

Pennsylvania Coalition of Medical Assistance Managed Care Organization memo on pharmaceutical carve-out proposal and drug-price comparison chart.

Analysis by Pennsylvania Coalition of Medical Assistance Managed Care Organization of the proposed Carve out. And a comparison of drug price comparisons they say show the savings will not materialize.

Pharmacy Carve Out NOT \$100 Million Savings

The Administration's projected carve out savings for FY 2008-09 is \$9 million. The \$100 million figure being used by the Administration refers to represents DPW's projected savings of \$95 million for FY 2010-11. These projections are based on a set of assumptions made by the Administration.

- The projected savings assume that the Department of Public Welfare (DPW) will manage pharmacy benefits as effectively as the Managed Care Organizations (MCOs). However, the report from DPW's own consultants acknowledges that the MCOs do a better job at managing drug utilization. Every 1% increase in drug utilization under a pharmacy carve out will reduce the projected savings by as much as \$8 million per year.
- DPW's projected savings were derived from a baseline MCO pharmacy expenditure projection that was 7% higher than actual MCO pharmacy expenditures. As a result, DPW's projected savings are overstated.
- The projected savings are based entirely on the higher drug rebates available to DPW, primarily for brand name drugs. However, DPW's projections fail to consider that many brand name drugs are losing their patent in the next few years and are becoming available as generics, which will reduce DPW's rebate savings very substantially.
- DPW appears to have drastically underestimated the administrative cost of managing pharmacy benefits.
- DPW's savings projections assume that Medicaid consumers will take drugs that are on DPW's preferred drug list. However, DPW has sent mixed messages regarding its intentions to allow consumers who are taking non-preferred drugs to continue on their current medications. Any "grandfathering" will significantly reduce carve out savings.
- DPW's projected savings does not take into consideration the cost of inefficiencies that will occur as a result of dismantling the current integrated full-risk managed care delivery system.

DRUG PRICE COMPARISON CHART

Pharmacy Carve Out

Smart Prescription Purchasing Initiative???

The MCOs agree that Medical Assistance should not pay more than necessary for prescription drugs. That is one of many reasons why we oppose pharmacy carve out.

The Administration is circulating the following information suggesting that the MCOs pay far more than DPW for prescription drugs to treat certain common medical conditions.

Medication MCO price(average) DPWprice DPWSavings

Fluoxetine \$26.00 \$1.75 93%

Insulin (diabetes) \$52.70 \$18.00 66%

Clarinet (allergies) \$100.50 \$47.93 52%

Nexium (heartburn) \$159.06 \$93.34 41%

Lipitor (Cholesterol)) \$112.50 \$77.31 31%

Actos (diabetes) \$134.32 \$99.40 26%

From Administration handout "Smart Prescription Purchasing Initiative Overview" distributed

to the Medical Assistance Advisory Committee on June 12.

The REAL Story

The Administration fails to point out that the MCOs' policy of maximizing the use of generic medications results in much lower pharmacy costs. DPW assumed that we use drugs that we do NOT prefer.

Medication MCO A price DPWprice MCO A Savings

Depression

generic Prozac) \$4.07 \$1.75 (57%)

Diabetes

Insulin \$20.00 to \$75.00 \$18.00 (10%) to (76%)

Actos < \$90.00 (15 mg tablets) \$99.40 9.5%

Allergies

Clarinx (Brand Name Drug) Not preferred \$47.93

Loratadine (generic Claritin) < \$6.00 87%

Heartburn

Nexium (heartburn) Not preferred \$93.34

Omeprazole (generic Prilosec) < \$15.00 84%

Cholesterol Lowering

Lipitor (Brand Name Drug) Not preferred \$77.31

(Simvastatin, Pravastatin, Lovastatin) < \$15.00 81%

Pharmacy Carve Out will actually increase Medical Assistance pharmacy expenditures. Four of the six examples used by the Administration to support the carve out proposal demonstrate that the Administration and DPW do not understand the complexity of pharmacy benefit management. Higher rates of generic utilization save money. The MCOs' coordinated care management programs save lives.