

State of South Dakota Request for Information (RFI)

Medicaid Solutions Initiative:
*Medicaid Preferred Drug List and
Supplemental Rebate Program*

February 10, 2012

**Requesting Organization:
South Dakota Department of Social Services (DSS)**



State of South Dakota, Department of Social Services Request for Information

PART I: GENERAL INFORMATION

A. PURPOSE OF REQUEST FOR INFORMATION

The South Dakota Department of Social Services (DSS) is issuing this Request for Information (RFI) to solicit information, recommendations and advice regarding a Medicaid Preferred Drug List and Supplemental Rebate program. Qualified contractors will provide examples of best practices for implementing and managing a Medicaid Preferred Drug List and Supplemental Rebate program and obtaining supplemental drug rebates that demonstrate savings for the state Medicaid program.

South Dakota is one of the few remaining states that has not implemented a Medicaid Preferred Drug List and Supplemental Rebate program. This RFI seeks advice on how this project could be implemented within the near future to generate real net cost savings in the South Dakota Medicaid program. Information could include initiatives requiring various levels of participation by the state, complete administration and management by the vendor, or a hybrid approach.

Following a review of RFI submissions, DSS may, at a future date, issue a Request for Proposal(s) and to competitively negotiate a contract for the implementation of a Medicaid Preferred Drug List and Supplemental Rebate program. Please note that South Dakota will only issue a Request for Proposal if the vendor responses offer feasible cost saving initiatives.

B. TIMELINE FOR RESPONSE SUBMISSION

Respondents must submit RFI responses no later than April 11, 2012. Please submit your responses electronically to Mark Close (Mark.Close@state.sd.us).

C. QUESTIONS, RESPONDER CONFERENCE AND FOLLOW-UP PRESENTATIONS

Questions requesting clarification of this RFI must be electronically submitted to Mark Close (Mark.Close@state.sd.us) no later than February 29, 2012. All questions received electronically by this date will be answered. No questions by telephone or fax will be accepted.

Responses to any questions will be made available, in writing, to all potential Responders at the following website link by March 14, 2012: <http://dss.sd.gov/>.

D. RESPONSE SUBMISSION

Please prepare responses simply and economically, providing straightforward and concise descriptions. Responses should follow the general format provided in Part III of this RFI, Request for Information Format. The DSS will accept any format that provides substantive information regarding the procurement, design, implementation, operation and oversight of a Medicaid Preferred Drug List and Supplemental Rebate program.

Vendors submitting responses should be aware that the results of this RFI may be public information and that no claims of confidentiality will be honored. DSS is not requesting, and does not require, confidential proprietary information or other competitively sensitive information to be included as part of the RFI Submission.

E. DISCLAIMERS

This RFI is issued for information and planning purposes only and does not constitute a solicitation for future business, an offer for procurement or any other type of current or future procurement or contractual action, and is only intended to gather information and input. DSS will not award a contract or any other type of agreement on the basis of this RFI or otherwise pay for any of the information received.

The information gathered through this process may be used in the development of future documents. However, DSS does not guarantee that this will occur.

Respondents are solely responsible for all expenses associated with responding to this RFI.

PART II: BACKGROUND

The purpose of the Medicaid Preferred Drug List (PDL) and Supplemental Rebate program is to promote clinically appropriate utilization of pharmaceuticals in a cost-effective manner. Based on safety, efficacy, and cost effectiveness, drugs are designated as preferred or non-preferred, and the program seeks to negotiate supplemental rebates from drug manufacturers for inclusion of their drugs as preferred drugs. These state supplemental rebates are negotiated in addition to the federally mandated rebates. These programs are also designed to limit spending growth by increasing the use of these preferred drugs, including generics. Non-preferred drugs are still covered by Medicaid, but require prior authorization. Currently, forty-five states have instituted a PDL in their Medicaid programs. In Fiscal Year 2011, the South Dakota Medicaid program spent over \$60 million on pharmaceutical benefits.

