ALLIANCE of Independent Pharmacists of TEXAS

The Voice of Independent Community and Compounding Pharmacists in Texas

Rider 60 Study Shows Managed Care for Pharmacy Benefits is Driving up Medicaid Costs

The Legislature called for a study of potential cost savings in Medicaid and CHIP prescription drug benefits

- The study was authorized with Rider 60 of the General Appropriations Act passed in 2017.
- Deloitte conducted the study on behalf of Texas Medicaid
- Part of the study called for transitioning prescription drug claims currently managed by Managed Care Organizations to a pricing methodology based on National Average Drug Acquisition Cost (NADAC).

The study found the potential for saving $90 million per year

- The study shows that without transparency, accountability, oversight and uniformity statewide, the state is surrendering its most valuable tools in controlling drug costs.
- To reflect the uncertainty of how costs may be impacted by changing from a PBM managed-care model to carving out pharmacy from managed care, the study looked at eight possible scenarios.
- Five out of eight scenarios saved the state money…as much as $90 million in a single year.

Texas Medicaid MCOs overpay for drugs and ingredients

- Not accounting for manufacturer rebates, Texas Medicaid Managed Care Organizations (MCOs) inflate state costs by about 6 percent
- This equated to an MCO overpayment of about $215 million in FY 2017.
- Conversely, the fee-for-service methodology is accurate to within less than 1 percent.
- Health care often lacks free market principles. But NADAC, the drug-pricing model under fee for service, is based on the lowest drug purchase price – which is a free market principle.

There are several other advantages to an innovative and transparent fee for service model

- Integrated care management
- Data coordination
- Increased PDL Adherence, which increases revenue to the State
- Significant economies of scale in negotiations