

8. DRUG BENEFITS

Overview of the Original Program Prior to Pharmacy Carve-out (August 1, 1998)

The State permitted MCOs to establish prescription formularies, including therapeutic category formularies, as long as the formulary included all categories of drugs as listed on the New York State Medicaid formulary.

In establishing a formulary, MCOs also had to put in place a brand name and therapeutic category exception process for providers to use when deemed medically necessary.

Drugs Excluded from Capitated Benefits Package

Certain drugs were excluded from MCO capitated benefit packages and would continue to be reimbursed fee-for-service when prescribed by a licensed physician. Specifically, these included:

- Clotting products for hemophiliacs.
- Dornase Alpha (Recombinant Human Deoxy Ribonuclease) for cystic fibrosis patients.
- Protease inhibitors for treatment of HIV.

State Monitoring of MCO Activities

MCOs were required to submit their formularies to the Office of the Medical Director within the State Department of Health's Division of Managed Care and Program Evaluation, for review prior to implementation or revision. The State would monitor MCO compliance with formulary lists and brand name exception processes through normal oversight activities, including tracking of member and provider complaints.

The Medical Director, in consultation with the Drug Utilization Review Committee, might require changes to an MCO's formulary to ensure contract compliance. If changes were required, a Statement of Deficiency was issued and the MCO was given twenty days to respond with a Plan of Correction (POC). The timeframes allowed for implementation of POCs varied depending on the nature of the deficiency.

State Legislation Excluding Pharmacy from Capitated Benefits Package

As of August 1, 1998, prescription drugs covered on the NYS List of Medicaid Reimbursable Drugs and that are administered in the office setting by the prescriber are not a covered plan benefit and are reimbursed on a fee-for-service basis pursuant to Chapter 19 of the Laws of 1998. Over-the-counter pharmaceuticals, medical supplies and enteral formula covered through the fee-for-service Medicaid program are also reimbursed on a fee-for-service basis. Co-payment requirements are not applicable to

Medicaid managed care enrollees except for pharmacy services as of 4/01/05 (unless otherwise exempt).

The State's Drug Utilization Review Committee continues to monitor drug utilization to ensure the necessity and appropriateness of prescription drugs and to identify instances of over-medication and potential drug interactions.

Individuals who lose eligibility for Medicaid will continue to be eligible for pharmacy services on a fee-for-service basis during the guarantee period. The scope of benefits has been adjusted to reflect this change in policy and the pend/pay/deny logic has also been adjusted to allow payment of pharmacy claims. Specifications for billing pharmacy services can be found at the following website www.emedny.org.

8. DRUG BENEFITS IN FHPlus

Under Family Health Plus, MCOs are capitated for all prescription drugs, including clotting products, Dornase Alpha, protease inhibitors, and enteral formula. Medical supplies and over-the-counter pharmaceuticals are not covered, with the exception of diabetic supplies and equipment, smoking cessation agents, and antihistamine and proton pump inhibitor.

The State allows MCOs to establish prescription formularies and to employ the services of a Pharmacy Benefit Manager or Utilization Review agent provided that they cover all therapeutic classes on the Medicaid formulary and maintain an internal and external review process for medical exceptions.

MCOs may make use of mail order prescription deliveries, where clinically appropriate and desired by the enrollee. For certain conditions, such as hemophilia, PKU, and cystic fibrosis, MCOs are further encouraged to make pharmacy arrangements with specialty centers treating these conditions, where such centers are able to demonstrate quality and cost effectiveness.

The State monitors compliance through its regular oversight activities consisting of the on-site survey, monitoring of complaints and grievances, fair hearings and external appeals.