
Part B Outpatient Office Visit	207,833	\$264	\$1,267
Part C Medicare Advantage	37,510	\$31	\$827
		\$303	
Health Home		\$32	
		\$335	



Medicare Coverage

Part A – covers inpatient services, such as: hospital care, skilled nursing facility care, hospice, and home health services.

- The Part A monthly premium rate is set by CMS. For 2016, the Part A premium is \$411.
- Medicaid pays the Part A premium only for certain individuals who have Medicaid, but do not meet the qualifications for free Part A coverage.

Part B – covers outpatient services, including: physician visits, medical services, DME and supplies, etc.

- The Part B monthly premium rate is set by CMS. For 2016, The Part B premium is \$121.80.
- A Part B premium is required for all Medicare beneficiaries.
- Medicaid must pay the Part B premium for its dual-eligible recipients who qualify for a Medicare Savings plan.

Part C – Medicare Advantage Plans are Medicare health plans offered by private insurance companies that contract with Medicare to provide a “managed care” system of Part A and B benefits.

- Medicare beneficiaries can voluntarily choose to enroll in a Part C plan for their Medicare coverage.
- Currently, over 39,000 Medicaid dual-eligible recipients are enrolled in a Part C plan.

Part D (Clawback) – covers prescription drugs and is offered by insurance companies and other private companies approved by Medicare. CMS invoices Medicaid for the amount due. This was discussed in previous presentation on Pharmacy Program.



Medicare Part C Medicare Advantage Plans

	Number of Recipients	Annual Savings
2011	25,130	\$3,057,818
2012	28,599	\$3,188,217
2013	31,028	\$3,559,532
2014	34,463	\$6,434,931
2015	37,510	\$2,120,065

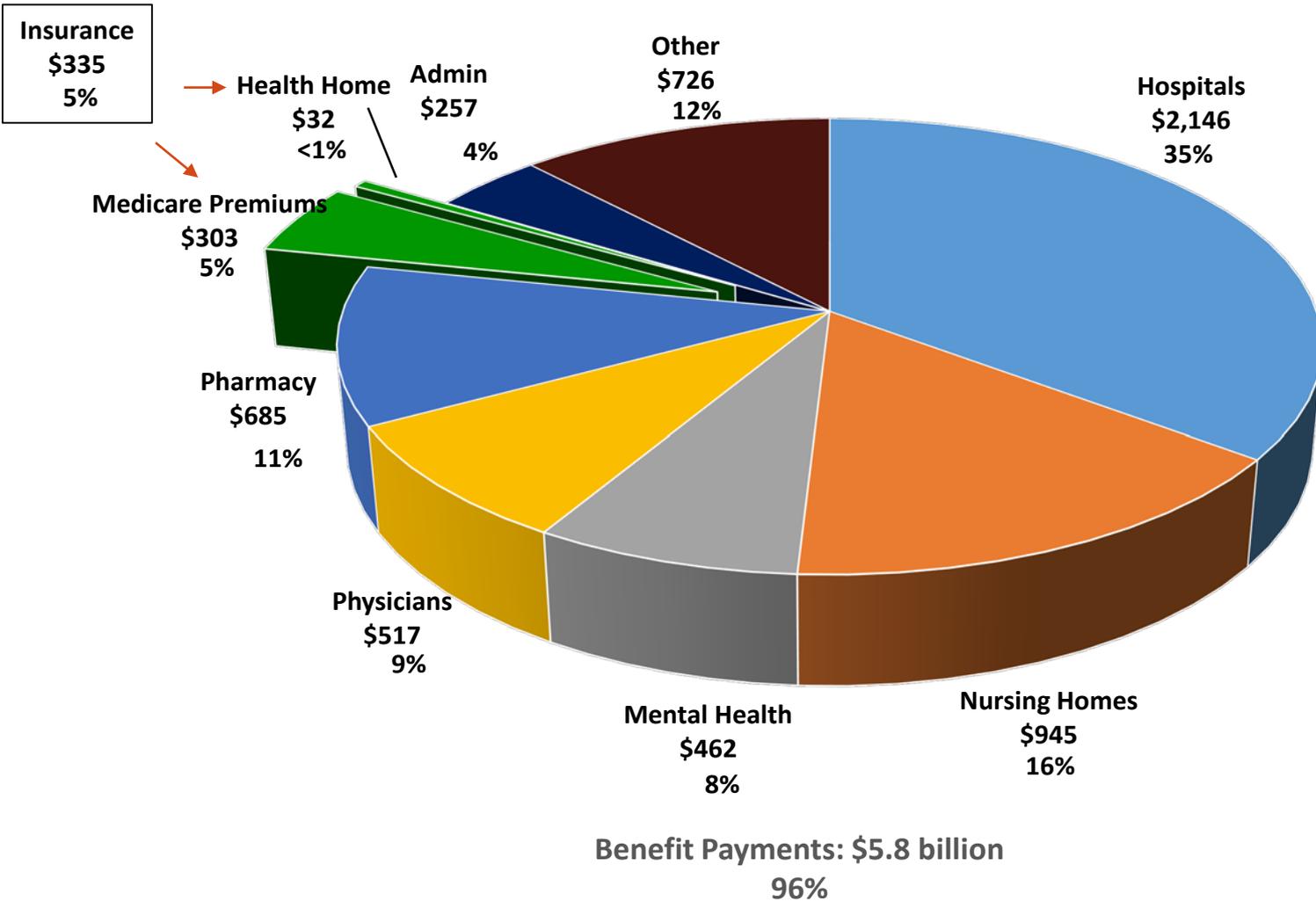


Insurance Program Expenditures



FY 2015 Medicaid Expenditures Analysis

Benefit Payments and Administrative Costs (in millions)



