



# Medi-Cal Rx

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

September 26, 2019, 2:00 p.m. – 4:00 p.m.

1500 Capitol Avenue

Department of Health Care Services Auditorium

Sacramento, California



# Welcome and Introductions

- Welcome and Department of Health Care Services (DHCS) Introductions
- Housekeeping Items:
  - For attendees participating remotely, webinar lines are in “listen-only” mode. No questions will be taken over the phone.
  - For attendees participating in-person, there will be an opportunity to ask questions at the end of the presentation.



# Today's Agenda

- Executive Order (EO) N-01-19 Overview
- Request for Proposal (RFP) #19-96125 Update
- Medi-Cal Rx Post-Transition Responsibilities
- Medi-Cal Pharmacy Fee-for-Service (FFS) Network & Reimbursement Methodology
- Medi-Cal Contract Drug List (CDL) Management
- Pre- and Post-Transition Pharmacy Claims Processing
- Medi-Cal Pharmacy Transitional Period
- Potential Statutory and/or Medi-Cal Policy Changes
- Potential Medi-Cal Utilization Management (UM) Changes
- DHCS' Ongoing Commitment to Stakeholder Engagement
- Data Collection for 340B Analysis
- References/Citations
- Question & Answer Session



# 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 Update

- **August 22, 2019:** DHCS released RFP #19-96125, for the takeover, operation, and eventual turnover of administration of Medi-Cal Rx.
- **August 22 - 29, 2019:** DHCS received 394 submissions during the formal Question & Answer (Q&A) period.
- DHCS made RFP language changes based upon the Q&A process, in areas including but not limited to RFP Main, Takeover, Operations, Optional Contract Services, etc.
- All formal Q&A, as well as a summary of the RFP changes, are available on the DHCS procurement website.



## RFP Update (Cont.)

- Final RFP Proposals are due by 4:00 PM PDT on October 1, 2019. For more information, please visit one of the two websites:
  - [DHCS' procurement website](#)
  - [FI\\$Cal/Cal eProcure website](#)
  
- Questions regarding this RFP should be submitted via email to: [CSBRFP1@dhcs.ca.gov](mailto:CSBRFP1@dhcs.ca.gov)



# 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 FFS Pharmacy Network

- **Active California-licensed pharmacies<sup>1</sup> : 6,633**
- **Enrolled Medi-Cal FFS pharmacies<sup>2</sup>: 6,223**
- **Percentage of enrolled Medi-Cal FFS pharmacies designated as “chain” versus “independent”<sup>3</sup>: 55% “chain” versus 45% “independent”**



# Medi-Cal FFS Pharmacy Reimbursement Methodology

- Medi-Cal FFS pharmacy reimbursement for Covered Outpatient Drugs<sup>4</sup> 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.



# 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<sup>5</sup>:
  - Safety
  - Effectiveness
  - Essential need
  - Potential for misuse
  - Cost.
- DHCS seeks Medi-Cal Drug Advisory Committee (MCDAC) review of any petitioned drug(s)<sup>6</sup>. MCDAC members are appointed by the DHCS Director and include: community physicians and pharmacists, faculty members from academic pharmacy institutions, and Medi-Cal beneficiaries.



# Pre- and Post-Transition Pharmacy Claims Processing

- 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 (Cont.)

Delivery System	Claim Type Billed On	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.



# 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.



# 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' Ongoing Commitment to Stakeholder Engagement

- DHCS is committed to working with its external partners (including but not limited to, MCPs, counties, providers, consumer advocates and beneficiaries) to ensure a smooth and successful transition and implementation of Medi-Cal Rx through the following:
  - Publicly releasing for comment various Medi-Cal Rx draft informing materials (e.g., provider and beneficiary notices, APLs, etc.).
  - Ensuring MCPs, counties, providers, consumer advocates and beneficiaries receive timely and accurate information relating to the transition and associated implementation activities.



## DHCS' Ongoing Commitment to Stakeholder Engagement (Cont.)

- Providing status updates and gathering stakeholder feedback through various DHCS sponsored public meetings
- Engaging and collaborating with 340B entities to collect additional information to ensure DHCS holistically understands the impact of Medi-Cal Rx
- Maintaining DHCS' dedicated Medi-Cal Rx website: [Medi-Cal Rx: Transition](#)
- Maintaining DHCS' dedicated Medi-Cal Rx email inbox: [RxCarveOut@dhcs.ca.gov](mailto:RxCarveOut@dhcs.ca.gov)



# Data Collection for 340B Analysis

- Pursuant to ongoing discussions with community clinics/health centers, as well as the California Primary Care Association, regarding various concerns raised about the impacts to funding levels for those providers who also operate pharmacies (or use contract pharmacies) that utilize the 340B program, DHCS requests that all clinics/health centers download and complete the data template in full and submit via email to [Clinic340BData@dhcs.ca.gov](mailto:Clinic340BData@dhcs.ca.gov) no later than **Monday, October 7th**.
  - The data template is available on the [DHCS website](#).
  - Please ensure your submission is also in the Microsoft Excel format and not converted to PDF or any other format.
- We appreciate your assistance in providing this data. DHCS will use this information to compile statewide data in order to inform future discussions within the Administration and with the Legislature and clinics/health centers.
- For any questions or concerns, please submit your question via email to [Clinic340BData@dhcs.ca.gov](mailto:Clinic340BData@dhcs.ca.gov).



# References/Citations

- <sup>1</sup> Department of Consumer Affairs, Board of Pharmacy; as of 05/10/18
- <sup>2</sup> DHCS provider enrollment data; as of 06/15/19
- <sup>3</sup> DHCS' Professional Dispensing Fee Study
- <sup>4</sup> Welfare and Institutions (W&I) Code 14105.45
- <sup>5</sup> W&I Code Section 14105.39(c)(1) and (2)
- <sup>6</sup> W&I Code Section 14105.4



# Question & Answer Session

(Note: For Attendees Participating In-Person Only)