The Menges Group

Strategic Health Policy & Care Coordination Consulting

Assessment of Louisiana Medicaid Prescription Drug Management Performance and Preferred Drug List Policy Options, April 2018 – Summary of Findings

Legislation has been proposed in Louisiana to take the Medicaid preferred drug list (PDL) content responsibility away from the MCOs and shift it to a single state-determined PDL. The Menges Group was enlisted to evaluate the impacts of this policy change, drawing upon recent and extensive Medicaid prescription drug data available for Louisiana and other who have adopted a variety of PDL policies. The key findings from our report are listed below.

1. **Louisiana is a very high-performing state with regard to the management of its Medicaid prescription drug benefit.** During FFY2017, the most recent year in which full Medicaid prescription drug data are available, Louisiana had the nation's most favorable Medicaid generic dispensing rate (GDR) at 90.9% and the nation's 8th best (lowest) net costs per prescription. Both of these statistics indicate that the current Medicaid policy, which allows the MCOs latitude to shape their own PDLs and under which 95% of all Medicaid prescriptions were paid in FFY2017, has resulted in excellent management of the drug mix and lower drug spending.

2. **A change to a uniform, State-administered PDL would be costly to Louisiana's Medicaid program and its taxpayers.** The PDL responsibility should not be transitioned back to the State. This would represent a significant and costly step backwards for the Healthy Louisiana program. States affording their MCOs extensive PDL latitude have outperformed states using a uniform Medicaid PDL, achieving an average 4.5 percentage points higher GDR between FFY2015 – FFY2017. We estimate that by transitioning to a state-operated uniform PDL, Louisiana would experience a 13.5% increase in pharmacy expenditures, which increases State Fund costs by $23 million in FFY2019 and by $121 million across the five-year timeframe FFY2019 – FFY2023.

3. **The uniform PDL model is overly focused on back-end rebates rather than optimal front-end drug mix management.** Our analyses conclusively demonstrate that rebate maximization works against achieving favorable net per prescription costs. The ten states with the largest rebates per prescription had a collective net cost per prescription of $47.66 during FFY2017, ***40% above*** the average net cost per prescription across the ten states with the highest GDR ($33.97).

4. **The arguments that programmatic advantages exist in using a state-administered PDL tend to be over-stated and invalid.** The arguments raised in favor of a uniform PDL involve administrative simplification for prescribing physicians and pharmacists, and improved purchasing power. However, Medicaid pays for only approximately 22% of all Louisiana's prescriptions. Creating "uniformity" with the Medicaid PDL will not meaningfully change the number of PDLs used in the state. Also, the PBMs and MCOs currently supporting the Healthy Louisiana program are national organizations with far more covered lives and purchasing power than Louisiana's Medicaid population represents.