



**Department  
of Health**

# **Transition (Carve-Out) of Pharmacy Benefit from Managed Care to Fee-For-Service (FFS)**

**All Stakeholder: Implementation Update and Strategy**

September 21, 2020

# Overview

- Project Overview
- Stakeholder Engagement Update
- Key Deliverables and Timeline Update
- Communications and Resources

# Project Overview

# Project Overview

- Transitioning pharmacy services from Managed Care to fee-for-service (FFS) will, among other things, do the following:
  - Provide the State with full visibility into prescription drug costs.
  - Centralize and leverage negotiation power.
  - Provide a single drug formulary with standardized utilization management protocols.
  - Address the growth of the 340B program and associated reductions in State rebate revenue.

# Stakeholder Engagement Update

# Stakeholder Engagement Update

## Purpose:

NYS DOH will lead and provide all interest stakeholders with updates, facilitate a Q&A session, and incorporate feedback into the workplan as needed.

## Status:

- Monthly meetings ongoing starting with July 13 session
- Remaining meetings scheduled for third Monday of each month

All Stakeholders



Monthly

## Purpose:

NYS DOH is leading working sessions with Medicaid Managed Care Plans (and other subject matter experts as needed) to address transition topics and incorporate feedback into the workplan as needed.

## Status:

- Sessions 1-4 complete covering Roles & Responsibilities, Scope of Benefits, Data Sharing, Transition Strategy, Member & Provider Communication, Value-Based Payments, and QARR Measures
- Next 2 sessions will address Program Integrity and Model Contract

Technical Workgroup



Bi weekly

## Purpose:

To provide non-binding recommendations by October 1, 2020 regarding the reimbursement of 340B claims.

## Status:

- Three meetings held on 8/5, 8/26 and 9/16. An additional meeting will be held, per the request of the Advisory Group.
- Several ideas have been suggested and discussed. DOH will evaluate final recommendations for alignment with [Goals and Expectations](#) and update work plan if necessary.

340B Advisory Group



Four Meetings

# The Pharmacy Carve-Out & 340B – *Quick Recap*

- The Pharmacy Carve-Out is the SFY 20-21 budget initiative, which among other things, provides the State with: full visibility into prescription drug costs, administrative efficiencies, optimization of federal rebates, centralization of negotiating power and addresses associated reductions in State rebate revenue due to the growth of the 340B program.
- The Pharmacy Carve-Out will save NY State \$87.3M in SFY 2021-22 and DOH would not advance this proposal in the current budget climate without full confidence in the savings.
- DOH is uniquely positioned to assess the fiscal impact of the Pharmacy Carve Out, because DOH can assess the impact of federal rebates – *which are confidential per federal law* – to the actual pharmacy claims from health plans to accurately assess the true net-net cost of the drug to the State.
- Only DOH has access to (1) administrative costs paid to health plans including taxes and surplus, (2) access to the data to evaluate the impact on utilization due to FFS statute and policies (e.g. prescriber prevails), and the (3) the cost associated with the transfer of risk from managed care to FFS. All of this information is needed to conduct an accurate and comprehensive fiscal analysis.

# The Pharmacy Carve-Out & 340B - *Quick Recap (continued)*

- The State and the legislature recognize that the 340B program is important to many safety net providers. The interaction of the Carve-Out with the 340B program was discussed and debated during SFY 20-21 budget negotiations, resulting in:
  - ✓ The establishment of the 340B Advisory Group, which is charged with providing non-binding recommendations regarding reimbursement of 340B drugs; and,
  - ✓ a reinvestment of \$102M in State Fiscal Year 2021-22, to directly support covered entities and preserve critical services that are currently funded with 340B revenue.
- After the Carve-Out:
  - ✓ Covered entities will continue to purchase 340B drugs at reduced prices;
  - ✓ Covered entities will continue to receive margin on 340B revenue associated with Medicaid covered *physician administered* drugs and other payors (e.g., Medicare and Commercial Insurers); and,
  - ✓ Medicaid members will continue to access their medications regardless of whether 340B drug stock is used. The tagging of a claim as 340B vs. non-340B is not visible to the member and does not result in disruption *at the counter* when members pick up their medications.

