



Medi-Cal Rx

Transitioning Medi-Cal Pharmacy Services from Managed Care to Fee-For-Service

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Executive Order (EO) N-01-19 Overview

- The Governor issued EO N-01-19, which, in part, requires that all Medi-Cal pharmacy services be transitioned from MC to FFS by January 1, 2021 (collectively referred to as “Medi-Cal Rx”).
- Medi-Cal Rx will, among other things:
 - Standardize the Medi-Cal pharmacy benefit statewide, under one delivery system.
 - Improve access to pharmacy services with a pharmacy network that includes an overwhelming majority of the state’s pharmacies.
 - Apply statewide UM protocols to all outpatient drugs.
 - Strengthen California’s ability to negotiate state supplemental drug rebates with drug manufacturers.



Request For Proposal (RFP) #19-96125

- To effectuate EO N-01-19, on August 22, 2019, DHCS released RFP #19-96125, for the takeover, operation, and eventual turnover of administration of Medi-Cal Rx.
- DHCS released a Notice of Intent to Award November 7, 2019. The contract will be effective once a decision is made regarding an appeal in progress. For more information, please visit the [FI\\$Cal/Cal eProcure website](#)
- Questions regarding this RFP should be submitted via email to: CSBRFP1@dhcs.ca.gov



Medi-Cal Rx: What Medi-Cal Pharmacy Services Does it Apply to?

- Medi-Cal Rx applies to all pharmacy services billed on pharmacy claims, including but not limited to:
 - Outpatient drugs (prescription and over-the-counter), including Physician Administered Drugs
 - Enteral Nutrition Products
 - Medical Supplies

- Medi-Cal Rx does not apply to pharmacy services billed on medical/institutional claims.



Pre- and Post-Transition Pharmacy Claims Processing

Delivery System	Claim Type Billed On	Adjudication Responsibility	Adjudication Responsibility
		Pre-Transition	Post-Transition
MCP Delivery System	Pharmacy services billed on a medical/institutional claim	MCPs	MCPs
	Pharmacy services billed on a pharmacy claim	MCPs	Medi-Cal Rx
FFS Delivery System	Pharmacy services billed on a medical/institutional claim	FFS Fiscal Intermediary (FI)	FFS FI
	Pharmacy services billed on a pharmacy claim	FFS FI	Medi-Cal Rx

Please Note: This transition applies to all drugs currently “carved-out” of managed care delivery system (i.e., HIV/AIDS, Blood Factors, Anti-Psychotics, drugs used to treat substance use disorders). As of January 1, 2021, no MCPs will be responsible for covering these drugs, and will be available only through the FFS delivery system.



Post-Transition Responsibilities: DHCS

- Maintain Medi-Cal pharmacy policy, including but not limited to drug coverage, rebate, and utilization management
- Make final determination of prior authorization (PA) denials and retain state fair hearings
- Negotiation of, and policy related to, contracting of state supplemental drug rebates
- Establishing pharmacy reimbursement methodologies
- Establishing and maintaining the Medi-Cal pharmacy provider network



Post-Transition Responsibilities: Medi-Cal Plan Partners

- Maintain beneficiary care coordination
- Oversee clinical aspects of pharmacy adherence
- Provide disease and medication management
- Processing and payment of all pharmacy services billed on medical and institutional claims
- Participation on the Medi-Cal Global Drug Utilization Review (DUR) Board and other DHCS pharmacy committees



Post-Transition Responsibilities: Medi-Cal Rx Contractor

- Claims administration, processing, and payment
- Coordination of benefits with other health coverage, including Medicare
- Utilization Management (UM), including ensuring all prior authorization (PA) adjudication within 24 hours (note: all PA denials will require DHCS review prior to final determination)
- Prospective and Retrospective Drug Utilization Review (DUR) services
- Drug rebate administration services, which are compliant with federal and state laws, and adhere to DHCS policies and direction



Post-Transition Responsibilities: Medi-Cal Rx Contractor (Cont.)

- Provide beneficiary and provider supports, including 24/7/365 Customer Service Center to support all provider and beneficiary calls, as well as outreach, training, and informing materials
- Provide to Medi-Cal providers and plan partners real-time data access (through electronic database/portal), and daily data feeds for the purposes of coordinating care
- Provide direct plan partner liaisons to assist with care coordination and clinical issues



Medi-Cal Pharmacy Transitional Period

- To assist Medi-Cal beneficiaries, pharmacies, and providers in the transition to Medi-Cal Rx on January 1, 2021, DHCS will provide for a minimum 90-day pharmacy transitional period to include the following:
 - No prior authorization (PA) for prescriptions to help ensure Medi-Cal beneficiaries do not experience disruption in their care and/or access to medically necessary prescriptions.
 - Prospective Drug Utilization Review (DUR) requirements for drug safety.
 - Pharmacy, provider, and beneficiary assistance.
- DHCS will ensure that pharmacies, providers, and beneficiaries receive appropriate notification of, and additional information related to, the Medi-Cal Rx pharmacy transitional period and related processes.