The following section will provide background information relating to a recent report issued by South Dakota identifying strategies to contain and control Medicaid costs, including the analysis of implementing a Medicaid Preferred Drug List and Supplemental Rebate program.

A. MEDICAID SOLUTIONS WORK GROUP

To address escalating Medicaid cost pressures, Governor Dennis Daugaard established a Medicaid Solutions Work Group during the 2011 Legislative session, with the goal to solicit key stakeholders to provide input and develop strategies to contain and control Medicaid costs. The Work Group and subcommittees (Pharmacy, Home and Community-Based Services, and Patient-Centered Care), met several times over a nine-month period, evaluated data, heard presentations on numerous best practices in South Dakota and nationally, and developed recommendations to help contain costs. Although a consensus was not reached on all recommendations, the groups did achieve common ground on many significant issues.

In developing its recommendations, the Work Group focused on programs to address the key cost drivers and improve quality of care. These include high-need patients with chronic conditions, pregnant women, individuals that over-utilize the emergency department (ED), avoidable hospital re-admissions, over-reliance on institutional care, and managing pharmacy costs.

In general, the recommendations included strategies to:

- Re-design the primary care delivery system to change the way care is delivered and financed (e.g. by seeking to implement a “Health Home” initiative).
- Improve care management for high-cost individuals (including individuals with chronic conditions and pregnant women).
- Address the inappropriate utilization of emergency department services.
- Foster consumer accountability.
- Encourage the appropriate utilization of less costly home and community-based services.
- Reduce pharmacy costs while maintaining access and quality.
- Implement targeted benefit reductions.

A copy of the Medicaid Solutions Work Group report may be found at: <http://dss.sd.gov/11-23-11%20FINAL%20Medicaid%20Solutions%20Report.pdf>.

Note that a related RFI that will seek information concerning potential options to reduce and contain Medicaid expenditures, and to improve care management for high need, high cost Medicaid consumers has been issued [<http://dss.sd.gov>].

B. Current South Dakota Medicaid Pharmacy Management

The South Dakota Department of Social Services (DSS), Division of Medical Services administers the outpatient prescription drug benefit for approximately 115,500 Medicaid recipients. The benefit is administered utilizing management tools as allowed within Federal guidelines. The program relies on the professional expertise of two committees to guide the program. The two

committees are the Drug Utilization Review (DUR) Committee and the Pharmacy & Therapeutics (P&T) Committee.

South Dakota currently utilizes a ten member P&T Committee and seven member DUR Committee comprised of pharmacists and physicians appointed by the Governor, and utilizes less than 2.0 full-time equivalents (FTEs) to manage the Medicaid pharmacy program. Members of both the P&T and DUR Committees have served for many years, participate on a volunteer basis, and have significant knowledge of the South Dakota marketplace.

Based on Congressional mandate, the DUR program was instituted to perform retrospective drug utilization review of Medicaid patients' drug therapy. Information provided to pharmacies and prescribers is intended to assist with the continued evaluation and management of the patient's medication requirements.

DUR activities are administered by DSS in conjunction with the South Dakota State University College of Pharmacy (SDSU). An evaluation committee composed solely of physicians and pharmacists sets and modifies review criteria and performs the actual drug utilization review. For those cases identified by the evaluation committee; letters and profiles are generated and mailed to each prescriber and pharmacy involved with that recipients care.

DUR uses Medicaid claims data (billing records) to examine the use of pharmaceuticals and other health care services. Using this data, an estimate of the risks of an adverse event or hospitalization can be determined for patients who are receiving specific drug combinations or have certain drug-disease combinations. The risk represents the likelihood of an adverse event or hospitalization for a patient receiving a drug in association with a specific disease or other medication, as compared to an untreated patient with the same disease.

A patient's risk of an adverse event or hospitalization is multifactorial and depends not only on the specific drugs prescribed, but also on other factors such as the number of prescribers, number of pharmacies, number of medications prescribed, and the age of the patient.

