
Wisconsin Medicaid's Pharmacy Program

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Program Summary

Under current law, Wisconsin Medicaid covers legend (prescription) drugs and over-the-counter drugs and supplies listed in the Wisconsin drug index. A licensed physician, dentist, podiatrist, nurse prescriber, or optometrist can prescribe these drugs. In addition, physicians may delegate prescription authority to a nurse practitioner or physician assistant.

Wisconsin Medicaid has an open drug formulary. That means legend drugs are covered if they meet all the following criteria:

- ❖ They are FDA approved
- ❖ The manufacturer signed a rebate agreement with the Health Care Financing Administration
- ❖ The manufacturer has reported data and prices to First DataBank

Medicaid reimbursement for legend drugs is the lesser of:

- ❖ Average wholesale price (AWP) as defined by First DataBank minus 10% plus a dispensing fee. This applies to most brand drugs.
- ❖ Maximum allowed cost (MAC) plus a dispensing fee. This applies to multi-source branded and generic drugs.
- ❖ Usual and customary amount as billed by the pharmacy to private pay clients.

Wisconsin Medicaid reimburses many over-the-counter (OTC) generic drugs. Covered OTCs are reimbursed using the same formulas as legend drugs.

Reimbursement for legend drugs may have certain restrictions such as:

- ❖ Prior Authorization. Less than 1% of the covered drugs require prior authorization.
- ❖ Diagnosis Restriction. Exclusion or otherwise restricted coverage if the prescribed use is not for a medically accepted indication.

Certain drugs may be excluded from coverage and are on the Medicaid Negative Formulary drug list. These include drugs that are:

- ❖ Less-than-effective as defined by the FDA.
- ❖ Experimental or have no medically accepted indications.

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Wisconsin Medicaid has some offsets to Medicaid reimbursement. These are:

- ❖ Copayments from recipients. Recipients pay \$1.00/legend drug prescription/month to a maximum of \$5.00/month/provider and \$.50/ OTC prescription. Children and nursing home residents are exempt from copayment.
- ❖ Manufacturer drug rebates. Under federal law, manufacturers must pay state Medicaid programs a rebate of at least 15.1% for brand drugs and 11% for generic drugs in order to have their drugs covered. Wisconsin Medicaid collected \$58.6 million for drug rebates in FY 2000. This is about 18.1% of pharmacy expenditures.

Wisconsin Specific Drug Programs

Wisconsin has implemented a number of innovative, cost-effective, quality measures to enhance the Medicaid pharmacy program. These include:

- ❖ The MAC list.
- ❖ Selective Use of Prior Authorization.
- ❖ Pharmaceutical Care.
- ❖ Point-of-Sale Claim Submission.
- ❖ Drug Utilization Review.

Each of these measures is described in further detail below.

The MAC List

The federal Department of Health and Human Services, Health Care Financing Administration (HCFA) issues a drug list at least two times a year. This list includes drugs that are available generically from at least three companies as well as a recommended maximum allowed cost (MAC). In addition, states may have their own MAC lists and set prices differently from the HCFA issued prices as long as the overall amount spent for generic drugs is no more than it would have been using the HCFA prices. Wisconsin Medicaid issues its MAC list quarterly and has one of the most extensive MAC lists in the country. If a product is available generically, Wisconsin generally adds it to the state's MAC list. Maximum prices allowed are based on prices for which drugs are readily available through wholesalers in Wisconsin. When a drug is on the MAC list, Wisconsin will only reimburse the generic price unless the prescriber writes "brand medically necessary" on the prescription. Because Wisconsin's MAC list is more extensive than HCFA's, the savings to the state are considerably higher than they would be using the HCFA list alone.

Selective Use of Prior Authorization (PA)

Under prior authorization requirements (PA), Wisconsin requires pharmacists to receive approval of certain drugs from the Department of Health and Family Services (DHFS) before they may be reimbursed. This may be done electronically for most drugs requiring PA. Wisconsin requires drug prior authorization for the following reasons:

- ❖ Potential drug abuse or misuse
- ❖ Cosmetic use only (for example, weight-loss drugs not used to treat morbid obesity)
- ❖ To encourage use of therapeutically equivalent drugs when generics are available in that classification. This is known as targeted use of PA.