Medi-Cal FFS Pharmacy Reimbursement Methodology

- Medi-Cal FFS pharmacy reimbursement for Covered Outpatient Drugs has two components:
 - **Drug Ingredient Cost** (average acquisition cost)
 - **Professional Dispensing Fee** (two-tiered based on total Medicaid and non-Medicaid annual pharmacy claim volume (i.e., dispensed prescriptions):
 - **≤ 90,000 claims per year: \$13.20**
 - **> 90,000 claims per year: \$10.05**
- For 340B claims, reimbursement is drug acquisition cost plus the appropriate professional dispensing fee.



Fiscal Overview

Dollars in Millions

	Total Fund	General Fund
Pharmacy Category of Service		
Estimated Managed Care Pharmacy Spend	(\$5,563)	(\$1,851)
Estimated Fee-For-Service Pharmacy Spend	\$5,708	\$1,900
Net Change in Pharmacy Spend	\$145	\$48
Managed Care Related Administrative Cost Savings	(\$522)	(\$174)
New Pharmacy Related Administrative Costs	\$92	\$23
Net Change in Admin Spend	(\$430)	(\$151)
Sub-Total Change	(\$285)	(\$103)
Additional Supplemental Rebates (12.0%)	(\$761)	(\$253)
Additional Savings Based on MAIC Implementation in FFS	(\$105)	(\$37)
Overall Net Change	(\$1,151)	(\$393)



Fiscal Overview (cont.)

Estimated General Fund (GF) savings of \$393 million related to the pharmacy carve-out, which is subject to a variety of variables and assumptions impacting the net cost to the state that include:

- An increase in supplemental rebates by 2023 due to DHCS' enhanced bargaining power as a result of the increased number of beneficiaries obtaining their medications through the FFS benefit (~2.3 to more than 13 million)
- Implementation of Maximum Allowable Ingredient Costs (MAICs) for drugs which have 3 or more generically equivalent options available
- Reduction of costs related to administrative functions of multiple Pharmacy Benefit Managers (PBMs) used by various MCPs



Fiscal Overview (cont.)

It is important to note, the fiscal is based on current FFS reimbursement methodology, which includes \$10.05/\$13.20 dispensing fees.

Additionally, 340B drugs were priced at what MCPs paid due to DHCS not having knowledge of the 340B entity acquisition cost to properly score the potential 340B savings. Therefore, potential savings associated with 340B reimbursement, other than what is already realized in managed care, are not included in the current fiscal.

The proposal does not change or eliminate the 340B Program in California.



Medi-Cal Contract Drug List (CDL) Management

- Medi-Cal covers all drugs approved by the federal Food and Drug Administration, subject to medical necessity.
- DHCS maintains the Medi-Cal CDL, which generally includes drugs for which there is a current state supplemental rebate agreement on file.
 - **Drugs listed on the CDL:** PA typically not required.
 - **Drugs not listed on the CDL:** PA required.
- DHCS adds drugs to the CDL based upon either:
 - An external Individual Drug Petition (IDP) request from a manufacturer, physician, and/or pharmacist; or,
 - A DHCS-initiated IDP review, if applicable.



Medi-Cal CDL Management (Cont.)

- DHCS conducts reviews based upon the following five statutory criteria:
 - Safety
 - Effectiveness
 - Essential need
 - Potential for misuse
 - Cost
- DHCS seeks Medi-Cal Drug Advisory Committee (MCDAC) review of any petitioned drug(s). MCDAC members are appointed by the DHCS Director and include: community physicians and pharmacists, faculty members from academic pharmacy institutions, and Medi-Cal beneficiaries.



Potential Statutory and/or Medi-Cal Policy Changes

- DHCS is currently exploring options related to the following:
 - **Pharmacy Co-Pays:** Removal of the existing Medi-Cal FFS drug prescription co-pay (\$1 (one) dollar) in state law.
 - **6 Rx:** Removal of the monthly six prescription limit in state law.
 - **Multi-Year Prior Authorization (PA):** Allowing multi-year PAs for certain disease conditions and classes of drugs based upon established and documented clinical criteria (e.g. maintenance drugs with a low risk of adverse events).
 - **Auto-Adjudication (i.e., automated claim approval and payment):** Enhancing and/or expanding auto-adjudication functionalities to reduce the number of drugs with PA requirements that require manual review.



