

Quantifying Specialty Pharmacy's Growing Role in Medicaid

5 Slide Series

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The Menges Group

Summary of Findings

- High-cost medications represent a rapidly growing share of Medicaid's overall pharmacy expenditures. The proportion of Medicaid pharmacy spending for medications with a pre-rebate cost above \$1,000 grew from 1.3% in 2005 to 28.4% in 2013 and 32.6% in 2014.
- Pre-rebate expenditures for medications with a unit cost above \$1,000 were \$3.7 billion in the fourth quarter of 2014, a 36% increase over Q4 2013. Prescription volume in this unit cost cohort increased 29%.
- The MCO and FFS settings had nearly identical proportions of spending on medications in the \$1,000+ unit cost corridor during 2014. MCOs had a much higher proportion of medications with a unit cost below \$20 than Medicaid FFS, however.

Large Increases in Medicaid Specialty Pharmacy Usage and Spending Occurred from 2013 - 2014

Cost Per Prescription Corridor	Medicaid Amount Paid (Pre-Rebate), \$ Millions			Volume of Medicaid Prescriptions		
	Fourth Quarter, 2013	Fourth Quarter, 2014	% Change	Fourth Quarter, 2013	Fourth Quarter, 2014	% Change
\$10,000+	\$492	\$967	97%	18,225	39,200	115%
\$1,000-\$9,999	\$2,251	\$2,776	23%	1,077,402	1,371,030	27%
\$500-\$999	\$1,305	\$1,431	10%	1,831,633	1,947,191	6%
\$300-\$499	\$697	\$1,331	91%	1,918,737	3,713,663	94%
\$200-\$299	\$1,727	\$1,523	-12%	6,924,925	5,955,587	-14%
\$100-\$199	\$1,203	\$1,229	2%	7,952,216	7,933,187	0%
\$50-\$99	\$558	\$599	7%	8,647,524	8,840,152	2%
\$20-\$49	\$676	\$663	-2%	22,905,151	21,269,706	-7%
<\$20	\$763	\$879	15%	88,561,740	99,010,116	12%
Total	\$9,671	\$11,397	18%	139,837,553	150,079,832	7%
Subtotal, \$1,000 +	\$2,743	\$3,743	36%	1,095,627	1,410,230	29%
Subtotal, < \$1,000	\$6,928	\$7,654	10%	138,741,926	148,669,602	7%

- Medicaid pharmacy spending, prior to rebates, increased 18% from the fourth quarter of 2013 to the fourth quarter of 2014.
- Expenditures for prescriptions with a pre-rebate unit cost above \$1,000 increased 36% in 2014.
- Expenditures for prescriptions with a pre-rebate unit cost below \$1,000 increased 10% in 2014 -- a fairly modest increase given the large influx of Medicaid beneficiaries that occurred in the states implementing the ACA coverage expansion.

Drugs Costing More than \$1,000 Per Prescription Represented 1.3% of Medicaid Rx Spending in 2005; This Grew to 28.4% in 2013 and to 32.6% in 2014

Cost Per Prescription Corridor (Pre-Rebate)	Percent of Prescriptions				Percent of Medicaid Amount Paid (Pre-Rebate)			
	Q3 2005	Q3 2010	Q4 2013	Q4 2014	Q3 2005	Q3 2010	Q4 2013	Q4 2014
\$10,000+	0.0002%	0.01%	0.01%	0.02%	0.1%	3.3%	5.1%	7.5%
\$1,000-\$9,999	0.02%	0.5%	0.8%	1.0%	1.2%	14.6%	23.3%	25.1%
\$500-\$999	0.1%	1.2%	1.3%	1.3%	3.2%	12.1%	13.5%	12.6%
\$300-\$499	0.2%	1.8%	1.4%	2.7%	3.4%	10.6%	7.2%	12.5%
\$200-\$299	0.2%	3.0%	5.0%	4.0%	2.2%	10.3%	17.9%	12.7%
\$100-\$199	2.7%	12.3%	5.7%	5.5%	15.6%	26.4%	12.4%	10.7%
\$50-\$99	10.7%	6.9%	6.2%	6.4%	29.4%	7.5%	5.8%	5.5%
\$20-\$49	22.5%	16.1%	16.4%	14.8%	32.0%	7.5%	7.0%	6.0%
<\$20	63.5%	58.3%	63.3%	64.3%	12.9%	7.7%	7.9%	7.3%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Rebate data are not available on a drug-specific basis. Rebates represented roughly half of initial Medicaid Rx costs during 2014.

Distribution of Prescriptions Between Medicaid MCO and Medicaid FFS Settings, Q4 2014

Prescription Corridor (Pre-Rebate)	Percent of Prescriptions, Q4 2014			Percent of Medicaid Amount Paid (Pre-Rebate), Q4 2014		
	FFS	MCO	Total	FFS	MCO	Total
\$10,000+	0.03%	0.02%	0.03%	8.5%	8.6%	8.5%
\$1,000-\$9,999	1.1%	0.8%	0.9%	24.3%	24.8%	24.4%
\$500-\$999	1.8%	0.8%	1.3%	15.0%	9.5%	12.6%
\$300-\$499	2.7%	2.2%	2.5%	11.1%	12.1%	11.7%
\$200-\$299	5.0%	3.3%	4.0%	14.2%	13.2%	13.4%
\$100-\$199	6.0%	4.7%	5.3%	10.3%	11.0%	10.8%
\$50-\$99	6.7%	5.6%	5.9%	5.0%	5.8%	5.3%
\$20-\$49	14.6%	12.8%	14.2%	4.9%	6.3%	5.8%
<\$20	62.0%	69.7%	66.0%	6.7%	8.7%	7.7%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

In the lowest unit cost corridor (< \$20); Medicaid MCOs had a much higher proportion of prescriptions (70%) than the Medicaid FFS setting (62%), due to more extensive use of generics.

In the two highest unit cost corridors, the percentage of prescriptions in the MCO and FFS setting were nearly identical.

Methodology and Contact Information

DATA SOURCES: The Menges Group’s tabulations in this report drew upon State Data Utilization data made available by CMS. The data files contain Medicaid prescription volume and related pre-rebate Medicaid payments by NDC code, state, and calendar quarter, and include prescriptions paid by Medicaid agencies (and their fiscal agents) as well by Medicaid MCOs (and their contracted PBMs). Prescriptions for which Medicaid is not the primary payer (e.g., Medicaid/Medicare dual eligibles, where Medicare Part D is the primary payer) are not captured in these data files. In some states with missing quarters of data (or figures that we did not view to possibly be accurate), we estimated what we believed to be reasonable values. These state and quarter-specific adjustments were minor on a national level.

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