Introduction to Medicare Like Reimbursements and 340B Prescription programs
Objectives

• Introduce Medicare Like Rate (MLR) Product & Processes
  ➢ Development of legal structure, documents and processes to coordinate with IHS, Contract Health Services (CHS) and Tribal Governments

• 340B Prescription Re-Pricing/Programs
  ➢ Background
  ➢ Process
  ➢ eligibility
Tribal Community Claims Process:
Prior to 2007 Medicare Modernization Act

Refers patient to Hospital

IHS / 638 Facility
Hospital

CHS reimburses Hospital full-charge

Tribal Community Members

Hospital bills IHS to pay out of Contract Health Services (CHS) “bucket”
After Medicare Modernization Act

Refers patient to Hospital

IHS / 638 Facility Hospital

IHS reimburses Hospital at MLR

Hospital bills IHS to pay out of Contract Health Services (CHS) “bucket”

Tribal Community Members
Government/Enterprise plans

(How most Tribal health plans currently work)

TPA pays Hospital at Network Rates, not billed rates
How MLR re-pricing works

TPA gets CHS authorization & pays eligible claims at MLR

IHS, 638 & Eligible Tribal Employees

Network
Medicare Modernization Act (MMA) enacted as a cost “fix” – regulations were issued in 2007. Additional clarity on Tribal options in the Affordable Care Act of 2010.

- Combined laws have given Tribes favorable statutes
- Medicare participating hospitals must accept MLRs *(when properly authorized)* as payment in full

- Fully-insured plans cannot participate
- Not well understood
- Took several years just to get basic regulations
IHS Coordination – MLR Process
(The importance of a well informed TPA)

TPA must provide a comprehensive approach to managing the MLR process:
- Provider communication & coordination
- IHS pre-cert communication & coordination
- Processing of both electronic & paper claims
- System logic and analysis of claims to determine member eligibility, services and re-pricing
- Authorization and PO# obtained for eligible claims
When done properly, MLR re-pricing can save tribal health plans significant amounts.....

But

....it’s important to do it correctly and many are not?
MLR/340B Myths & Warning Signs

- A tribe can insist on MLR without coordinating with an IHS or CHS program
- A tribal plan can insist on MLR without coordinating with an IHS or CHS program
- MLR automatically applies to all natives
- MLR applies to non-natives as long as they are covered by a tribal plan
- No need to coordinate with IHS, CHS or the network, as long as the TPA or broker knows how to process MLR
- Our plan is “doing MLR already” by excluding care
- Our plan is “doing MLR already” but we do not have any agreements in place with our IHS or CHS program
- Tribes can use 340(b) discounts for participants regardless of where they get their care
- With the new law changes, tribes can extend 340(b) pricing to non-Natives without worrying about any changes to their federal funding agreement or 638 program documents

--NOTE: ALL OF THE ABOVE ARE FALSE!
Sample MLR savings analysis

- TPA performed an MLR analysis on a current tribal client with 8200 members
- Assumed 100% tribal membership for this analysis
- For an annual period of 9/1/2009 through 8/31/2012, they identified 4,471 MLR eligible claims
- Results...

<table>
<thead>
<tr>
<th>Charged Amount</th>
<th>$7,082,251</th>
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<tr>
<td>Average network Discount</td>
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<tr>
<td><strong>Net Paid Claims</strong></td>
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<tr>
<td>Additional MLR Discounts</td>
<td>$1,770,562</td>
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<tr>
<td>Adjusted Net paid Claims Savings</td>
<td>$1,912,207</td>
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Why are MLR savings so large?
What Is 340B?

The 340B drug pricing program resulted from enactment of the Veterans Care Act of 1992, Public Law 102-585, which is codified as Sec. 340B of the Public Health Service Act.

340B limits the cost of covered outpatient drugs to certain Federal grantees. All prescriptions that are purchased outside a hospital facility can now be purchased under the 340B program.

Intent:

Permit covered entities “to stretch scarce Federal resources as far as possible, reaching more eligible patients and providing more comprehensive services” *

*H. R. Rep/ No. 102-384(II), at 12 (1992)
340B Prescription Savings: How It Works

1) Pharmacy dispenses medication to Patient.
2) At end of period, Pharmacy analyzes 340B dispense totals to develop order.
3) Pharmacy places order with Wholesaler to replenish drugs on Covered Entity’s behalf.
4) Wholesales bills Covered Entity for ordered drugs at 340B prices.
5) Covered Entity pays Wholesaler for ordered drugs.
6) Wholesales ships drugs ordered by Pharmacy on behalf of Covered Entity to Pharmacy.
7) Pharmacy bills Carrier for appropriate covered amounts.
8) Carrier remits payment of covered amounts to Pharmacy.
9) Pharmacy remits proceeds to Covered Entity, less agreed upon transaction fees.
10) Wholesaler applies for Charge Back from Manufacturer for drugs ordered by Covered Entity.
11) Manufacturer remits 340B Charge Back to Wholesaler.
340B Prescription Savings

• 340B provides an average savings of 40-45% on outpatient drug purchases
• 340B pricing can be integrated into a Tribal Plan
• Requires close coordination between the Plan and the Tribal health facility
• If non-Tribal members are covered under the Rx discount option, the health facility must first obtain authorization to treat non-members (now permitted under the Affordable Care Act of 2010)
Patient Eligibility

• Setup Virtual Clinic under current 638 facility or FQHC/FQHC look alike
• Enroll employees as clinic patients
• Electronic Health Records
• Send referrals to patients for further care
Contract Pharmacies

• 340B program allows entities to have multiple contract pharmacies

• The covered entity purchases the drug, but “ship to – bill to” procedure may be used

• The covered entity retains legal title to all drugs purchased under 340B and must pay for all 340B drugs

• Record must be auditable and demonstrate compliance with provisions against diversion and duplicate discounts
The Bottom Line

• When implemented Properly, MLR re-pricing and 340B can generate substantial savings on a Tribal Health insurance program for their governmental and enterprise plans

• It’s important to have a TPA and Consultant who understands how to implement and manage the program long term.
Questions?

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