Targeted use of PA has been shown to slow the rate of increase in drug expenditures without impeding access to necessary and appropriate drugs. Categories of drugs are reviewed for similar products, some of which are available generically and some only brand. When this situation exists, Wisconsin may recommend requiring PA for the brand drug and not the generic to encourage the use of less costly but equally effective generic drugs. This assures high quality to our recipients. Before any changes are made to the PA requirements, drug manufacturers are notified and a review process previously agreed to by them is followed.

Wisconsin's experience with implementing PA requirements for certain ulcer treatment drugs demonstrates that using PA can slow the rate of increase in drug expenditures. For example, on September 22, 1999, Wisconsin removed the PA requirement for two generic Histamine-2 ulcer-treatment drugs, Ranitidine and Cimetidine. However, Wisconsin continued to require PA for certain brand name Histamine-2 ulcer-treatment drugs, namely, Axid and Pepcid. In order to receive PA approval for Axid and Pepcid, a patient must have tried and failed Ranitidine or Cimetidine for 30 days, or had an adverse reaction. Since this change, prescriptions and expenditures for the brand name drugs have dropped by over 65%. Total expenditures in this category only rose by 1.4% from SFY 99 to SFY 00 despite an 11.9% increase in overall prescription volume. Further, this change resulted in a greater than 66% shift in the use of brand name ulcer drugs to generic and a savings of over \$1 million in the first year.

Other categories of drugs where Wisconsin has used a similar PA approach include:

- ❖ Brand name non-steroidal anti-inflammatory drugs (NSAIDs), effective July 15, 2000. Generic NSAIDs do not require PA. These drugs are used to treat pain symptoms.
- ❖ Certain brand name ACE Inhibitor drugs, effective August 15, 2000. These drugs are used to treat high blood pressure. The scientific literature indicates that all long-acting ACE Inhibitors are therapeutically equivalent.

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Pharmaceutical Care

Under 1995 Wisconsin Act 27, the biennial budget, Wisconsin Medicaid was required to develop an incentive based pharmacy payment system that pays for pharmaceutical care (PC) services.

Pharmaceutical care is a nationwide movement promoting a patient-centered, outcomes oriented practice of pharmacy. Its purpose is to maximize the effectiveness of medications for the patient through intervention by the pharmacist.

Wisconsin's pharmaceutical care program provides pharmacists with an enhanced dispensing fee for pharmaceutical care services given to Medicaid fee-for-service recipients. This enhanced fee reimburses pharmacists for additional actions they take beyond the standard dispensing and counseling for a prescription drug. Under managed care, each HMO develops its own policy regarding drug prices, dispensing fees, and whether to pay for pharmaceutical care services.

Drug reimbursement includes both a drug price and dispensing fee. Pharmaceutical care does not affect drug prices. However, the methodology for determining the dispensing fee changes under pharmaceutical care. An enhanced pharmaceutical care dispensing fee requires the pharmacist to meet all basic requirements of federal and state law for dispensing a drug plus completing specified activities that result in a positive outcome both for the recipients and the Medicaid program. Pharmacies may receive an enhanced PC dispensing fee only when their service increases patient compliance or prevents potential adverse drug problems.

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An Example of Pharmaceutical Care

A recipient asks the pharmacist for a refill of a current prescription on a date almost two weeks after the normal refill date. This may indicate that the recipient is non-compliant in his or her use of the prescribed medication and is taking an insufficient dose to deal with the indicated medical problem. The pharmacist:

- ❖ Notes that a prescription refill order is greater than one week late.
- ❖ Asks the recipient why the prescription is being refilled late. The recipient says he sometimes forgets to take the medicine.
- ❖ Educates the recipient on the need for compliance with the dosing schedule for taking the medication.
- ❖ Alternatively, recommends to the recipient that, if the physician agrees, the current prescription may be changed to a higher strength, time-release formula. Time-release capsules need to be taken less frequently and, therefore, assure better and easier compliance.
- ❖ Contacts the physician concerning the compliance problem and recommends the time-release formula of the same prescription. The physician agrees, to assure compliance.
- ❖ Documents the intervention.