# 340B Advisory Group Update

- The Advisory Group has engaged in lively discussions over the first three meetings
- During the previous two meetings, the Advisory Group discussed several potential recommendations as it relates to reinvestment of 340B savings associated with the Transition to FFS and the Advisory Group goals.
- At the request of the Advisory Group, DOH will be scheduling a fourth meeting in early October to allow time for additional discussion and refinement of recommendations.

# Key Deliverables and Timeline Update

# Key Deliverables and Timeline Update

Deliverable(s)	Target Date	
Complete Work Plan and Establish State Transition Team and 340B Advisory Group	June 2020	✓
Recurring Workgroup Calls with Health Plans and All Stakeholders begin	July 2020	✓
Frequently Asked Questions Posted to the NYS DOH Website	August 2020*	✓
Finalize NYS DOH/Managed Care Plan Roles and Scope of Benefits	September 2020	✓
Finalize State/Health Plan Data Sharing Requirements	October 2020	
Recommendations from 340B Advisory Group	October 2020	
Changes to Model Contract Identified	October 2020	
Transition Analysis Conducted (e.g., Formulary, DME, OTC Comparisons), Changes Made To Smooth Transition and Transition Strategy Finalized	November 2020	
Notice of 1115 Waiver Amendment	December 2020	

\*Initial FAQs posted and will be regularly updated as project progresses

# Key Deliverables and Timeline Update

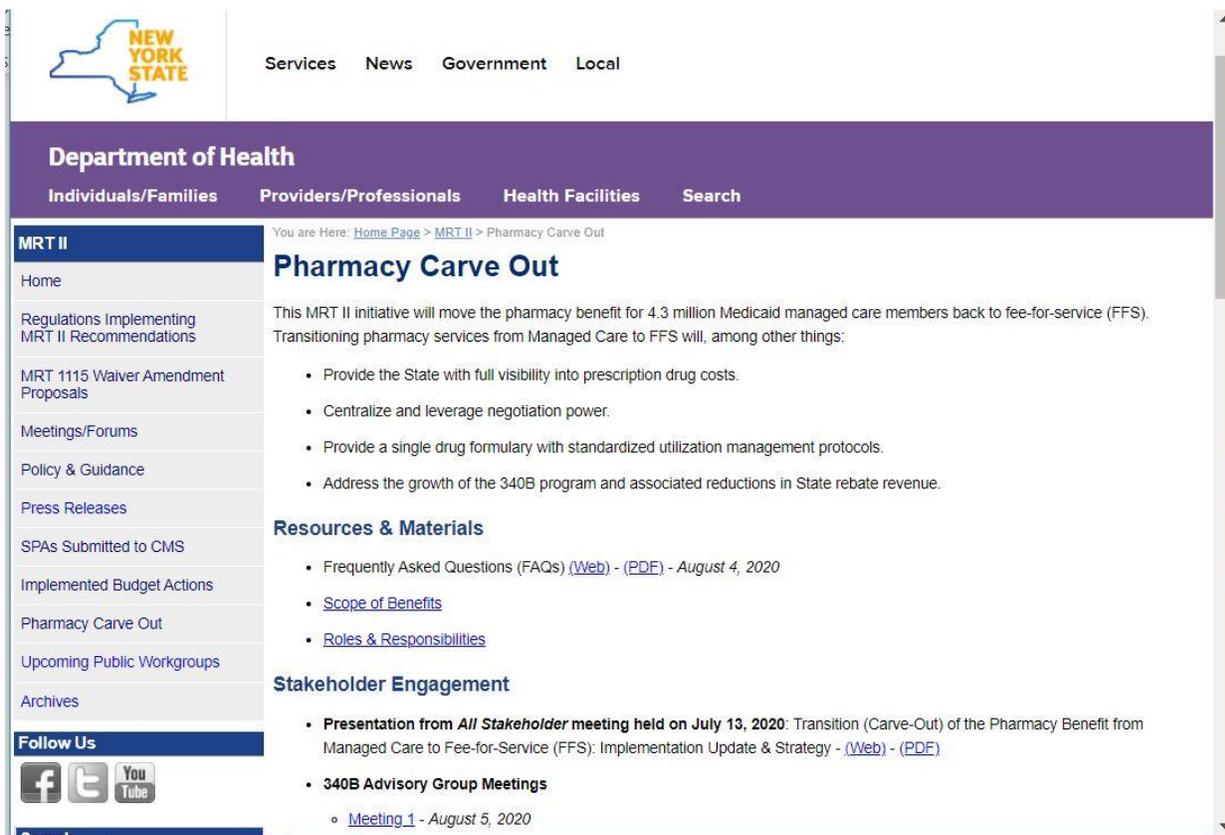
Deliverable(s)	Target Date
Required System Changes Identified and Implemented	December 2020
340B Related State Plan Amendment (SPA) Submitted	December 2020
Initial Special Edition Medicaid Update Published	December 2020
Systems Stress Testing Performed	January 2021
Member and Provider Notifications Sent and Second Special Edition Medicaid Update Published	February 2021
Customer Service Staff Hired and Trained	February 2021
Make Required Changes to Common Benefit Identification Card (CBIC), Carrier or Notice	March 2021
1115 Waiver Amendment and SPA Approved by CMS	March 2021
Go Live: Daily Calls with Stakeholders (through 4/30/2021 or Beyond as Needed)	April 2021

