The Menges Group

Strategic Health Policy & Care Coordination Consulting

New Report Recommends Continuing to Coordinate Prescription Drug Benefits Within Utah's Medicaid ACO Program

Background

Utah's Medicaid program contracts with four Accountable Care Organizations (ACOs) to coordinate care for most of the state's Medicaid enrollees. The vast majority of the ACO enrollees' prescription drugs are included in the package of services the ACOs are responsible for. The ACO model was designed to promote integrated care, reduce overall costs, and improve the quality of care. Utah Medicaid is considering a shift to a carve-out model, which would create a single government payer system for pharmacy services, managed by the state and their contracted national Pharmacy Benefit Administrator (PBA).

Utah's ACOs commissioned The Menges Group to conduct a study of the fiscal and programmatic impacts of moving away from the state's current approach and switching to a "carve-out" model that would create a single government payer system for pharmacy services.

Overall Recommendations

The Menges Group's report's key recommendations are to continue to integrate the drug benefit within the ACOs' systems of care coordination, but with some important modifications regarding how the preferred drug list (PDL) is managed and how rebates on brand drugs are collected. This allows for a "best of both worlds" partnership whereby:

- The considerable programmatic advantages of keeping the pharmacy benefit inside of the ACOs' purview are preserved. A carve-out would represent a 180 degree turn away from the integrated care model that the state has put in place and worked to strengthen throughout the past decade.
- DHHS will play a much more significant role in the area where it has the most to offer – identifying when a brand drug (due to rebate dynamics) creates the lowest net cost to Medicaid in a given drug class, and ensuring that the ACOs steer volume to these drugs.
- The ACOs and DHHS will work together more closely and on an ongoing basis to achieve their shared objectives.

Due to the many changing dynamics in the pharmaceutical market and the Medicaid drug rebate program, it is recommended that the above changes be piloted over a three-year period, with DHHS initially controlling the PDL (and collecting supplemental rebates) in just those drug classes where the largest expected net savings can be attained.

ACO capitation rates will need to be adjusted to accurately reflect the greater use of brand name medications that will occur through the hybrid PDL that is being recommended, as well as the reduction in drug rebates being collected by the ACOs.

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Fiscal Impacts of a Carve-Out

A recent assessment by Milliman overestimated Utah's savings from a carve-out in numerous ways. Some of the most important concerns with this assessment were:

- The Milliman report did not present information regarding Utah's state fund impacts. Even if the overall Medicaid savings estimated by Milliman did materialize, Utah's savings would be only 20% to 25% of the figures they derived.
- Milliman assumed ACO administrative costs will disappear rather than shift over to the fee-for-service setting. The Menges Group's report found no path to overall administrative savings, instead noting that the state would need to pay for an additional proportion of pharmacy-related administrative costs under the federal Medicaid matching funds formula.
- Milliman's report identified that considerable savings can occur through greater DHHS control over the PDL – and corresponding rebate collections. The Menges Group's report emphasizes that these savings can be equally accessed by implementing this approach within the current pharmacy carve-in model.

Taking all the fiscal dynamics into account, The Menges Group did not see a path to a meaningful overall fiscal difference between the carve-in and carve-out models.

Programmatic Impacts of a Carve-Out

- Utah's ACOs have integrated staff and information systems that function optimally under a carve-in model.
- A carve-in pharmacy benefit leads to higher scores on pharmacy-related HEDIS quality measures, increased ability to influence medication adherence, enhanced detection of potential adverse drug interactions or opioid abuse, real-time data integration, and increased member outreach. The ACOs are delivering strong quality performance. The Menges Group compared Utah's Medicaid quality scores on pharmacy-related quality measures with those of its neighboring states, and found Utah's scores on average to be superior to each neighboring state except New Mexico.
- A carve-out of the drug benefit would create major changes in how the ACO program operates, inviting unwelcome transitions. The Menges Group's report documents how California's recent switch to a carve-out resulted in massive-scale access barriers to medications, and roughly a $2B net cost increase during the first year of implementation.
- Three of the ACOs use internal PBAs – only one contracts with a national PBA. Carving out the full pharmacy benefit to the state will eliminate Utah jobs in the private sector in favor of creating more positions in state government.
- Introducing a pharmacy carve-out would exacerbate existing operational challenges in Utah's Medicaid program (e.g., those occurring with PRISM).

Given the above findings and dynamics, Utah's Medicaid ACOs advocate for the preservation of the current pharmacy "carve-in" model, including piloting the programmatic modifications recommended in The Menges Group's report.