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Your Competitive Advantage

Testimony
Robert G. Bethel Joint Committee on Home and Community Based Services and KanCare Oversight Committee
October 7, 2013

Chairwoman Pilcher-Cook and members of the Committee, thank you for the opportunity to submit testimony on the KanCare pharmacy program as it relates to reimbursement in this first year of KanCare's operation. Kansas Independent Pharmacy Service Corporation (aka KPSC) is a company that provides a national community pharmacy buying group and numerous other benefits and services to independent pharmacies across Kansas. We have been active in working with the staff of the Kansas Department of Health and Environment (KDHE) regarding the planning and implementation of the KanCare program.

When it was evident that the Kansas Medicaid pharmacy program would move to an all-managed care model, the KPSC Board and pharmacies had notable concerns about reimbursement level and timing of payments, given the experiences reported in some other states that had implemented similar programs. We worked closely with KDHE staff, including Secretary Robert Moser, Senior Pharmacy Program Manager Kelley Melton and Assistant Secretary of Policy & External Affairs Kari Bruffett to develop a pharmacy program that would provide balance in terms of cost management and appropriate payment for services. We are very thankful for the many opportunities to interact with the KDHE staff and to provide our input as we all tried to build an effective pharmacy program with the contracted managed care organizations (MCOs) and their respective pharmacy benefit management (PBM) vendors.

KanCare pharmacy claims are processed in real time and verification of eligibility, as well as any plan limitations, are seen by the pharmacies as claims processing is completed. Our members report that reimbursements for KanCare pharmacy claims are generally made in a timely manner, relative to what would be expected for commercial prescription benefit plans.

One important component of pharmacy reimbursement relates to the dispensing of generic drugs, which now make up well over 70% of all claims processed at most pharmacies. The primary reimbursement methodology used for generics is known as maximum allowable cost or MAC, which is based on a per unit (e.g., per pill) cost. MACs will change as the price of each generic may change. The year 2013 has seen many generic price increases, so it follows that pharmacies are depending on the KanCare PBMs to raise their reimbursements accordingly in a timely manner. This price change mechanism was contemplated in the state's contracts with each MCO and their PBMs.

While, again, our member pharmacies report that reimbursement is generally adequate and timely, there have been some problems in having certain MACs updated in a timely manner, producing losses on payments for those generic products. In the short-run, KPSC has worked with KDHE to identify individual claims where payment appears inadequate. But rather than rely on such single claim resolutions, we have discussed having the PBMs provide timely updates of MACs for all generic products, with an emphasis on the effective date of MAC price changes. This has been KDHE's goal as well, and they have worked with the PBMs on providing this information. We now have two of three

PBMs that are reporting full MAC lists, with updated MAC prices on the KanCare website. Pharmacies are able to review MACs on the site and are also able to go back to the effective date of claims that paid less than their cost and reprocess them. As of this date, we are not aware that the third PBM has made the same information available.

Durable medical equipment (DME) products, such as diabetic testing supplies, wheelchairs and nebulizers for breathing treatments, are provided to Medicaid beneficiaries at many pharmacies across the state. Unlike pharmacy claims, they are not processed in real time. Also, they are not processed through the PBMs, but rather through the KanCare MCOs themselves. There have been many DME-related concerns expressed by independent and chain pharmacists regarding very slow payment, lack of accuracy of payment, lack of clarity of prior authorizations (PAs) and instances where there has been lack of resolution after KanCare MCOs have been contacted regarding claims or payment issues.

The KDHE pharmacy staff recognizes the DME problems and has worked with KPSC and other parties to work toward a better resolution. DME stakeholder calls in the past month have helped better identify, and categorize, claims processing issues on specific products/codes and payments for such reported problem claims that are occurring. Also, after a recent meeting with KPSC staff, KDHE developed a form to help pharmacies provide all specific claims data to better expedite resolution of claims problems. We are very grateful to the KDHE pharmacy staff for their hard work on DME claims resolution.

KDHE does plan to have diabetic testing supplies moved to the pharmacy/PBM claims submission platform, which will help greatly in timely processing of such claims, and likely will aid timely reimbursement as well. Diabetic testing supplies for KanCare beneficiaries represent a majority of DME claims at most independent and chain pharmacies. We agree that this is a reasonable path to pursue.

Medication therapy management or MTM is a well-developed constellation of pharmacy services that are designed to review drug therapies for patients, eliminate extraneous drug therapies and, at times, find alternative prescriptions for patients. MTM has been used successfully in Medicare Part D plans since 2006 and is being used more in commercial pharmacy plans. KanCare, as part of its requirements with its contracted MCOs, requires that certain KanCare beneficiaries who meet set utilization criteria, be identified and receive face-to-face MTM services. Each MCO has a contracted national MTM vendor to help pharmacies provide the MTM services. Pharmacies are paid for completion of specific MTM services as set up by each MTM vendor in accordance with KanCare guidelines. Though MTM services are just now expanding for KanCare, we look forward to working with the KDHE pharmacy staff to discuss savings related to the use of MTM, as has been demonstrated in Medicare Part D and other prescription benefits plans.

KPSC is very grateful for the availability and willingness of KDHE staff to work closely with KPSC, other pharmacy organizations and the MCOs to build an effective Medicaid pharmacy program as part of KanCare. The pharmacy program has benefitted greatly from this commitment. We look forward to continuing our work with KDHE on further resolution of MAC and DME issues. KPSC is available for questions that the Committee may have regarding this testimony or our work on the KanCare pharmacy program. KPSC CEO Peter Stern may be contacted at 785-228-1695 or at pstern@kspharmserv.com.