# Communications and Resources



# Website Updates

- The following content has been added to the [website](#) since the last meeting:
  - All Stakeholder August 17 Presentation
  - 340B Meeting 2, 8/26 Presentation
  - 340B Meeting 3, 9/16 Presentation
  - FAQ Update – September 18, 2020
  - Transition & Communications Activities Timeline
- Website updates will continue to be communicated via the MRT [listserv](#).



The screenshot shows the New York State Department of Health website. The top navigation bar includes links for Services, News, Government, and Local. Below this is the Department of Health header with sub-navigation for Individuals/Families, Providers/Professionals, Health Facilities, and Search. The main content area is titled "MRT II" and "Pharmacy Carve Out". The page content includes a breadcrumb trail, a description of the initiative, a list of key points, and sections for Resources & Materials and Stakeholder Engagement.

**NEW YORK STATE**

Services News Government Local

**Department of Health**

Individuals/Families Providers/Professionals Health Facilities Search

**MRT II**

You are Here: [Home Page](#) > [MRT II](#) > Pharmacy Carve Out

**Pharmacy Carve Out**

This MRT II initiative will move the pharmacy benefit for 4.3 million Medicaid managed care members back to fee-for-service (FFS). Transitioning pharmacy services from Managed Care to FFS will, among other things:

- Provide the State with full visibility into prescription drug costs.
- Centralize and leverage negotiation power.
- Provide a single drug formulary with standardized utilization management protocols.
- Address the growth of the 340B program and associated reductions in State rebate revenue.

**Resources & Materials**

- Frequently Asked Questions (FAQs) ([Web](#)) - ([PDF](#)) - August 4, 2020
- [Scope of Benefits](#)
- [Roles & Responsibilities](#)

**Stakeholder Engagement**

- **Presentation from All Stakeholder meeting held on July 13, 2020:** Transition (Carve-Out) of the Pharmacy Benefit from Managed Care to Fee-for-Service (FFS): Implementation Update & Strategy - ([Web](#)) - ([PDF](#))
- **340B Advisory Group Meetings**
  - [Meeting 1](#) - August 5, 2020

**Follow Us**

[f](#) [t](#) [You Tube](#)

# Resource Spotlight: Materials Posted



Resources and materials will be updated and clarified based on stakeholder feedback

