



Medicaid Pharmacy Overview

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Agenda

- Covered Drugs and Funding
- Fee-For-Service vs. Managed Care
- Participating Pharmacies
- Reimbursement Rates
- Drug Rebates
- General Program Statistics

Covered Drugs and Funding

- The program is not funded through premiums and copays like commercial insurance
- Funding for Medicaid is a combination of federal and state funds
- Federal funding depends on member eligibility and services
- Federal funding > State funding overall

Covered Drugs and Funding

- Pharmacy coverage in the Medicaid program is an optional benefit
- Like the funding mechanism, the Medicaid pharmacy benefit is very different from most commercial insurance pharmacy benefits
- All FDA approved, rebate eligible drugs, are included in the benefit
 - Prior authorization and claims edits (e.g. quantity limits) can be utilized
- Very few drugs are excluded from the benefit
 - Non-rebating drugs
 - Optional excluded drugs (e.g. weight-loss drugs, fertility drugs, etc.)

- States, including Minnesota, deliver the Medicaid benefits primarily through two different payment mechanisms
- Directly administering the program and paying claims on a claim-by-claim basis – Fee-for-Service
- Contracting with health plans to administer the Medicaid benefit – Managed Care
 - The state pays a capitation to health plan and the health plan pays for the individual services
 - The health plan is at risk if costs exceed the capitation
- Most members in Minnesota are enrolled in Managed Care (80/20)

Participating Pharmacies

- In FFS any willing provider that is eligible to enroll with DHS can deliver pharmacy services to FFS members. Not all MN pharmacies are enrolled with DHS, but most are.
- In managed care the pharmacy network is typically managed by the MCO, or PBM, and can differ from the universe of pharmacies enrolled with DHS.

Reimbursement Rates

- The drugs and labor costs are reimbursed separately
 - Drugs are reimbursed using a formula to calculate the “ingredient cost”
 - Labor costs are reimbursed through the “dispensing fee”
- The reimbursement rate for FFS and MCOs/PBMs can differ significantly
 - The FFS rate in MN is defined in statute
 - Each MCO/PBM contracts with pharmacies differently

Drug Rebates - Federal

- All FDA approved drugs that are rebate eligible are covered.
- The federal Medicaid drug rebate program is administered by CMS but individual states operationalize the program
 - CMS sets the rebate amounts
 - States invoice manufacturers and collect payments
- Rebate amounts are “defined” in federal law, but states are prohibited from disclosing them.
 - Brands: 23.1% of AMP (Clotting Factor/Pediatric Indication 17.1%)
 - Generics: 13% of AMP
- Rebates apply to all “covered outpatient drugs” and not just pharmacy claims

Drug Rebates - Supplemental

- States can negotiate additional rebates with drug manufacturers
- Typically the rebates are generated through the use of Preferred Drug Lists
- These rebates are optional and states have a lot of flexibility with how to administer the programs
- The federal rebate can impact supplemental rebates.
 - E.g. With a guaranteed net unit price structure, as federal rebates increase, supplemental rebates decrease and vice versa.

Drug Rebates

- CY 2025 (MCO + FFS)
- Federal Medicaid Rebate: \$781,552,223
- Supplemental Rebate: \$149,598,534
- Total: \$931,150,757

*General Program Stats (FFS only; CY 2025)

- Claim Count: 2,269,000
 - ~88.5% generic (97% substitution rate)
 - ~9.5% increase from 2024
- Paid Amt: \$283,004,000 (pre-rebate)
 - Avg \$124.69/claim
 - ~24.8% increase from 2024
 - “Specialty Drugs” account for about 40% of costs

*Note: numbers will change based on how queries are run

*General Program Stats (FFS +MCO; CY 2025)

- Claim Count: 15,542,000
 - ~85.5% generic (97.2% substation rate)
 - ~2.2% decrease from 2024
- Paid Amt: \$2,109,353,000 (pre-rebate)
 - Avg \$135.72/claim
 - ~9.4% increase from 2024
 - “Specialty Drugs” account for about 44% of costs
- Enrollment: 1,383,917
 - Claim PMPM (1.09) and PUPM (3.85)
 - ~11% decrease from 2024

*Note: numbers will change based on how queries are run

Thank You!

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