

Medicaid Managed Care and Coverage of Prescription Medications

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Almost 19 million Medicaid recipients were in managed care during 2000, or 55.8% of all Medicaid recipients.¹ Most Medicaid managed care contracts specify coverage of prescription drugs without further description, but some states specify limitations and exclusions of pharmacy benefits.² States may “carve out” pharmacy benefits from managed care contracts and cover medications under fee-for-service Medicaid payments. Carving out allows separate reimbursement for a particular service that may contain higher costs, such as HIV-related medications.² Section 1115 waivers allow the states, subject to federal approval, to deviate from many standard Medicaid requirements when implementing managed care programs.^{2,3} The objective of this brief is to present the results of a survey that focused on state Medicaid coverage of prescription medications in managed care settings.

SURVEY METHODOLOGY

The survey collected Medicaid policy data on managed care coverage of prescription medications during 2000 and included questions about drug formularies (including HIV antiretrovirals), off-label use, utilization limits, and any copayment responsibilities from enrollees. This Medicaid survey was sent to the policy information contact person for the Medicaid Drug Rebate Program in each state. A mailing list of the policy contact person in each state was obtained from the Health Care Financing Administration.⁴ The survey began in January 2000, with 10 additional mailings of the questionnaire sent at 6-week intervals to Medicaid programs not responding. By February 2001, responses

had been received from 50 Medicaid programs. The survey results were summarized into tables and mailed to respondents in April 2001 for any updates. During this verification process, a completed questionnaire was received from the 51st Medicaid program, so that the study now included all states and the District of Columbia. The verification process was completed in July 2001.

RESULTS

At least a dozen Medicaid programs reported in their responses to the survey that prescription medications were “carved out” of managed care and covered under the fee-for-service Medicaid program during 2000. Table 1 illustrates that many state Medicaid programs allowed managed care organizations (MCOs) to limit the number of medications that Medicaid recipients in MCOs received during 2000. Table 1 also shows that in almost all states that allowed MCOs to limit the utilization of medications, these MCOs had to allow exceptions for medical necessity. Table 1 shows that many Medicaid programs allowed MCOs to require copayments for medications from Medicaid recipients during 2000.

The survey included several questions about off-label use of medications. Off-label use occurs when a physician prescribes a medication for a use other than the labeled indications. As Table 2 illustrates, slightly more states did not require MCOs to allow off-label use than states that did and in few of these states did MCOs make exceptions to allow off-label use for Medicaid recipients with AIDS or HIV infection. A number of states reported that off-label use was allowed at the discretion of the MCO. Table 2 also presents the references that MCOs used to allow off-label use and how the off-label use policy was enforced.

As Table 2 presents, the states were about evenly divided between Medicaid programs allowing MCOs to implement open or restrictive drug formularies during 2000. Table 2 also shows that almost all Medicaid programs that allowed MCOs to

implement restrictive drug formularies required these MCOs to cover all protease inhibitors, nucleoside reverse transcriptase inhibitors, and nonnucleoside reverse transcriptase inhibitors (medications used in the treatment of HIV infection). A few Medicaid programs reported that some or all of these medications used in the treatment of HIV infection were carved out of the MCO agreement and reimbursed through fee-for-service Medicaid during 2000.

DISCUSSION

More than 50% of the people living with AIDS and up to 90% of all children with AIDS received Medicaid coverage during 2001.⁵ In addition, a study of people with HIV infection receiving medical care indicated that 29% were covered by Medicaid and another 19% were covered by Medicare, usually in combination with Medicaid.⁶ Placing people with HIV disease in Medicaid managed care presents many challenges, including those of developing adequate Medicaid capitation rates⁷ and ensuring that recipients have access to comprehensive drug coverage within managed care formularies.⁸ The results of the survey conducted for this research indicate that some states allow MCOs to implement policies that could adversely affect access to needed medications, such as utilization limits, copayment responsibilities, restrictive formularies, or off-label use. Almost half of the drugs used to treat HIV disease are prescribed for off-label indications.⁹ However, many states did not require Medicaid MCOs to allow off-label use during 2000. To enable Medicaid recipients with HIV in managed care to have access to needed prescription drugs, many states have implemented a range of strategies, such as medication carve outs, as found in this study, or risk-adjusted capitation rates or special HIV and AIDS rates.^{3,7} ■

About the Author

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TABLE 1—Medicaid Managed Care and Prescription Drug (Rx) Coverage

