



STATE OF CONNECTICUT

DEPARTMENT OF SOCIAL SERVICES

October 10, 2017

Dear Healthcare Cabinet Members;

During its last meeting, the Cabinet enjoyed a presentation from the Global Health Justice Partnership entitled *Curbing Unfair Drug Prices in Connecticut*. The final slide from that presentation stated that Connecticut "Medicaid's most costly drugs are overwhelmingly branded" and suggested that fair pricing would favorably impact the state budget. The graphic on the slide was a bar graph showing that the percentage use of generic drugs was far lower in Medicaid than within a commercial plan.

While the graphic of the slide is correct, the conclusion drawn by the presenters is incorrect. Due to obligations under federal law (OBRA 1990), Medicaid programs tend to purchase brand drugs at a lower cost than their generic alternatives. Connecticut Medicaid's federally and state supplemental purchasing arrangements annually result in savings of approximately \$500 million annually. In state fiscal year 2017, rebates were approximately 15 million greater than the previous state fiscal year. Medicaid spends approximately 1.3 billion dollars annually for prescription drugs. The impact of greater generic medication usage to the state budget would not be a savings, but rather would result in a substantial erosion of these savings.

These trends must also be viewed in a broader context. Connecticut Medicaid's pharmacy benefit program provides the highest standards of care, ease of access, and availability. We use an "open" formulary, meaning that very few medications require any type of prior authorization (PA). The few authorizations that are required are reviewed within two hours.

Unlike most commercial plans, Medicaid also covers over the counter medications (OTC). The Department determined that many OTC products are far more cost effective than their prescription counterpart, even though the OTC product may only be available by the brand name.

Further, while many commercial plans use tiered copay structures which makes certain brand drugs extremely expensive, often by passing all of the cost difference between the generic drug cost and the brand drug cost to the insured. Medicaid does not charge copays for brand or generic medications because Medicaid cannot enforce such cost sharing under federal rules. For this reason, cost sharing under Medicaid is at best a further cost to the provider and at worst a barrier to care.

Lastly, the Department's self-insured model allows, indeed prudently requires, Medicaid to take a long and broad view of pharmacy utilization. While other states and commercial insurers make utilization management decisions planning ahead one or two years at most, Connecticut Medicaid takes the long view. For example, most plans do whatever they can to limit access to expensive medications to cure hepatitis C for fear of the upfront costs. Connecticut Medicaid, in contrast, recognizes that curing Hepatitis C makes better financial sense in the longer term, as

well as medical and moral sense in the short term, and covers these medications without restriction. We instead focus our energies on assisting our members in not becoming re-infected by the virus after their treatment.

The Department commends to your review our February, 2017 presentation to the Cabinet entitled "Connecticut Medicaid and Pharmacy". This overview explained in great detail the type of work Medicaid does on a daily basis, and the great lengths the Department of Social Services takes to ensure that every Medicaid member receives the best care at the best possible cost. The link is below for your convenience.

<http://portal.ct.gov/-/media/Office-of-the-Lt-Governor/Healthcare-Cabinet/2017-Meetings/DSS-Pharmacy-Presentation-Health-Care-Cabinet-2-12-17-Read-Only.pdf?la=en>

We hope this document explains the many reasons that Medicaid "appears" to spend more money on branded medications. If all factors are considered, Medicaid costs are actually less than others insurers who force clients to use a higher percentage of generic medications.

Sincerely,

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Director, Division of Health Services