FY 2015 Health Insurance Expenditures In Millions

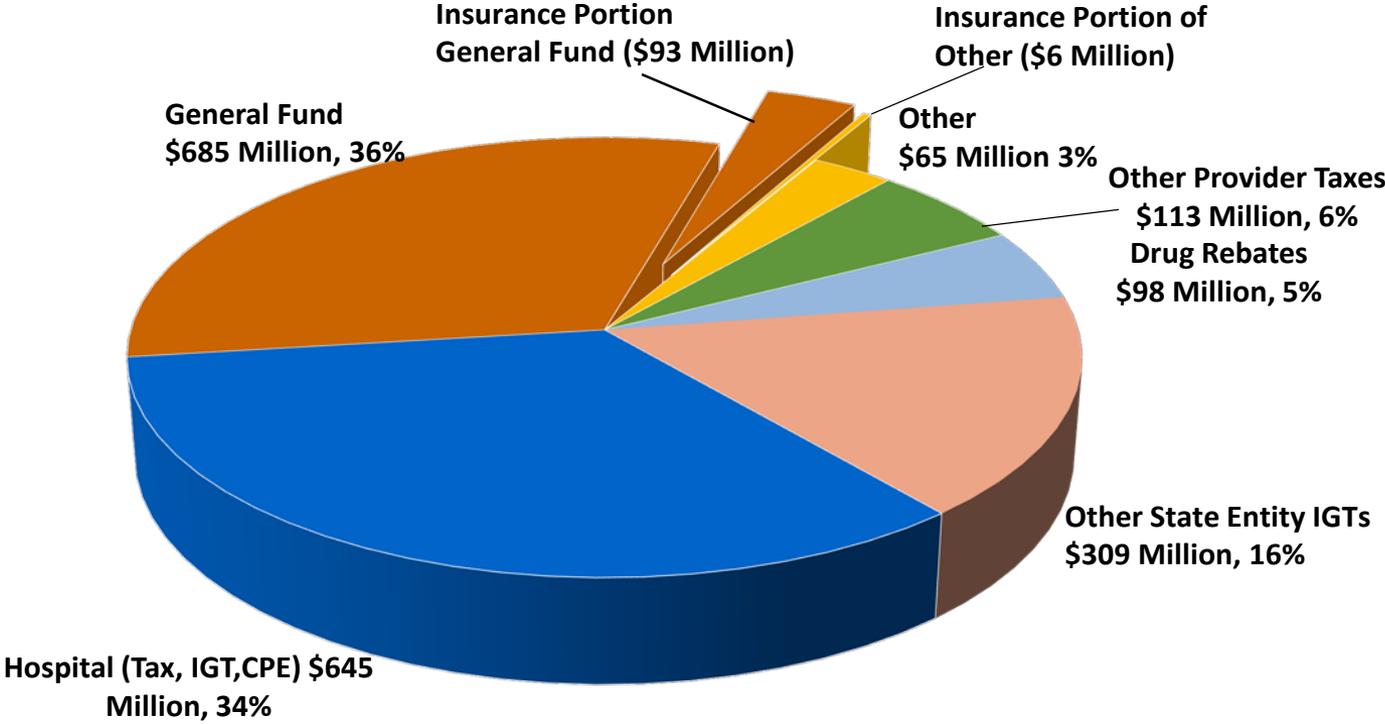
	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Part A Hospital	\$7.6	\$8.9	\$8.5	\$7.5	\$8.0	\$8.2	\$8.3
Part B Outpatient Office Visit	\$268.5	\$249.3	\$252.4	\$259.0	\$263.3	\$305.0	\$332.2
Part C Medicare Advantage	\$16.6	\$20.6	\$22.5	\$24.7	\$31.0	\$35.5	\$37.8
Total Medicare Premiums	\$292.7	\$278.9	\$283.3	\$291.2	\$302.3	\$348.6	\$378.3
Health Home	\$11.0	\$17.6	\$21.2	\$24.0	\$32.2	\$55.0	\$0
Catastrophic Illness - HIPP	\$0.0	\$0.0	\$0.1	\$0.2	\$0.3	\$0.6	\$0.7
Total Health Insurance	\$303.7	\$296.5	\$304.7	\$315.4	\$334.8	\$404.2	\$379.0



Insurance Program Funding



FY 2015 State Share Sources: Insurance



Total State Share Approximately \$1.915 Billion



Health Insurance Budget Line FY 2015

State Share Funding

(in millions)

	Total Expenditures	State Share	General Fund	Other
Part A Hospital	\$8.0	\$2.5	\$2.5	
Part B Outpatient Office Visit				
Regular FMAP	\$230.1	\$71.4	\$65.4	\$6.0
100% State Funding	\$8.6	\$8.6	\$8.6	
100% Federal Funding	\$24.5			
Total Part B Outpatient	\$263.3	\$80.0	\$74.0	\$6.0
Part C Medicare Advantage	\$31.0	\$9.6	\$9.6	
Total Medicare Premiums	\$302.3	\$92.1	\$86.1	\$6.0
Health Home	\$32.2	\$7.1	\$7.1	
Catastrophic Illness	\$.3	\$.09	.09	
Total Health Insurance	\$334.8	\$99.3	\$93.3	\$6.0



Summary

- Medicaid has very little control over the expenditures of the Insurance program, the federal government requires coverage
- The payment of insurance premiums reduces Medicaid expenditures by making Medicaid a secondary payer
- Medicaid is vital to the health care system of Alabama

