

Nevada Medicaid Pharmacy Claims Review

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*Division of Health Care Financing & Policy
Nevada Medicaid
Nevada Department of Health and Human Services*

Stacie Weeks, JD, MPH
*Administrator
Division of Healthcare Financing & Policy*

Joe Lombardo
*Governor
State of Nevada*

Richard Whitley, MS
*Director
Department of Health and Human Services*

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Executive Summary

The State of Nevada's (State) Division of Health Care Financing and Policy (DHCFP) engaged with Mercer to conduct an annual pharmacy benefit manager review pursuant to NRS 422.4056(1)(a) (herein referred to as "Pharmacy Claims Review"). The period selected for this review was January 1, 2022 through December 31, 2022 (review period).

Objective and Scope

The objectives of the claims reviews were to assess the quality and efficiency of the managed care organizations (MCOs) and their pharmacy benefit managers (PBMs). Quality and efficiency analyses included the following reviews:

Benchmarking Review

- Benchmark the MCOs' PBM pricing contracts against one another to review pricing efficiencies.

Rebates Review

- Review MCO market share rebates that were invoiced, collected, and sent to DHCFP.

Retrospective Claims Review

- Review MCO and fee-for-service (FFS) pharmacy claims data to identify potentially inefficient prescribing and/or dispensing patterns.

Diagnosis to Drug Matching Review

- Review pharmacy claims for select therapeutic categories to determine whether the members filling the prescriptions also have clinically appropriate diagnosis codes appear in the medical claims data.

Pharmacy and Prescriber Review

- Review utilization data for outlier prescribing patterns in the pharmacy and prescriber landscape.

Physician Administered Drug Review

- Review of utilization between the pharmacy and medical benefits to identify outlying patterns in prescribing practice.

Key Findings

Benchmarking Review

Mercer found there are material differences between PBM pricing contracts among MCOs indicating that opportunities may exist to lower gross pharmacy expenditures. Repricing all pharmacy expenditures in calendar year (CY) 2022 to the best PBM contract shows that DHCFP could have spent \$10 million less than what was paid. Additionally, Mercer found major differences in contractual administrative fees.

Mercer recommends DHCFP monitor MCO pricing contracts relative to common industry benchmarks, such as the Wholesale Acquisition Cost and National Average Drug Acquisition Cost, to ensure DHCFP is achieving the most competitive pricing available. Pricing adjustments to industry benchmarks may be achievable through capitation rating adjustments or through MCO contracts.

Rebates Review

Mercer reviewed MCO claim level rebate reports against the reported summarized rebates to DHCFP in the “Calendar Year 2022 Supplemental rebate Agreement Report Summary”¹. While some discrepancies are expected due to reporting submission windows and claim runout, one MCO was found to have unexplainable differences between collected rebate amounts. Anthem Blue Cross and Blue Shield Healthcare Solutions reported to DHCFP total supplemental rebates collected at \$5.5 million for claims invoiced in CY 2022, however the claim level detail reports show that Anthem collected significantly more in supplemental rebates for claims invoiced in CY 2022.

All other MCOs reported rebates were within a reasonable variance in reporting.

Mercer recommends that DHCFP work with Anthem to reconcile the difference between reporting methods.

Retrospective Claims Review

Mercer reviewed Nevada’s encounter and FFS data through the lens of efficient clinical utilization management criteria to find \$5.1 million in potentially avoidable dollars in CY 2022, or 0.6% of total pharmacy spend. The MCOs were slightly more efficient in their management of claims processing compared to the FFS program.

Diagnosis to Drug Matching Review

Mercer reviewed member diagnosis history to assess whether there was appropriate prescribing practice for both encounter and FFS data. The analysis found that there was

¹ SB378 CY22-2024 (state.nv.us)

\$10.8 million in potentially avoidable dollars in CY 2022, or roughly 1.2% of total pharmacy expenditures.

Pharmacy and Prescriber Review

Mercer reviewed prescribers and dispensing pharmacies searching for outlier patterns. Mercer recommends that the State conduct further evaluation of compound utilization management, specifically focusing on the significant portion attributed to one pharmacy and its associated prescribers. It is recommended that the State assess the compound spend within the FFS program and implement appropriate utilization management measures. A review of the FFS vendor's prior authorization and compound clinical edits is advised to ensure proper clinical usage. To address excessive costs, some states have implemented compounding cost per claim limits (e.g., \$50 to \$75), which trigger a prior authorization and clinical review when the limit is exceeded.

Physician Administered Drug (PAD) Review

Mercer reviewed PAD spend against pharmacy benefit spend for outliers in spend and administration of each benefit. The FFS program stands out in terms of PAD spend, presenting an opportunity for the State to evaluate appropriate benefit utilization. Mercer recommends that the State review PAD and pharmacy cost per claim contracts to ensure cost-effective benefits. Additionally, an analysis comparing FFS/MCO reimbursement rates to industry benchmarks can identify reimbursement inefficiencies for clinician-administered drugs.

Division Response

The DHCFP has reviewed Mercer's evaluation and analysis and has initiated steps to further investigate identified opportunities for improvement. Ongoing rebate reconciliation audits have been modeled as a result of this audit and the MCO with identified discrepancies, Anthem, completed their CY 2022 reconciliation. Upon a rerun of claim rebates for that time period, no outstanding discrepancy was identified; individual claims level data was consistent with aggregate year end rebate totals invoiced and collected, once corrected parameters were reviewed. Additional insight is being sought to clarify potentially avoidable dollars across other State Medicaid programs, with initial findings showing the DHCFP results average amongst available recommendations and program constraints. Initiatives for change are being evaluated alongside new contract procurements.