While it is impossible to accurately predict the outcome of a particular patient, DUR uses the risk score in Medicaid patients to estimate the risk which problematic therapy poses to the patient.

The P&T was created by Executive Order and meets quarterly. The purpose of the P&T is to address the high costs of prescription drugs, the increased expenditures for those prescription drugs, and the need to find ways to control the costs of prescription drugs while ensuring the needs of recipients are being met. The P&T provides expertise and direction to the DSS in matters relating to the drugs used by our recipient population. The DSS pharmacy consultant in conjunction with P&T members determines which drugs or class of drugs will be reviewed by the P&T. Once the agenda is determined, the list of drugs/drug classes is sent to Health Information Designs (HID) who compiles the dossiers for the P&T and maintains the P&T website. The P&T meeting entails detailed clinical discussion of each agenda item. The

meetings are open and the public is given an opportunity to comment before the P&T votes on any motion. The main option available to DSS and P&T is the prior authorization (PA) of drugs. DSS contracts with HID to administer the PA program.

Approximately 86 percent of PA requests are processed electronically. As an example; Prevacid requires PA unless the recipient is pregnant. Once a pharmacy submits a claim for Prevacid, the PA system searches the recipient's diagnosis history for a pregnancy related diagnosis. If one is found, the PA is created and the pharmacy receives a paid claim and may dispense Prevacid to the recipient. This adjudication process typically takes less than five seconds. If no pregnancy related diagnosis is found, the claim is denied "Requires Prior Authorization". At this point the prescriber may contact the PA Help Desk for further assistance. Approximately 97 percent of all PA requests are responded to in less than eight hours. Refer to Appendix A for a current list of South Dakota Medicaid medications requiring Prior Authorization.

The Pharmaceutical Subcommittee of the Medicaid Solutions Work Group spent considerable time reviewing the current prior authorization process, Pharmacy and Therapeutics (P&T) Committee, Drug Utilization and Review Committee (DUR) and other cost containment strategies that exist today. Based on the evaluation of available metrics, South Dakota's management of the pharmacy benefit was determined to be very strong. For example, generic utilization was found to be comparable to commercial plans at 72%. The group also considered the relatively low volume market share in South Dakota that pharmaceutical companies will rely on to achieve savings and also discussed leveraging a larger purchasing pool or consortium to obtain greater volume to attract rebates.

Despite the strong performance of program and the fact that the relatively small size of the program may potentially limit the effectiveness of a PDL operated by a private vendor, the group concluded that it would be prudent to investigate and evaluate the benefits of implementing a PDL.

C. DATA AND PROGRAM INFORMATION

General background information relating to South Dakota's Medicaid Program may be found at the following website: <http://dss.sd.gov/medicalservices/>. In particular, statistical reports related to the program can be found at <http://dss.sd.gov/statistics/index.asp>.

South Dakota has also prepared a number of summary tables that should provide insight relating to current pharmaceutical utilization trends in the state Medicaid program. The following summary tables can be found in Appendix B:

- Chart 1: Top 25 Drugs by Number of Claims
- Chart 2: Top 25 Drugs by Total Cost of Claims
- Chart 3: Top 15 Therapeutic Classes by Number of Claims
- Chart 4: Top 15 Therapeutic Classes by Total Cost of Claims
- Chart 5: Medicaid Pharmacy Monthly Utilization Statistics

It is recognized that potential Respondents to RFPs that may be issued as a result of this process will require additional information to provide finite cost and savings estimates. This RFI seeks input on the scope and extent of the information that should be made available to Respondents as part of the RFP process. Respondents that are selected for implementation through a contract or pursued through a request for proposal will have access to additional data and be provided more time to refine their estimates. The intent of this RFI is to provide enough information and data to Respondents to allow the submission of methods for implementing and managing a Medicaid Preferred Drug List and Supplemental Rebate program.

