

# Medicaid MCO Savings on Prescription Drug Costs – Therapeutic Class Level Comparisons

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# Introduction

- Historically, prescription drugs paid for by Medicaid managed care organizations (MCOs) have averaged a lower cost per prescription and a higher generic dispensing rate (GDR) than those paid for in the Medicaid fee-for-service (FFS) setting.
  - Medicaid's nationwide average net (post-rebate) costs per prescription in the MCO setting were 27.2% below the FFS average during FFY2017.
- Medicaid MCOs now pay for more than 70% of all Medicaid prescriptions.
- In this 5 Slide Series edition, we compare Medicaid MCO and FFS usage and costs at the therapeutic class and individual drug level, focusing on two therapeutic classes with large Medicaid prescription volume – Antihistamines and Narcotic Analgesic Combinations.

	Generic Percentage of All Prescriptions			Medicaid Cost Per Prescription					
	Overall	MCO	FFS	Pre-Rebate			Net (Post-Rebate)		
				Overall	MCO	FFS	Overall	MCO	FFS
<b>FFY2013</b>	83.5%	85.9%	80.8%	\$66.28	\$55.85	\$77.62	\$31.86	\$28.19	\$35.84
<b>FFY2014</b>	84.7%	87.1%	81.7%	\$71.93	\$60.18	\$87.09	\$34.38	\$29.99	\$40.05
<b>FFY2015</b>	85.6%	87.5%	82.2%	\$77.24	\$65.78	\$97.63	\$36.71	\$32.30	\$44.56
<b>FFY2016</b>	86.4%	87.9%	83.1%	\$81.29	\$70.27	\$105.72	\$38.05	\$33.79	\$47.50
<b>FFY2017</b>	86.9%	88.1%	83.8%	\$83.17	\$73.51	\$107.85	\$38.47	\$34.80	\$47.82

# Cost Per Prescription Overview in Selected Therapeutic Classes, FFY2017

- **Antihistamines** are made up of nearly 100% generic drugs in both the MCO and FFS settings, but the MCOs' average cost per prescription within generics was far lower than for FFS. MCO average costs per prescription, pre-rebate, are 29% below FFS in this drug class.
- **Narcotic analgesic combinations** actually have a higher average cost per prescription in the MCO setting within both brand and generic drugs, but the GDR in the MCO setting is much higher than in the FFS setting. MCO average costs per prescription, pre-rebate, are 23% below FFS in this drug class.

Third Tier TC	FFS				MCO				
	Brand Pre-Rebate Cost Per Prescription	Generic Pre-Rebate Cost Per Prescription	Total OTC %	Generic Percentage	Brand Pre-Rebate Cost Per Prescription	Generic Pre-Rebate Cost Per Prescription	Total OTC %	Generic Percentage	MCO Overall Cost Per Prescription as a % of FFS
Antihistamines	\$160.56	\$11.96	58.9%	99.8%	\$96.38	\$8.16	62.4%	99.4%	71.0%
Narcotic analgesic combinations	\$204.93	\$21.25	0.0%	77.3%	\$227.69	\$23.59	0.0%	87.8%	77.0%

*Note: The percentage of these therapeutic classes that are over-the-counter (OTC) was similar in both the FFS and MCO setting, which ensures that the amount of OTC usage does not influence either generic utilization or average cost per prescription.*

# Drug-Level Comparison: Antihistamines

- Twenty individual drugs make up the Antihistamines therapeutic class, ten of which collectively represent 99.6% of prescription volume and 98.0% of pre-rebate expenditures within this drug class.
- For the top 10 drugs, both FFS and MCO settings have a nearly identical GDR.
- MCOs have a higher average cost per prescription for the brand versions of the drugs. However, MCOs have a lower average cost per prescription for **9 out of 10 generic versions** of the drugs. Because the GDR is so high in this therapeutic class, this creates a favorable overall average cost per prescription.

Drug	FFS					MCO				
	Brand Cost Per Prescription	Generic Cost Per Prescription	Overall Cost Per Prescription	Generic Percentage	% Share of Total FFS Drug Volume	Brand Cost Per Prescription	Generic Cost Per Prescription	Overall Cost Per Prescription	Generic Percentage	% Share of Total MCO Drug Volume
Cetirizine Hydrochloride	N/A	\$11.40	\$11.40	100.0%	37.7%	N/A	\$6.34	\$6.34	100.0%	33.3%
Loratadine	N/A	\$9.23	\$9.23	100.0%	31.3%	N/A	\$4.48	\$4.48	100.0%	34.4%
Hydroxyzine Hydrochloride	N/A	\$13.52	\$13.52	100.0%	10.8%	N/A	\$10.29	\$10.29	100.0%	9.7%
Triprolidine Hydrochloride	\$86.00	\$61.95	\$67.11	78.5%	0.1%	\$88.74	\$56.47	\$64.39	75.5%	2.1%
Promethazine Hydrochloride	N/A	\$14.22	\$14.22	100.0%	6.9%	N/A	\$11.81	\$11.81	100.0%	7.0%
Hydroxyzine Pamoate	N/A	\$13.02	\$13.02	100.0%	6.5%	N/A	\$8.08	\$8.08	100.0%	6.7%
Cyproheptadine Hydrochloride	N/A	\$27.63	\$27.63	100.0%	2.4%	N/A	\$23.12	\$23.12	100.0%	2.4%
Fexofenadine Hydrochloride	N/A	\$19.43	\$19.43	100.0%	1.0%	N/A	\$13.21	\$13.21	100.0%	1.9%
Diphenhydramine Hydrochloride	N/A	\$11.64	\$11.64	100.0%	1.7%	N/A	\$18.17	\$18.17	100.0%	1.2%
Levocetirizine Dihydrochloride	\$97.02	\$25.12	\$25.26	99.8%	1.2%	\$123.15	\$14.17	\$14.30	99.9%	1.0%
All other drugs	\$173.87	\$22.23	\$67.40	70.2%	0.5%	\$151.16	\$16.56	\$46.80	77.5%	0.3%
<b>Total</b>	<b>\$160.56</b>	<b>\$11.96</b>	<b>\$12.21</b>	<b>99.8%</b>	<b>100.0%</b>	<b>\$96.38</b>	<b>\$8.16</b>	<b>\$8.67</b>	<b>99.4%</b>	<b>100.0%</b>