Since this intervention resulted in a positive outcome—improved compliance—the pharmacist may bill Medicaid.

On the other hand, if the patient had said they were late for their refill because they had seen their physician who changed the directions to half the original dose, the service would not be billable because there is no compliance problem.

Each claim submitted by a pharmacist for reimbursement for PC services must provide the Medicaid program with the following information:

- ❖ the reason for the intervention;
- ❖ the action taken by the pharmacist;
- ❖ the result of that action; and
- ❖ the level and complexity of the service provided by the pharmacist.

Pharmacy Point of Sale (POS)

Wisconsin Medicaid implemented a pharmacy point-of-sale (POS) electronic claims management system for Medicaid fee-for-service providers statewide beginning September 22, 1999. The POS system enables providers to submit real-time claims electronically for legend and over-the-counter drugs for immediate adjudication and eligibility verification. The real-time claims submission verifies recipient eligibility, including other health insurance coverage, and monitors Medicaid drug policies. Claims are also screened against recipient medical and prescription history within the Medicaid system. Once these processes are complete, the provider receives electronic response indicating payment or denial within seconds of submitting the real-time claim.

The following have occurred since the implementation of POS:

- ❖ POS has been a great success. It allows pharmacies to submit claims and receive notification of coverage before drugs are dispensed.
- ❖ Currently most of the state's 1200 pharmacies are participating in real-time transactions.
- ❖ As many as 30,000 real-time transactions are being processed every day.
- ❖ The average system response time is 0.4 seconds.
- ❖ 90-95% of all drug claims received by Medicaid are submitted real-time.
- ❖ Claims with "other health insurance" listed must be billed to that other insurance first. Before POS, Wisconsin did not cost-avoid. Wisconsin continues to be one of the few states in the country that denies claims up-front if records indicate the recipient has other health insurance that pays for drugs.
- ❖ Claims for the same drug on the same day by one recipient at different pharmacies are now denied since claims history is updated real-time and all Medicaid pharmacy claims are reviewed.

Wisconsin is one of few states that deny claims up-front if the recipient has other drug coverage.

Drug Utilization Review

The federal Omnibus Budget Reconciliation Act of 1990 (CFR Section 456.703-456.705) calls for a Drug Utilization Review (DUR) program for all Medicaid outpatient drugs in order to improve the quality and cost-effectiveness of recipient care. There are three components to the Medicaid DUR program: prospective DUR, retrospective DUR, and an educational program.

Prospective drug utilization review (DUR) screens certain drugs for potential problems before the prescription is dispensed.

Prospective DUR. The Medicaid prospective DUR system assists pharmacy providers in screening certain drug categories for clinically important potential drug therapy problems before the prescription is dispensed to the recipient. These problems include therapeutic duplication, drug/drug interactions, early and late refills, cumulative side effects, and drug contraindications for pregnancy, certain diseases, and specific ages. Wisconsin Medicaid's system provides the pharmacist with drug and medical information from most claims submitted to Medicaid regardless of its origin. Thus, pharmacists are provided with more complete information than they otherwise would be able to obtain. Prospective DUR enhances clinical quality and cost-effective drug use.

Retrospective DUR. The Medicaid retrospective DUR program provides for the ongoing periodic examination of paid claims data and other records in order to identify patterns of fraud, abuse, gross overuse or inappropriate or medically unnecessary care associated with specific drugs or groups of drugs. With the implementation of POS, Wisconsin Medicaid will continue to look for trend data among physicians and pharmacists through retrospective DUR.

Educational Program. The Department of Health and Family Services uses DUR program data to educate prescribers and dispensers on common drug therapy problems with the aim of improving prescribing and dispensing practices.

Individual pharmacies are responsible for prospective DUR. Wisconsin Medicaid is responsible for providing the retrospective DUR program and the educational program.

As required by the Omnibus Budget Reconciliation Act of 1990, a Medicaid DUR Board comprised of practicing physicians and pharmacists from around the state has been appointed to oversee the entire Medicaid DUR program. The Wisconsin Medicaid DUR Board reviews and approves all criteria used for both prospective and retrospective DUR.