



# Medi-Cal Rx

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

February 20, 2020, 4:00 – 5:00 p.m.  
1700 K Street, Sacramento, California



# Today's Agenda

- Welcome & Opening Remarks
- Project Recap
- Project Implementation Updates & Project Timeline
- Fiscal Update & Overview
- Stakeholder Engagement Update
- Question & Answer Session



# Project Recap 1

- 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 (FFS) 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.



# Project Recap 2

- Transitioning pharmacy services from Medi-Cal managed care to 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.



# 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 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.

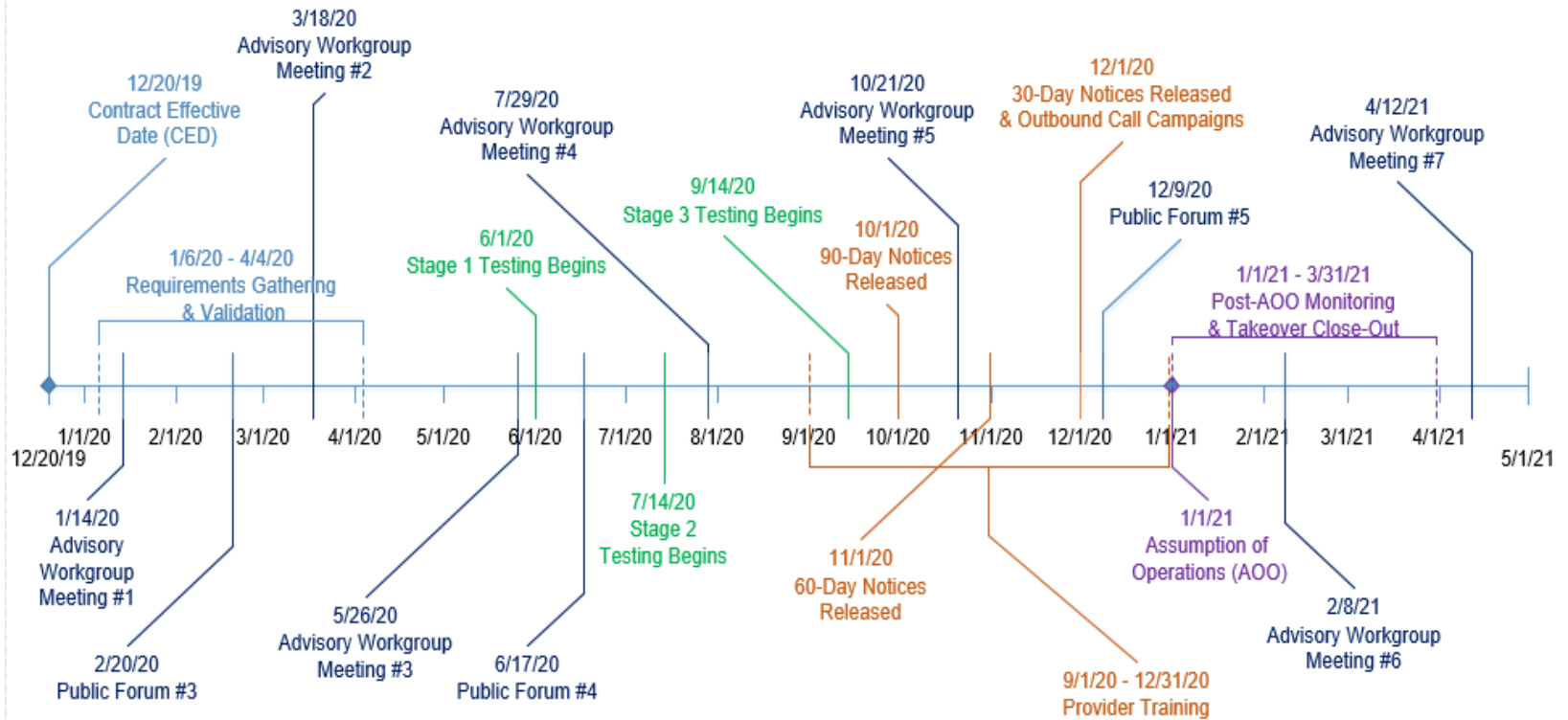


## Project Implementation Updates 2

- As part of DHCS' requirement gathering sessions to inform Medi-Cal Rx implementation, DHCS continues to explore options for policy changes in the following areas for go-live:
  - Creating policy to allow multi-year prior authorizations (PA).
  - Implementing enhanced and/or expanded auto-adjudication functionalities related to PA.
- DHCS will also be working closely with Magellan to explore options for post-go-live policy changes in the following areas:
  - Enhancing existing opioid management tools.
  - Exploring pharmacy lock-in programs.



# Project Timeline



**\*Disclaimer:** This Medi-Cal Rx implementation timeline is tentative and subject to change. Activities and/or milestones may be added, modified and/or deleted, as applicable, by DHCS based upon discussions with the Medi-Cal Rx Contractor, Magellan.





# Project Timeline Legend

- **Requirements Gathering & Validation:** DHCS and Magellan identification and agreement on details of all contract requirements, e.g., pharmacy claims pricing, rebate invoice production, and customer service center response time requirements.
- **Stage 1 Testing:** Magellan sets up testing environment, including all necessary test files, test data, test scripts, facilities, equipment, hardware, and software. Magellan runs preliminary test scenarios.
- **Stage 2 Testing:** Magellan tests full pharmacy claims administration and rebate processing systems, which includes parallel system tests to compare and validate against legacy processes, and validation of business recovery processes.



## Project Timeline Legend 2

- **Stage 3 Testing:** With direct oversight from DHCS, Magellan conducts additional parallel tests, as well as volume and stress testing to validate that all system and business processes are sufficient for size, nature, and scope of Medi-Cal Rx.