	Utilization Limits to Rx Coverage	Exceptions to Limits for Medical Necessity	Copayment Responsibilities on Rx Coverage
Alabama	Yes ^a	Not applicable	Yes: \$0.50–\$3.00
Alaska	No managed care plans in Alaska		
Arizona	No	Not applicable	No
Arkansas	Not applicable	Not applicable	Not applicable
California	Yes	Yes	No, except for \$1.00 optional copayment
Colorado	No	Not applicable	No
Connecticut	No	Not applicable	No
Delaware	Not applicable: “Prescription drugs are outside the MCO package.”		
District of Columbia	No	Not applicable	No
Florida	Yes; no limit for children ^b	Yes	No—Medicaid only; Medicaid will pay copayment and deductible for Medicare HMO enrollee
Georgia	Not applicable: “No MCOs currently in Georgia Medicaid.”		
Hawaii	No ^c	Yes	Yes ^d
Idaho	Not applicable	Not applicable	Not applicable
Illinois	No	Not applicable	No
Indiana	No	Not applicable	No
Iowa	“All drugs are carved out of managed care and paid under the fee-for-service program.”		
Kansas	No	Not applicable	No
Kentucky	Yes ^e	Yes	No
Louisiana	“Louisiana has no managed care in Medicaid.”		
Maine	Pharmacy is carved out of managed care		
Maryland	No	Not applicable	No
Massachusetts	No (no difference from fee-for-service recipients)	Yes	Yes: copayments per Rx may not exceed \$0.50
Michigan	No	Not applicable	Yes: may have copayment of \$1.00 per Rx; “follow [Medicaid] guidelines for exclusion.”
Minnesota	No	Not applicable	No
Mississippi	Not applicable	Not applicable	Not applicable
Missouri	No	Not applicable	Yes: \$0.50–\$2.00 per Rx, depending on cost of Rx
Montana	“Pharmacy benefits are carved out of managed care. Our limited HMO program ends June 30, 2000.”		
Nebraska	“Not applicable, drug program is all fee-for-service for ‘take home’ drugs.”		
Nevada	Yes ^f	Yes	No
New Hampshire	Not applicable	Not applicable	Not applicable
New Jersey	No ^g	Yes (based on nature of exception)	No
New Mexico	No	Not applicable	No
New York	“Since August 1, 1998, drugs are carved out of the Medicaid [managed care] rate and follow the fee-for-service policy.”		
North Carolina	North Carolina “carved the drug program out of MCO. The state administers the drug program itself.”		

Continued

TABLE 1—Continued

North Dakota	No	Not applicable	No
Ohio	No	Not applicable	No
Oklahoma	No ^h	Yes	No
Oregon	No	Not applicable	No
Pennsylvania	No ⁱ	Yes	No (exempt by federal law)
Rhode Island	No	Not applicable	Yes: copayments are determined by which program and level of recipient's eligibility
South Carolina	Yes ^j	Yes—children; no—adults	Yes ^k : \$2.00 per Rx (new or refills)
South Dakota	Not applicable	Not applicable	Not applicable
Tennessee	No	Not applicable	No
Texas	"Pharmacy benefits are carved out. All outpatient pharmacy is handled through the Vendor Drug Program."		
Utah	"Prescriptions are carved out and all Rx's are fee-for-service and require a copay of \$1.00 for each Rx, up to a \$5.00 maximum per month."		
Vermont	"Pharmacy is carved out and paid following fee-for-service rules. However, Vermont no longer has any managed care organizations in the state providing services to Medicaid recipients."		
Virginia	No	Not applicable	No
Washington	No	Not applicable	No
West Virginia	"Not applicable, the pharmacy program is carved out."		
Wisconsin	No	Not applicable	No
Wyoming	Not applicable	Not applicable	Not applicable

Note. MCO = managed care organization; HMO = health maintenance organization.

^a30-day limit; prior authorization requirements on some drugs; early refill edits; maximum monthly units on specified drugs.

^bFour brand name prescriptions per month. No brand restrictions for nursing home residents and children. Other exceptions: HIV antiretrovirals, mental health, contraceptives, diabetic supplies, and insulin. These policies effective July 1, 2000. "In fact, HMOs do not limit the number of Rx's, but could if they chose to."

^c"MCOs must meet the minimum MCO formulary requirement. For HIV drugs, MCOs must cover if patient is HIV positive."

^d"Only for the Category C members who exceed Medicaid eligibility requirements and are not infants, children, and pregnant women. MCO extension members can be 100% of the poverty level." Copayments are \$5 per Rx for multisource brand names and \$2 per Rx for generics.

^e"Each 1115b partnership makes this determination. One region limits controlled substances to 4 Rx's per month."

^f"Not applicable, the HMOs have not set limits to the number of Rx's."

^g"Preferred drug lists with prior authorization process for nonformulary agents."

^h"Health plans can develop a formulary and limit access to certain drugs via their prior authorization process."

ⁱ"Unless they decide to enforce for [the state funded program] General Assistance. MCOs cannot have a more restrictive program than Medicaid."