PART III: REQUEST FOR INFORMATION FORMAT

Responses should be prepared simply and economically, providing a straightforward, concise description of the information being requested in this RFI. Emphasis should be placed on direct relevance and substantive information regarding the procurement, design, implementation, operation and oversight of a Medicaid Preferred Drug List and Supplemental Rebate program.¹ The department prefers documents in Word, PowerPoint and PDF formats.

A. COVER LETTER

Please include the following information in a cover letter:

1. An introduction to the Respondent organization and interest in this RFI. This narrative should provide a brief description and history of the organization, an overview of its organizational structure, a summary of business relationships with other State Medicaid Programs, and information on the key staff member(s) involved in the preparation of the response to the RFI.
2. A point of contact for communications regarding this RFI (e-mail, phone number and address).

B. NARRATIVE OVERVIEW OF PROPOSED SOLUTION

The RFI response should include a narrative description of the Medicaid Preferred Drug List and Supplemental Rebate program best practices or prior state experiences. The following provides a suggested structure of the response to the RFI. This structure is intended to minimize the effort required to structure and analyze submitted responses.

¹ In addition to a Medicaid Preferred Drug List and Supplemental Rebate program as cost containment approach for a Medicaid prescription drug benefit, solutions have been developed to address the challenge of improving the prescribing of behavioral health and other medications and improving the quality of care provided to individuals suffering from co-morbid mental and physical health conditions, among others. These programs are designed to address issues of inappropriate prescribing, medication adherence, care coordination, and substance abuse. Interventions may include outreach to physicians who are deviating from best-practice standards, prescription adherence alerts, and other data-sharing and educational strategies. South Dakota is open to considering proposals relating to this topic.

As part of your response, please address the following questions:

1. **Project Description:** Please define the best practice or prior state experience for implementing a Medicaid Preferred Drug List and Supplemental Rebate program that resulted in cost savings.
 - a. What aspect(s) of the Pharmacy Benefit Management process did the project target or address?
 - b. How did the project refine and manage a PDL that is clinically sound, cost-effective and minimally disruptive to Medicaid members and their providers?
 - c. What was the interaction with providers in this project (e.g. provider education)?
 - d. What evidence, including clinical outcome measures and studies, demonstrated the effectiveness of the project? Please attach or reference directly relevant studies or analysis.

2. **Coordination with Existing Pharmacy Benefit Management program** (i.e. to ensure seamless processes and avoid the provision of duplicative services):
 - a. What is the best practice for coordinating a Pharmacy Benefit Management program with current state infrastructure (i.e., State Medicaid Fiscal Agent, prior authorization, etc.)?
 - b. What is the best practice for coordinating a Pharmacy Benefit Management program with state Medicaid consumers (e.g. Medicare, VA, Indian Health Service, etc.)?

3. **Implementation Challenges and Barriers:**
 - a. What are the common challenges and barriers to implementing a Medicaid Preferred Drug List and Supplemental Rebate program?
 - b. Please describe the impact of implementing a Medicaid Preferred Drug List and Supplemental Rebate program on service delivery, recipients, providers, Pharmacy and Therapeutics (P&T) Committee and the current prior authorization process?
 - c. What is the approach for a Medicaid Preferred Drug List and Supplemental Rebate program for a unique state like South Dakota that has low Medicaid pharmaceutical volume and market share to achieve cost savings?
 - d. What is the timeline for implementing a Medicaid Preferred Drug List and Supplemental Rebate program?
 - e. What is required of a state Medicaid agency to achieve this cost savings (e.g. legislation, regulations, federal waiver, system changes, etc.)?
 - f. What information or data are needed before implementing a Medicaid Preferred Drug List and Supplemental Rebate program?
 - g. How did you work with stakeholders to address any concerns that existed relating to the project?

