

Department of Legislative Services
Maryland General Assembly
2015 Session

FISCAL AND POLICY NOTE

House Bill 1291 (Delegate Bromwell)
Health and Government Operations

Medicaid Managed Care Organizations - Enrollees Access to Pharmacy Services
(Any Willing Pharmacy)

This emergency bill requires Maryland's Medicaid managed care program (HealthChoice) to ensure that an enrollee may elect to receive pharmacy services at a site in the pharmacy provider network of *any* managed care organization (MCO).

Fiscal Summary

State Effect: The bill limits the ability of Medicaid MCOs to implement certain cost containment strategies. To the extent it results in increased MCO costs, Medicaid may have to adjust rates in current and future rate years accordingly.

Local Effect: None.

Small Business Effect: Potential meaningful for small businesses pharmacies that may be able to serve additional Medicaid enrollees under the bill.

Analysis

Current Law: HealthChoice must ensure that an enrollee has access to a pharmacy that is licensed by the State and within a reasonable distance from the enrollee's residence.

Under *Code of Maryland Regulations* 10.09.66.06, an MCO must develop and maintain a provider network that ensures that enrollees have access to the sites at which they receive primary care, pharmacy, obstetrics/gynecology, and diagnostic laboratory and X-ray services. To meet geographical access standards, an MCO must provide these services within a specified distance of each enrollee's residence. In urban areas, enrollees must have access within 10 miles of their residence; in rural areas, within 30 miles; and in suburban areas, within 20 miles.

If an MCO can otherwise demonstrate to the Department of Health and Mental Hygiene's (DHMH) satisfaction the adequacy of its provider network, notwithstanding its inability to meet the geographical access standards, DHMH may approve the network if special circumstances exist which, considered along with the overall strength of the MCO's network, establish that DHMH's approval of the network will enhance recipients' overall access to quality health care services in the area to be served.

For purposes of MCO geographical access standards, "urban" enrollment area includes Baltimore City. "Rural" enrollment areas include Allegany, Calvert, Caroline, Cecil, Charles, Dorchester, Frederick, Garrett, Kent, Queen Anne's, Saint Mary's, Somerset, Talbot, Washington, Wicomico, and Worcester counties. "Suburban" enrollment areas include Anne Arundel, Baltimore, Carroll, Harford, Howard, Montgomery, and Prince George's counties.

Background: A May 2013 [report](#) prepared by The Menges Group on behalf of the Pharmaceutical Care Management Association (the national association representing the nation's largest pharmacy benefits managers) noted that pharmacy benefits management applied to both fee-for-service (FFS) and managed care populations could yield significant Medicaid savings. Management techniques for potential savings include increased use of generic drugs; negotiating market-based pharmacy dispensing fees; using limited pharmacy networks; encouraging use of preferred brands; and reducing drug diversion, polypharmacy, fraud, and waste. Total estimated savings in Maryland were projected at \$1.1 billion (50% general funds, 50% federal funds) over 10 years (2014 through 2023). The report also noted that, in most state Medicaid programs, every pharmacy is entitled to participate, though state Medicaid programs could achieve greater savings by using a competitive process and negotiating greater discounts from select pharmacies that wish to participate in a limited pharmacy network. The report estimated that as much as 77% of savings in Maryland could come from use of limited pharmacy networks.

In March 2015, United Healthcare announced plans to downsize its Medicaid MCO pharmacy network to "curb escalating health care costs while getting better value for every health care dollar spent." United submitted evidence to DHMH demonstrating that the new network would continue to meet geographical access standards. DHMH advises that the department has monitored the roll-out of this change, including communication with enrollees and providers. United's member services division was trained to assist members in identifying a new pharmacy or transferring prescriptions where necessary. United is allowing enrollees to submit exception requests.

Based on concerns raised by independent community pharmacies (which were excluded from the new network), United reviewed approximately 78 pharmacies (including almost 20 on the Eastern Shore alone) that were excluded from the new network. In some cases, offers to join the new network were extended to individual pharmacies based on such

factors as local-market needs for home delivery and specialty packaging and geographic or transportation requirements. Of the 78 cases, at least 7 pharmacies were added to the network and at least 41 additional pharmacies were extended offers to join the network.

HealthChoice currently has eight MCOs: Amerigroup, Jai, Kaiser, Maryland Physicians Care, MedStar, Priority Partners, Riverside, and United Healthcare.

According to the State Board of Pharmacy, there are 1,907 full-service retail pharmacies licensed to operate in Maryland.

State Expenditures: According to DHMH, the bill limits the ability of Medicaid MCOs to implement pharmacy cost containment strategies, including using limited pharmacy networks. However, to the extent that this requirement prevents an MCO from adopting cost containment strategies, Medicaid expenditures may increase in future years relative to what they would have been under cost containment. Moreover, if MCO costs increase, Medicaid may have to adjust rates in current and future rate years accordingly. Any such impact on Medicaid expenditures cannot be reliably estimated at this time. Total MCO pharmacy expenditures were \$387.2 million in fiscal 2014.

Based on the 2013 study conducted by The Menges Group, DHMH estimates that Medicaid could save an estimated \$114.9 million annually (for both FFS and HealthChoice) under additional pharmacy cost containment strategies. As 74% of Medicaid pharmacy costs are attributable to HealthChoice, approximately \$85.0 million of potential savings may be possible for HealthChoice MCOs. As much as 77% of these savings (\$65.5 million) may be attributable to use of limited pharmacy networks. MCOs would be unable to implement many of these cost containment strategies under the bill.

Small Business Effect: Under the bill, small business pharmacies that participate in at least one Medicaid MCO pharmacy network may serve any Medicaid MCO enrollee, regardless of whether the pharmacy participates in the network of that enrollee's MCO. This could have a significant positive benefit on small business pharmacies. However, DHMH advises that pharmacists would likely lose the ability to negotiate pharmacy dispensing fees with MCOs under the bill, which may have a negative impact.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): “Medicaid Pharmacy Savings Opportunities: National and State-Specific Estimates,” The Menges Group, May 2013; Department of Health and Mental Hygiene; Department of Legislative Services

Fiscal Note History: First Reader - April 1, 2015
md/ljm

Analysis by: Jennifer B. Chasse

Direct Inquiries to:
(410) 946-5510
(301) 970-5510