^jChildren younger than 21 years (through the month of their 21st birthday) receive unlimited prescriptions per month. Adults (21 and older) are limited to 4 prescriptions per month up to a maximum of a 100-day supply; 2 additional prescriptions are allowed for people with mental retardation and related disabilities, HIV and AIDS, and ventilator-dependent waivers. Head and spinal cord injuries waiver enrollees receive 3 additional prescriptions per month.

^kRecipients or services exempt from the copayment are recipients younger than 21 years (through the month of their 21st birthday), residents in long-term care facilities, family planning Rx's, pregnancy-related Rx's, recipients in disability or mental retardation or head or spinal cord injuries waiver programs, and recipients in the ventilator-dependent, HIV and AIDS, or elderly and disabled waiver programs.

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Human Participant Protection

No IRB approval was required for this study.

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TABLE 2—Medicaid Managed Care and Prescription Drug (Rx) Policies

	Managed Care and Off-Label Use of Rx			Managed Care and Drug Formularies		
	Medicaid Requires Off-Label Use	If No, Exceptions to Allow Off-Label Use for AIDS/HIV+	Off-Label Use Allowed if Referenced in	If Off-Label Use Not Allowed, Enforcement Is by MCOs	Implement an Open or Restricted Formulary	Exceptions to Restricted Formulary for PIs, NRTIs, or NNRTIs
Alabama	No	No	Not applicable	Not applicable	Not applicable	Not applicable
Alaska	No managed care plans in Alaska					
Arizona	No	No	Not applicable	No answer	Open drug formulary	Not applicable
Arkansas	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
California	Yes, but they may require prior approval	Not applicable	Yes ^a	Not applicable	^b	^c
Colorado	No	No	Yes ^d	Prior authorization	Open drug formulary	Not applicable
Connecticut	Yes	Not applicable	Not applicable	Not applicable	Restricted drug formulary	Yes for all PIs; all NRTIs; all NNRTIs
Delaware	Prescription drugs are outside the MCO package					
District of Columbia	No	No	Not applicable	None	Open drug formulary now ^e	Not applicable
Florida	Yes, in most cases ^f	Yes	^f	Prior authorization	Open drug formulary but all use a “preferred list”	Yes for all PIs; all NRTIs; all NNRTIs
Georgia	No MCOs currently in Georgia Medicaid					
Hawaii	No	MCO discretion	MCO discretion	No answer	Restricted drug formulary	Yes for all PIs; all NRTIs; all NNRTIs
Idaho	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Illinois	Yes	Not applicable	Not applicable	Not applicable	MCOs “must offer ‘at least’ everything we cover.”	
Indiana	No ^g	No	No response	No response	Restricted drug formulary	^h
Iowa	All drugs are carved out of managed care and paid under the fee-for-service program					
Kansas	No	MCO discretion	MCO discretion	MCO discretion	Open drug formulary, but use prior authorization	Not applicable
Kentucky	Yes	Not applicable	Yes ⁱ	Not applicable	Open drug formulary	Not applicable
Louisiana	Louisiana has no managed care in Medicaid					
Maine	Pharmacy is carved out of managed care					
Maryland	Yes	Not applicable	Yes ^j	Not applicable	Restricted drug formulary	Yes for all PIs; all NRTIs; all NNRTIs
Massachusetts	Yes, if peer reviewed and accepted	Not applicable	Yes ^k	Prior authorization	Open drug formulary	Yes for all PIs; all NRTIs; all NNRTIs
Michigan	No	No response	No response	Prior authorization	Restricted drug formulary	Yes for all PIs; all NRTIs; all NNRTIs
Minnesota	No	No	No response	Prior authorization	Restricted drug formulary ^l	No ^l
Mississippi	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

Continued

TABLE 2—Continued

Missouri	Yes	Not applicable	Yes ^m	Not applicable	Restricted drug formulary ⁿ	NRTIs and NNRTIs ^o
Montana	“Pharmacy benefits are carved out of managed care. Our limited HMO program ends June 30, 2000.”					
Nebraska	“Not applicable, drug program is all fee-for-service for ‘take home’ drugs”; there is an open formulary, with all PIs, NRTIs, and NNRTIs covered.					
Nevada	No response	No response	Yes ^o	No response	Can implement either open or restricted formulary	^p
New Hampshire	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
New Jersey	Yes	Not applicable	Not applicable	Not applicable	Open drug formulary	Not applicable
New Mexico	No, at least by contract	No response	No response	No response	Restricted drug formulary	Yes for all PIs; all NRTIs; all NNRTIs
New York	No	No	No response	No formal method to authorize off-label use	Open drug formulary	Not applicable
North Carolina	North Carolina “carved the drug program out of MCO. The state administers the drug program itself.”					
North Dakota	No	Yes	No	No response	Open drug formulary	Not applicable
Ohio	No	No	No response	Prior authorization	Restricted drug formulary	Yes for all PIs; all NRTIs; all NNRTIs
Oklahoma	No, not enforced	^q	No response	No response	Open drug formulary ^r	Not applicable
Oregon	No	Yes	Yes ^s	Prior authorization	Restricted drug formulary	Yes for all PIs; all NRTIs; all NNRTIs
Pennsylvania	Yes	Not applicable	Yes ^t	Not applicable	Restricted drug formulary ^u	Yes for all PIs; all NRTIs; all NNRTIs
Rhode Island	Yes	Not applicable	No response	No response	^v	^v
South Carolina	Yes (“to the extent covered in the regular Medicaid program”)	Not applicable	No response	No response	Open drug formulary	Not applicable
South Dakota	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Tennessee	Yes	Not applicable	Medically necessary	Not applicable	Restricted formulary	Yes for all PIs; all NRTIs; all NNRTIs
Texas	“Pharmacy benefits are carved out. All outpatient pharmacy is handled through the Vendor Drug Program.”					
Utah	No	^w	Yes ^x	^w	Medications (including HIV drugs) are carved out and included in Medicaid fee-for-service	