- [Transition & Communications Activities Timeline](#)
- 20 New [FAQs](#) added to address:
  - Questions submitted in the August All Stakeholder session
  - Questions submitted to the PPNO mailbox
  - Questions posed in other venues and received through other channels that will be helpful to a wider audience
- FAQ Update – Updated categories include:
  - Data Sharing (***new category***)
  - General
  - 340B
  - Managed Care Plans
  - Stakeholder Engagement
  - Scope of Benefits
  - FFS Claims Processing & Operations

# FAQ Spotlight: General

**FAQ 038 How will the transition of the Medicaid pharmacy benefit from Managed Care (MC) to Fee-For-Service (FFS) be communicated to Medicaid Members and Prescribers? Will Managed Care Plans (MCP) and NYS DOH be reaching out to Medicaid Members and Prescribers?**

**Published:** September 4, 2020

Communication about the transition of the pharmacy benefit to FFS will be done by both NYS DOH and the MCPs and will be accomplished through a variety of methods including letters and Medicaid Update articles. Additional information regarding these communications and their timing can be found within the

[Transition and Communications Activities Timeline](#) document.

# FAQ Spotlight: Scope of Benefits

## FAQ 031 What drugs and supplies are included in the Carve-out?

**Published:** August 4, 2020

The carve-out will include covered outpatient drugs and other products covered under the Outpatient Pharmacy Program. This includes outpatient prescription and over-the-counter drugs, diabetic, incontinence and other supplies. It does not include physician administered (J-Code) drugs. More information regarding what drugs and products are included in the Outpatient Pharmacy Program can be found at the following [link](#).

# FAQ Spotlight: Scope of Benefits

**FAQ 057 How will the pharmacy carve-out impact Durable Medical Equipment (DME) specifically fulfilled by home delivery suppliers or fulfilled at the pharmacy?**

**Published:** September 18, 2020

**Update/Correction Pending:** October 2, 2020

**(Please disregard this previously published response below – an update/correction is pending)**

DME is subject to the pharmacy carve-out and will therefore be covered under the Medicaid Fee-For-Service (FFS) program. Billing guidance for pharmacies can be found [here](#). Billing guidance for DME providers can be found [here](#).

# FAQ Spotlight: Scope of Benefits

**FAQ 059 Can NYS DOH please explain how diabetic supplies will be impacted after the carve-out of the Medicaid pharmacy benefit to Fee-For-Service (FFS) is complete specifically related to the following:**

- a. Will NYS DOH be using NDC or HCPCS codes for Insulin Pumps (including external ambulatory infusion pumps), Insulin Pump Supplies and Integrated Continuous Glucose Monitoring (CGM)?**
- b. How will insulin pumps, pump supplies and integrated CGM be authorized? Will NYS DOH review each submitted request?**

**Published:** September 18, 2020

**Update/Correction Pending:** October 2, 2020

**(Please disregard this previously published response below – an update/correction is pending)**

- a. Diabetic supplies found on the NYS Medicaid Preferred Drug List (PDSP) will be billed via an NDC. If the product is not on the [PDSP list](#), then it should be billed via a HCPCS code.
- b. Preferred CGMs and insulin pumps will be authorized if they meet program criteria. Products that do not meet our criteria will be manually reviewed. For more information please see the following resources:
  - [Changes for Approval of Continuous Glucose Monitoring and Insulin pumps for Individuals with Type 1 Diabetes](#)
  - [Reimbursement of Continuous Glucose Monitoring for Individuals with Type 1 Diabetes](#)



# Resources



Website: [https://health.ny.gov/health\\_care/medicaid/redesign/mrt2/](https://health.ny.gov/health_care/medicaid/redesign/mrt2/)  
Information regarding the transition of the pharmacy benefit from Managed Care to FFS will be posted at the above website.



Email: [PPNO@health.ny.gov](mailto:PPNO@health.ny.gov) – Please write *Carve-Out* in the subject line



MRT LISTSERV:  
[https://health.ny.gov/health\\_care/medicaid/redesign/listserv.htm](https://health.ny.gov/health_care/medicaid/redesign/listserv.htm)

# Questions?

*Please enter your question within the chat feature of the WebEx Event meeting.*