Potential UM Change: Multi-Year Prior Authorizations (PAs) and Auto-Adjudication

- DHCS is currently considering the following drug categories for multi-year PA/auto-adjudication changes:
 - **Multi-Year PAs:**
 - Anti-hypertensives
 - Diabetes Management
 - Anticonvulsants
 - Asthma Therapy
 - Parkinson's Disease Therapy
 - **Auto-Adjudication:**
 - Nonsteroidal Anti-inflammatory Drugs (NSAIDs)
 - Histamine-2 Receptor Blockers (H2 Blockers)
 - Proton Pump Inhibitors (PPIs)
 - Discharge Medications
 - Selective Serotonin Reuptake Inhibitors (SSRIs)
 - Antihistamines
 - Lipid Lowering Medications
 - Diuretics



Potential Utilization Management (UM) Change: Enhanced Opioid Management

- DHCS is undertaking necessary steps to comply with the requirements established in H.R. 6, Substance Use-Disorder Prevention that Promotes Opioid Recovery and Treatment (SUPPORT) for Patients and Communities Act, which requires, in part, processes for:
 - Ensuring the claims system can recognize safety flags/indicators to ensure appropriate levels of use have not been exceeded for subsequent opioid fills and maximum daily morphine equivalent that exceed state-defined limitations.
 - Automatically monitoring when an individual is concurrently prescribed opioids and benzodiazepines or antipsychotics.
 - Monitoring antipsychotic prescribing for children.
 - Identifying potential fraud and/or abuse by enrolled individuals and pharmacies.



Potential UM Change: Enhanced Opioid Management (cont.)

- As part of its implementation activities, DHCS is:
 - Developing a Medi-Cal managed care All Plan Letter (APL)
 - Submitting a State Plan Amendment (SPA) to the Centers for Medicare and Medicaid Services with a retroactive effective date of October 1, 2019.

- In addition, as part of Medi-Cal Rx, DHCS has solicited Proposals as part of the RFP to further explore enhanced opioid management UM tools that go above and beyond what is required by H.R. 6.



Potential UM Change: Pharmacy Lock-In Program

- As part of the Medi-Cal Rx RFP, DHCS has solicited Proposals to further explore pharmacy lock-in program options, including but not limited to things such as:
 - Use of multiple pharmacies
 - Different prescribers of controlled substances
 - Number of controlled substances

- Currently, approximately 50% of Medi-Cal MCPs have a pharmacy lock-in program in place.

- Outside of DHCS, these programs are typically designed to identify potential fraud and/or misuse of controlled drugs by a beneficiary, and include referral to additional services (e.g., substance use disorder services).



DHCS Medi-Cal Rx Advisory Workgroup

Starting January 2020 and continuing through April 2021, DHCS will conduct seven (7) in-person, targeted meetings to help facilitate more effective and informative stakeholder engagement and collaboration around Medi-Cal Rx.

- Meetings will each be approximately four (4) hours in length and held in Sacramento.
- Workgroup membership will be limited (less than 30 members) to ensure a collaborative and productive discussion environment, and will be comprised of organizations and entities such as hospitals, clinics, health plans, counties, pharmacies, tribal health programs, and consumer advocates.
- Notification of Workgroup membership will be released no later than December 13, 2019.



DHCS Medi-Cal Rx Advisory Workgroup (cont.)

During the Medi-Cal Rx Advisory Workgroup, DHCS will provide updates on the pharmacy transition, and lead targeted discussions on the following topics:

- Roles and responsibilities between DHCS, the Medi-Cal Rx Contractor, and Medi-Cal Managed Care Plans
- DHCS' implementation strategies, tools, and timelines, including but not limited to, provider education and outreach and beneficiary notifications
- Medi-Cal pharmacy policy development, which will include the scope of carve out, prior authorization, and utilization management protocols
- Changes to existing Medi-Cal pharmacy committees



DHCS Medi-Cal Rx Public Forums

Throughout calendar years 2020 and 2021, DHCS will host several larger Medi-Cal Rx Public Forums via webinar and in-person meetings to ensure the broader stakeholder community is up-to-speed with Medi-Cal Rx implementation activities and timelines.

- DHCS will post information regarding the dates and time for the Medi-Cal Rx Public Forums as those become available and release reminder notices through various DHCS stakeholder email distribution lists.



Medi-Cal Rx & Tribal Health Programs

- DHCS looks forward to its ongoing collaboration with the Tribal Health Programs regarding Medi-Cal Rx.
- DHCS continues to evaluate potential impacts that Medi-Cal Rx may have on Tribal Health programs.
- As more information becomes available and policy approaches are further refined in this space, DHCS will reach out through various avenues – including through the Medi-Cal Tribal and Indian Health Program Designee meeting – to engage Tribal Health programs for feedback and input to help inform Medi-Cal Rx implementation efforts.



Additional Information

- For more information about Medi-Cal Rx, including Frequently Asked Questions, please visit DHCS' dedicated Medi-Cal Rx website: [Medi-Cal Rx: Transition](#)
- For questions and/or comments regarding Medi-Cal Rx, please submit those via email to RxCarveOut@dhcs.ca.gov



Question & Answer Session