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TABLE 2—Continued

Vermont	"Pharmacy is carved out and paid following fee-for-service rules. However, Vermont no longer has any managed care organizations in the state providing services to Medicaid recipients."					
Virginia	Yes	Not applicable	No response	Prior authorization	Restricted drug formulary	No
Washington	No	Yes	Not applicable	Prior authorization	Restricted drug formulary	PIs are carved out of MCO agreement
West Virginia	Not applicable; the pharmacy program is carved out.					
Wisconsin	Yes	Not applicable	No response	No response	Open drug formulary	Not applicable
Wyoming	Not applicable					

Note. MCOs = managed care organizations; PI = protease inhibitor; NRTI = nucleoside reverse transcriptase inhibitor; NNRTI = nonnucleoside reverse transcriptase inhibitor.

^aIf referenced in American Medical Association Drug Evaluations, US Pharmacopeial Drug Information, American Hospital Formulary Service, or DRUGDEX.

^b"MCOs can have formularies, and nonformulary drugs must be made available through prior approval."

^c"Almost all AIDS drugs are carved out of MCOs. They are on the fee-for-service List of Contract Drugs."

^dIf referenced in American Medical Association Drug Evaluations, US Pharmacopeial Drug Information, American Hospital Formulary Service, or DRUGDEX.

^e"New contract will have DC Government review requested changes to the formulary."

^fIf referenced in American Medical Association Drug Evaluations, US Pharmacopeial Drug Information, or American Hospital Formulary Service.

^gMCOs may allow off-label use, but off-label use is not mandated.

^hMCOs must offer "at least two drugs per therapeutic class."

ⁱIf referenced in American Medical Association Drug Evaluations, US Pharmacopeial Drug Information, or American Hospital Formulary Service.

^jIf referenced in US Pharmacopeial-Drug Information, American Hospital Formulary Service, or DRUGDEX.

^kIf referenced in American Medical Association Drug Evaluations, US Pharmacopeial Drug Information, or American Hospital Formulary Service.

^l"We require MCOs to cover all drugs on the Medicaid formulary or a therapeutic equivalent. However, when the prescription indicates 'DAW' (dispense as written) the prescription must be covered as written."

^mIf referenced in American Medical Association Drug Evaluations, US Pharmacopeial Drug Information, American Hospital Formulary Service, DRUGDEX, or peer-reviewed literature.

ⁿ"All products not included in MCO formulary must be accessible through prior authorization, if these products are not covered under fee-for-service; all protease inhibitors are carved out and reimbursed through fee-for-service program."

^oIf referenced in American Medical Association Drug Evaluations, US Pharmacopeial Drug Information, or American Hospital Formulary Service.

^pAll PIs, NRTIs, and NNRTIs are "covered under fee-for-service Medicaid, not in the capitated MCO rate."

^q"Based on MCO's formulary criteria set for medical necessity."

^r"Formularies are generally broad, and the drug is still available with prior authorization."

^sIf referenced in American Medical Association Drug Evaluations, US Pharmacopeial Drug Information, or American Hospital Formulary Service.

^tIf referenced in American Medical Association Drug Evaluations, US Pharmacopeial Drug Information, or American Hospital Formulary Service, and DRUGDEX.

^uThe formulary must be approved by the Department of Public Welfare, and nonformulary drugs must be made available when there is a medical need.

^v"It is up to the individual MCO on coverage of individual drugs, but MCOs must cover all therapeutic classes of drugs covered by Medicaid. [Medicaid recipients with HIV disease are] not in managed care."

^wExceptions made only by the Drug Utilization Review Board.

^xIf referenced in American Medical Association Drug Evaluations, US Pharmacopeial Drug Information, or American Hospital Formulary Service.

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