



Medicaid Pharmacy Benefit Overview

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Commission

December 13, 2017



TEXAS
Health and Human
Services

Rider 219

2018-19 General Appropriations Act (Article II, HHSC, Rider 219) requires HHSC to study potential cost savings in the administration of prescription drug benefits.

- HHSC is commissioning an independent study.
- Final report to be completed by external entity by November 1, 2018.



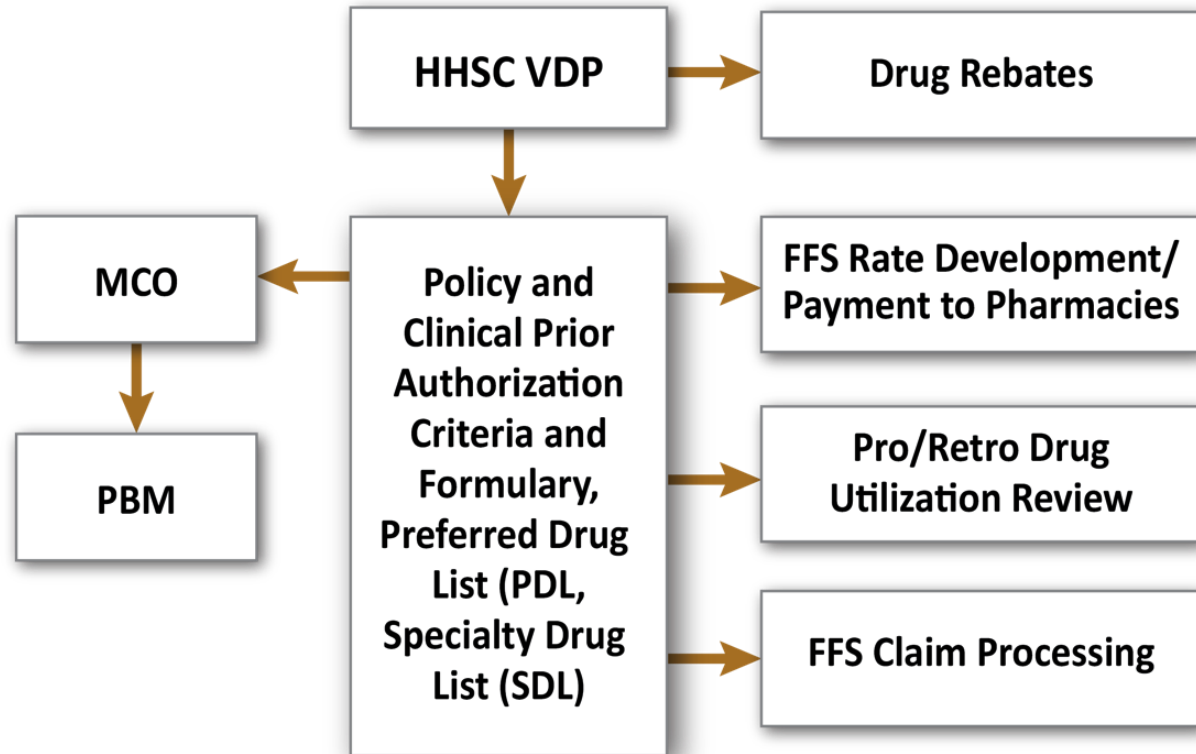
Vendor Drug Program (VDP)

Key functions:

- Establishes and maintains outpatient drug benefit policy
- Administers Texas Drug Code Index (statewide drug formulary) and Preferred Drug List
- Negotiates and collects federal and supplemental rebates
- Develops the Specialty Drug List for use by managed care organizations (MCOs) for selective contracting with specialty pharmacies



VDP Structure



Managed Care Functions

In administering the pharmacy benefit, Medicaid managed care organizations (MCOs) key functions include:

- Using a pharmacy benefits manager (PBM) to process prescription claims using the VDP formulary and preferred drug list
- Monitoring PBM delivery of the pharmacy benefit
- Reimbursing PBM, based on the actual amount paid to a pharmacy for dispensing and ingredient costs



PBM Functions

MCOs may delegate the following functions to PBMs:

- Operate a Drug Utilization Review program to ensure safe and appropriate delivery of the pharmacy benefit
- Establish adequate pharmacy networks, including negotiation of reimbursement rates and payment to providers



MCO and PBM Structure