- **Provider Training:** Magellan, in consultation with DHCS, prepares all affected Medi-Cal providers, including but not limited to, pharmacies, prescribing physicians, managed care plans, behavioral/mental health providers, county providers/partners, and Tribal health programs, for the transition to Medi-Cal Rx.
- **Post-AOO Monitoring & Takeover Closeout:** DHCS, in collaboration with Magellan, will ensure all contract requirements are met, including but not limited to claims processing, rebates administration, provider payments, customer service center performance, etc. This will also include monitoring and evaluating the 90-day transition period.



# Fiscal Update & Overview 1

<i>(Dollars in Millions)</i>	ANNUAL	
	Total Fund	General Fund
<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>



# Fiscal Update & Overview 2

- Estimated General Fund (GF) savings of ~\$405 million by 2022-23 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 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

- DHCS is proposing a new supplemental payment pool of \$105 million Total Fund (TF) (\$52.5 million GF) annually 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 \$105 million is an aggregate total based on self-reported data by non-hospital 340B clinics (Revenue – Total Reported Expenses).



# Fiscal Update & Overview 4

- Proposed Trailer Bill language would:
  - Repeal the six prescription drug limit, and is estimated to be cost neutral, if approved.
  - Elimination the Medi-Cal 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”.



# Stakeholder Engagement

- As part of DHCS' revamped approach to Medi-Cal Rx stakeholder engagement, in addition to this continuing Medi-Cal Rx Public Forum throughout 2020, DHCS also continues to:
  - Host a dedicated Managed Care Workgroup for Medi-Cal Managed Care Plan partners.
  - Provide Medi-Cal Rx updates at various other DHCS meetings and forums, including but not limited to the Medi-Cal Drug Utilization Review Board, Medical Directors' Meeting, Pharmacy Directors' Meeting, California Children's Services Advisory Group, and tribal consultations with tribal health programs.



## Stakeholder Engagement 2

- As another component of DHCS' revamped approach to Medi-Cal Rx stakeholder engagement, DHCS also launched the Medi-Cal Rx Advisory Workgroup on January 14, 2020. This was the first of seven in-person meetings where DHCS provided and will continue to provide status and implementation updates on the pharmacy transition, as well as lead targeted discussions regarding topics such as:
  - 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)