- h. What was required to comply with all federal regulations (e.g., confidentiality of rebate related data)?
- i. What special considerations should be considered when implementing a Medicaid Preferred Drug List and Supplemental Rebate program for a state such as South Dakota that has a large rural population?

4. Pricing Methodologies and Potential Cost Savings:

- a. What was the estimated amount of savings achieved? What savings would be expected in a state like South Dakota? Please provide or describe the methodology that was utilized to estimate cost savings.
- b. How long after implementing a Medicaid Preferred Drug List and Supplemental Rebate program was a state able to realize savings? How long after implementing a Medicaid Preferred Drug List and Supplemental Rebate program would a state like South Dakota be able to realize savings?
- c. List the types of program data that were necessary to facilitate accurate cost proposal submissions when the RFP was issued.
- d. Were contract terms that “guarantee” cost savings for the state Medicaid program proposed?
- e. What were the “up-front” costs necessary to implement the program?

5. Experience and History:

- a. What is your experience and successes with implementing and managing Medicaid Preferred Drug List and Supplemental Rebate programs in other states?
- b. What cost containment opportunities did you identify in these past engagements?
- c. If applicable, please provide estimated cost savings other states obtained through implementation of the proposed model or models.

6. Program Evaluation:

- a. What program performance measures and necessary baseline data were considered in evaluating program performance in prior engagements?
- b. How did the prior engagements compare the current utilization and net drug costs with vendor estimates?
- c. What outcome or quality improvements resulted from these prior experiences?

7. Other Relevant Considerations and Information: Are there any other issues the Respondent may see as relevant for this project that is not specifically addressed above?

Appendix A: South Dakota Medicaid Medications Requiring Prior Authorization

Antihistamines (including D combinations):

Allegra, Clarinex, Fexofenadine, Xyzal

PPIs:

Aciphex, Dexilant, Nexium, Prevacid, Protonix

Brand Name Medically Necessary (DAW=1) Drugs:

Brand name drugs with FDA approved generics available will require a PA, except for those drugs listed on the South Dakota Narrow Therapeutic Index List.

ARBS (including HCT and combination products):

Atacand, Avapro, Azor, Benicar, Diovan, Edarbi, Losartan, Micardis, Teveten, Exforge, Twynsta, Valturna, Tribenzor

Immunomodulators

Amevive, Cimzia, Enbrel, Humira, Kineret, Orencia, Remicade, Simponi, Stelara

Antidepressants

Pristiq, Cymbalta, Lexapro (unless under the age of 18), Fluvoxamine (unless prescribed for OCD), Remeron SolTab, Paxil CR or Pexeva, Emsam, Oleptro, Aplenzin, Sarafem, Viibyrd
Any quick dissolving tablet, isomer, liquid or injectable

Antipsychotics

Saphris, Fanapt, Invega, Invega Sustenna, Risperdal Consta, Zyprexa Relprevv, Symbyax
Any quick dissolving tablet, isomer, liquid or injectable

Antiemetics

Granisol, Sancuso, Zuplenz

Triptans

Amerge, Axert, Frova, Maxalt, Maxalt MLT, Relpax, Treximet, Zomig, Zomig ZMT

Multiple Sclerosis Agents

Ampyra, Extavia, Gilenya, Novantrone, Tysabri

Topical Ketoconazole Products

Extina, Xolegel, Ketocon Plus

Individual Agents

Altabax, Ambien CR, Amrix/Fexmid, Calomist, Desoxyn, Growth Hormone Products
Lindane/Malathion/Natroba, Metozolv ODT, Moxatag, Name-brand Narcotics

Nascobal, Nucynta, Nuvigil, Oracea, Oravig, Provigil, Qualaquin, Solodyn, Soma 250
Suboxone/Subutex, Uloric, Ultram ER/Ryzolt, Vusion, Xolair, Xyrem

Max Units/Quantity Limits

Most medications have an established quantity limit (ex. Focalin XR 10mg, one per day). If a prescription is received which exceeds the established quantity limit a PA is required.