# NDC-Level Comparison: Antihistamines

- The Antihistamines therapeutic class is made up of 421 national drug codes (NDCs); 280 of these NDCs make up 99.9% of the prescription volume in the class.
- Of these 280 NDCs:
  - Only 46 NDCs had a higher average cost per prescription in the MCO setting
  - The 100 most expensive NDCs within this group represent 10.9% of FFS prescriptions and 11.7% of MCO prescriptions.
- These figures indicate that the lower MCO cost per prescription for the drugs on the previous slide is due to MCOs having a lower average cost for the same NDCs, not a lower-cost mix of NDCs.

# Drug-Level Comparison: Narcotic Analgesic Combinations

- The top eight drugs in this class represent 99.9% of prescription volume and pre-rebate expenditures.
- Despite MCOs having a higher average cost per prescription for both brand and generic versions of the drugs, the overall average cost per prescription comes out lower because of the MCOs' higher generic utilization.

Drug	FFS					MCO				
	Brand Cost Per Prescription	Generic Cost Per Prescription	Overall Cost Per Prescription	Generic Percentage	% Share of Total FFS Drug Volume	Brand Cost Per Prescription	Generic Cost Per Prescription	Overall Cost Per Prescription	Generic Percentage	% Share of Total MCO Drug Volume
Hydrocodone & Acetaminophen	\$62.13	\$15.96	\$16.06	99.8%	48.4%	\$84.96	\$13.26	\$13.35	99.9%	49.4%
Oxycodone & Acetaminophen	\$961.85	\$27.62	\$28.27	99.9%	22.2%	\$871.43	\$25.17	\$25.59	99.9%	23.0%
Buprenorphine and Naloxone	\$201.41	\$143.28	\$198.65	4.7%	23.3%	\$224.44	\$110.99	\$183.53	36.0%	18.7%
Acetaminophen & Codeine Phosphate	N/A	\$12.00	\$12.00	100.0%	5.1%	\$178.33	\$7.16	\$7.17	100.0%	8.2%
Hydrocodone & Ibuprofen	\$126.75	\$34.46	\$35.37	99.0%	0.3%	\$89.30	\$31.64	\$31.79	99.7%	0.2%
Morphine & Naltrexone	\$442.06	N/A	\$442.06	0.0%	0.3%	\$492.99	N/A	\$492.99	0.0%	0.2%
Acetaminophen, Butalbital, Caffeine, & Codeine Phosphate	N/A	\$110.03	\$110.03	100.0%	0.1%	N/A	\$67.13	\$67.13	100.0%	0.2%
Aspirin, Butalbital, Caffeine, & Codeine Phosphate	N/A	\$97.35	\$97.35	100.0%	0.1%	N/A	\$90.25	\$90.25	100.0%	0.1%
<b>Total</b>	<b>\$204.93</b>	<b>\$21.25</b>	<b>\$62.92</b>	<b>77.3%</b>	<b>100.0%</b>	<b>\$227.69</b>	<b>\$23.59</b>	<b>\$48.45</b>	<b>87.8%</b>	<b>100.0%</b>

# NDC-Level Comparison: Narcotic Analgesic Combinations

- The Narcotic analgesic combinations therapeutic class is made up of 314 NDCs; 208 of these NDCs make up 99.9% of the prescription volume in the class.
- Of these 208 NDCs:
  - 65 NDCs (31%) had a higher average cost per prescription in the MCO setting
  - The 50 most expensive NDCs within this group represent 27.2% of FFS prescriptions and 21.8% of MCO prescriptions.
  - The 50 lowest cost NDCs within this group represent 31.5% of FFS prescriptions and 37.5% of MCO prescriptions.
- These figures indicate that the lower MCO cost per prescription for the drugs on the previous slide is due to MCOs having a lower average cost for the same NDCs, utilizing more of the lower-cost versions of the drugs, and having a higher GDR.

# Conclusions

- While MCO costs per prescription were much lower than FFS for both therapeutic classes assessed, the path by which MCOs achieved these savings varied considerably.
- Within Antihistamines, MCOs have lower average costs per prescription than FFS for 83.6% of NDCs. The overall lower MCO cost per prescription in this class is thus predominantly due to MCOs having a lower cost for the same NDCs, not a lower-cost mix of generic NDCs.
- Within Narcotic Analgesic Combinations, in addition to utilizing more generics in the MCO setting, MCOs also use lower-cost versions of the same drugs. While two-thirds of NDCs are less expensive in the MCO setting, MCOs also used fewer of the higher-cost NDCs and more of the lower-cost NDCs than the FFS setting.



# 5 Slide Series Overview

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