



# Medi-Cal Rx Advisory Workgroup

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

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# Brief Project Recap

- Pursuant to Governor's Executive Order N-01-19, "Medi-Cal Rx" refers to the suite of Medi-Cal pharmacy benefits and services that will be standardized and administered through the fee-for-service delivery system, beginning on January 1, 2021.
- Medi-Cal Rx will impact all Medi-Cal Managed Care Plans (MCPs), including Senior Care Action Network (SCAN) and AIDS Healthcare Foundation.
- Medi-Cal Rx will not apply to Programs of All-Inclusive Care for the Elderly (PACE) and Cal MediConnect health plans.



# Brief Project Recap (2)

- Transitioning pharmacy services from Medi-Cal managed care to fee-for-service (FFS) 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 the vast majority of the state's pharmacies and is generally more expansive than individual Medi-Cal managed care plan pharmacy networks.
  - Apply statewide utilization management protocols to all outpatient drugs, as appropriate.
  - Strengthen California's ability to negotiate state supplemental drug rebates with drug manufacturers as the largest Medicaid program in the state with approximately 13 million beneficiaries.



# Brief Project Recap (3)

- Medi-Cal Rx will include all pharmacy services billed on pharmacy claims, including but not limited to: outpatient drugs (prescription and over-the counter); enteral nutrition products; and medical supplies.
- Medi-Cal Rx will not include pharmacy services billed on medical/institutional claims.
- Medi-Cal Rx will not change:
  - The scope of the existing Medi-Cal pharmacy benefit
  - Provision of pharmacy services in an inpatient or long-term care setting, regardless of delivery system
  - Existing Medi-Cal managed care pharmacy carve-outs (e.g., blood factor, HIV/AIDS drugs, antipsychotics, or drugs used to treat substance use disorder)
  - The State Fair Hearing process



# Project Implementation Updates

- August 22, 2019: DHCS released Request for Proposal (RFP) #19-96125, for the takeover, operation, and eventual turnover of administration of Medi-Cal Rx.
- November 7, 2019: DHCS released a Notice of Intent to Award.
- December 12, 2019: DHCS awarded an administrative services contract to Magellan Medicaid Administration, Inc. (Magellan), with a contract effective date (CED) of December 20, 2019.
- December 2019 & Ongoing: DHCS, in collaboration with the Medi-Cal Rx Contractor, Magellan, has undertaken transition and implementation activities, including claims administration, rebates administration, education and outreach to Medi-Cal providers and beneficiaries, etc.



# Fiscal Update & Overview

	ANNUAL	
	Total Fund	General Fund
<i>(Dollars in Millions)</i>		
<b>Pharmacy Category of Service</b>		
Estimated Managed Care Pharmacy Spend	(\$5,598)	(\$1,869)
Estimated Fee-For-Service Pharmacy Spend	\$5,650	\$1,887
Estimated 340B Savings	(\$147)	(\$74)
Non-hospital 340B Clinic Supplemental Payments	\$105	\$53
Net Change in Pharmacy Spend	\$10	(\$4)
Managed Care Related Administrative Cost Savings	(\$234)	(\$78)
FFS Related Administrative Cost Savings	(\$8)	(\$2)
New Pharmacy Related Administrative Costs	\$87	\$22
Net Change in Admin Spend	(\$155)	(\$58)
Sub-Total Change	(\$145)	(\$62)
Additional Supplemental Rebates MC Carve-Out		
Additional Savings Based on MAIC Implementation in FFS	(\$678)	(\$226)
Additional Supplemental Rebates Existing FFS	(\$138)	(\$51)
	(\$196)	(\$66)
<b>Overall Net Change</b>	<b>(\$1,157)</b>	<b>(\$405)</b>
<b>Related Trailer Bill</b>		
Repeal Medi-Cal FFS Monthly Six Prescription Limit	\$0	\$0
Eliminate Medi-Cal FFS Drug Prescription Co-pays	\$0	\$0
California Best Price Redefined	TBD	TBD
	\$0	\$0
<b>Grand Total</b>	<b>(\$1,157)</b>	<b>(\$405)</b>



## Fiscal Update & Overview (2)

- Estimated General Fund (GF) savings of \$405 million related to the pharmacy carve-out, which is subject to a variety of variables and assumptions impacting the net cost to the state, which include, but are not limited to:
  - An increase in supplemental rebates by 2022-23 due to DHCS' enhanced bargaining power as a result of the increased number of beneficiaries obtaining their medications through the fee-for-service (FFS) benefit (~2.3 to 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 is based on current Medi-Cal FFS reimbursement methodology, which includes \$10.05/\$13.20 dispensing fees.



## Fiscal Update & Overview (3)

- Based on current fee-for-service (FFS) reimbursement methodology, which includes \$10.05/\$13.20 dispensing fees, 340B drugs were priced at what managed care plans paid due to DHCS not having knowledge of the 340B entity acquisition cost.
- DHCS is proposing a new supplemental payment pool for non-hospital 340B clinics as a part of the Budget. This program would become effective with the Medi-Cal Rx transition date of January 1, 2021. The size of the supplemental payment is \$105 million Total Fund (TF), which was based off of the information from the data submitted by the non-hospital 340B clinics and matches what their current revenue above cost is.



# Proposed Trailer Bill language

- Proposed Trailer Bill language would:
  - Repeal the six prescription drug limit, and is estimated to be cost neutral, if approved.
  - Elimination the Medi-Cal fee-for-service (FFS) prescription co-pays, is estimated to be cost neutral, if approved.
  - Establish a “best pricing” schedule for Medi-Cal drugs that would allow for drug prices outside the United States to be considered, and the fiscal impact is “to be determined”.



# Medi-Cal Rx Advisory Workgroup: Goals & Objectives

- DHCS will provide status and implementation updates on the pharmacy transition.
- DHCS will lead targeted discussions based upon feedback from our workgroup membership identifying topics/issues that fall into the following areas:
  - 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 and considerations, which will include the scope of carve out, prior authorization, and utilization management protocols
  - Changes to existing Medi-Cal pharmacy committees



# Helpful Resources

- For more information about Medi-Cal Rx, please visit DHCS' dedicated Medi-Cal Rx website: [Medi-Cal Rx: Transition](#)
- [Medi-Cal Rx Frequently Asked Questions](#) (FAQs) - additional guidance and clarification to Medi-Cal beneficiaries, providers, plan partners, and other interested parties
- For questions and/or comments regarding Medi-Cal Rx, DHCS invites stakeholders to submit those via email to [RxCarveOut@dhcs.ca.gov](mailto:RxCarveOut@dhcs.ca.gov)