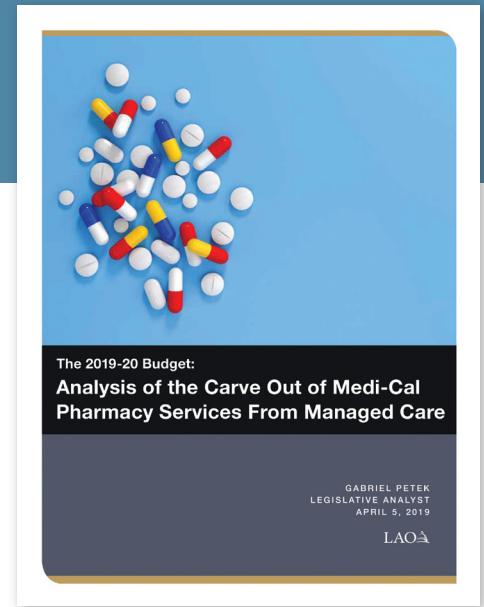




# Research Spotlight:

## Independent Legislative Analyst's Office (LAO) Analysis of the Carve Out of Medi-Cal Pharmacy Services from Managed Care

***A review of the issues, concerns and unanswered questions raised by the LAO.***



### **“Potential negative impacts on care coordination and management”**

*LAO Report 4/5/19, Page 14, 18*

“...We have a number of unanswered questions and concerns, particularly about how the carve out will impact the coordination and management of beneficiary care.

“...the coordination and management of Medi-Cal beneficiary’s prescription drug use could be weakened under the administration’s plan.

“...Areas where care coordination and management could be negatively impacted under the carve out: less timely prescription drug utilization information for disease management and opioid curtailment programs.

“...These data assist the managed care plan - particularly for relatively sick members enrolled in disease management programs in coordinating their members’ care.

“...This data does not arrive from DHCS in a timely enough manner to assist plans’ coordination activities.”

### **“The Carve Out Will Very Likely Affect Medi-Cal Beneficiary Access to Quality Care”**

*LAO Report 4/5/19, Page 13, 14*

“...Challenges associated with continuing on a drug that was on the enrollee’s previously applicable preferred drug list but is not on the new list.

“...Could result in beneficiaries losing ready access to drugs they are currently taking.

“...It is uncertain if effective opioid curtailment programs would continue.”

**After reviewing the LAO’s analysis of the Governor’s Executive Order to carve out the pharmacy benefit from managed care, California’s health plans share many of the LAO’s unanswered questions and concerns including:**

- How the carve out will impact the coordination and management of enrollee care.
- The high level of uncertainty about whether it would produce any cost savings for the state.
- The potential elimination of life-saving care coordination programs such as those for chronic disease management and opioid addiction.



## Independent Legislative Analyst's Office (LAO) Analysis of the Carve Out of Medi-Cal Pharmacy Services from Managed Care

### “Net State Savings Not Guaranteed to Materialize”

*LAO Report 4/5/19, Page 11-13*

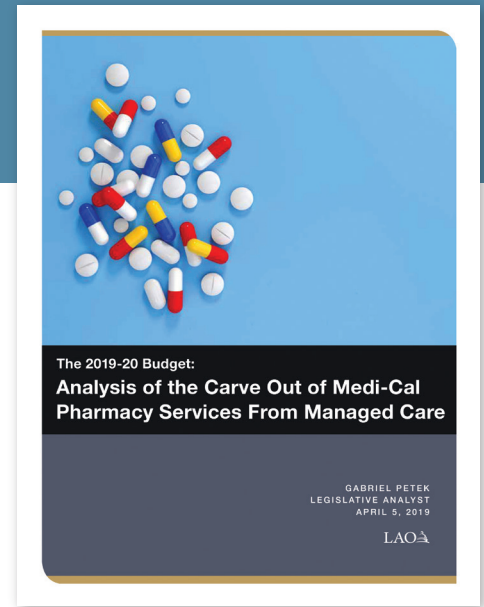
“...The administration’s rough and preliminary estimate of annual state savings appears possible but is highly uncertain.

“...60% of total savings would accrue to federal, as opposed to state government.

“...We anticipate higher state costs due to the increase in dispensing fees that Medi-Cal would pay under the full carve out.

“...Paying Fee-For-Service (FFS) level dispensing fees for all prescription drugs absent changes to Medi-Cal FFS dispensing fees...would thus increase spending for this purpose above current levels.

“...Amount of savings is highly uncertain for many different reasons, for example, the challenge of predicting the results of future negotiations between the state and drug manufacturers on Medi-Cal prescription drug costs going forward.”



### “Minimal Impact on Drug Manufacturing Industry”

*LAO Report 4/5/19, Page 13*

“...The carve out is unlikely to have a major impact on earnings for the drug manufacturing industry overall, both in the state and nationwide.

“...We would not expect the magnitude of the rebates to have a major impact on the drug manufacturing industry’s overall earnings.”

### “Legislative Analyst’s Office Recommends that the Legislature **Withhold Approval of Future New State Operations Resource Requests to Implement the Carve Out Until the Administration Adequately Answers Major Outstanding Questions...**”

*LAO Report 4/5/19, Page 2, 18*

#### The LAO’s requested information from the administration includes:

- “...A robust fiscal estimate of the carve out that details the major underlying assumptions and additional state administrative resources needed.
- “...A plan to upgrade the state’s IT systems to facilitate the real-time transfer of prescription drug use data to managed care plans... (the state’s current data transfers are not always timely and complete).
- “...Guidance for managed care plans’ continued roles and responsibilities in coordinating their members prescription drug benefit... (It is unclear if managed care plans would have a continued role in curtailing overuse of opioids and tracking medication adherence).
- “...Appropriate continuity of care protections for enrollees.
- “...Analysis of benefits and trade offs of feasible alternatives to the carve out plan and how they compare.”