

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*

*Hospital bills IHS to pay out
of Contract Health Services
(CHS) "bucket"*

Tribal
Community
Members



After Medicare Modernization Act

Refers patient to Hospital

IHS / 638
Facility
Hospital



*IHS reimburses
Hospital at MLR*

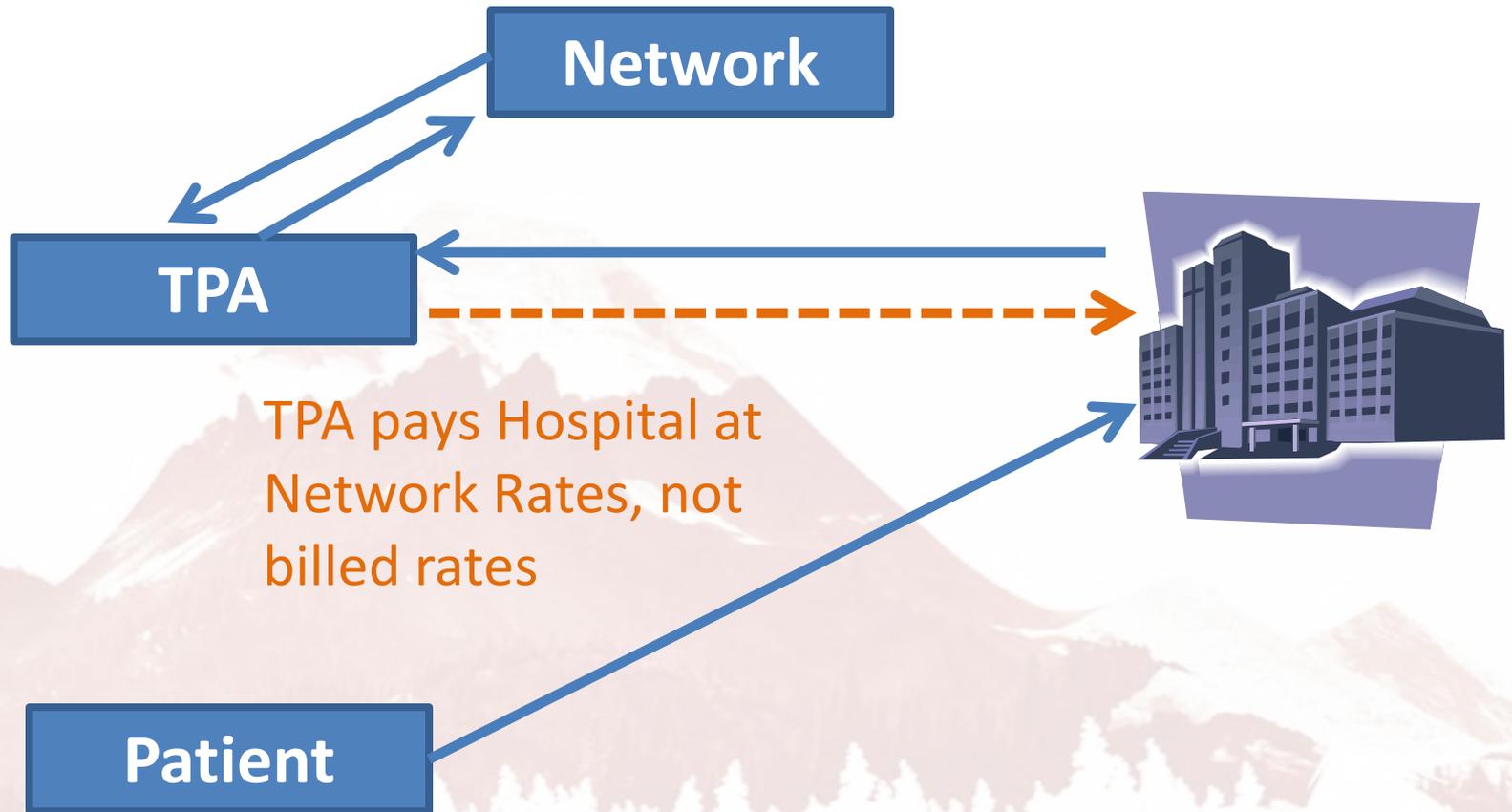
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Tribal
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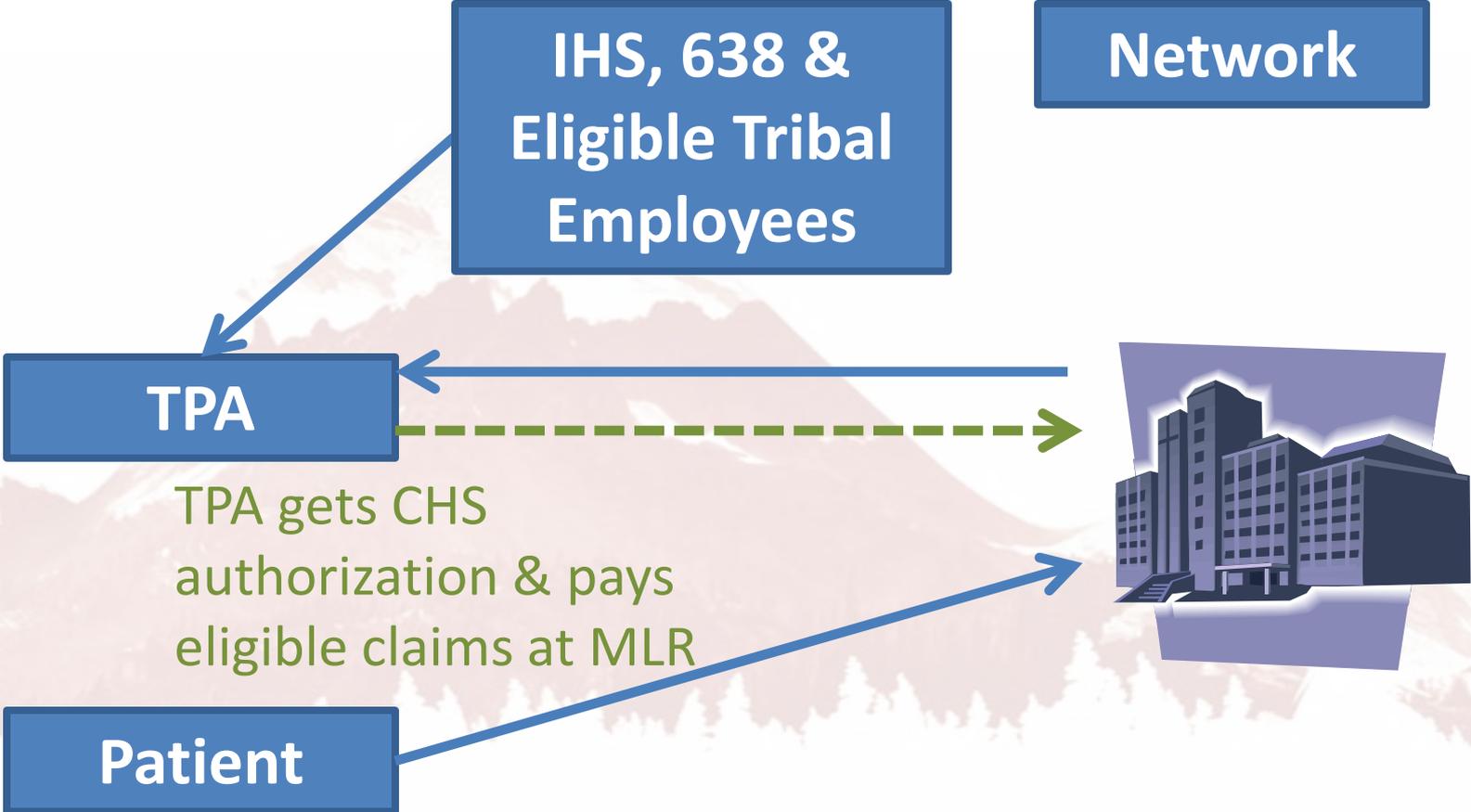


Government/Enterprise plans

(How most Tribal health plans currently work)



How MLR re-pricing works



Medicare Like Rate Plans

- 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...

Charged Amount	\$7,082,251
Average network Discount	\$3,399,480
Net Paid Claims	\$3,682,770
Additional MLR Discounts	\$1,770,562
Adjusted Net paid Claims Savings	\$1,912,207

Why are MLR savings so large?

340B Prescription Savings

- **What Is 340B?**

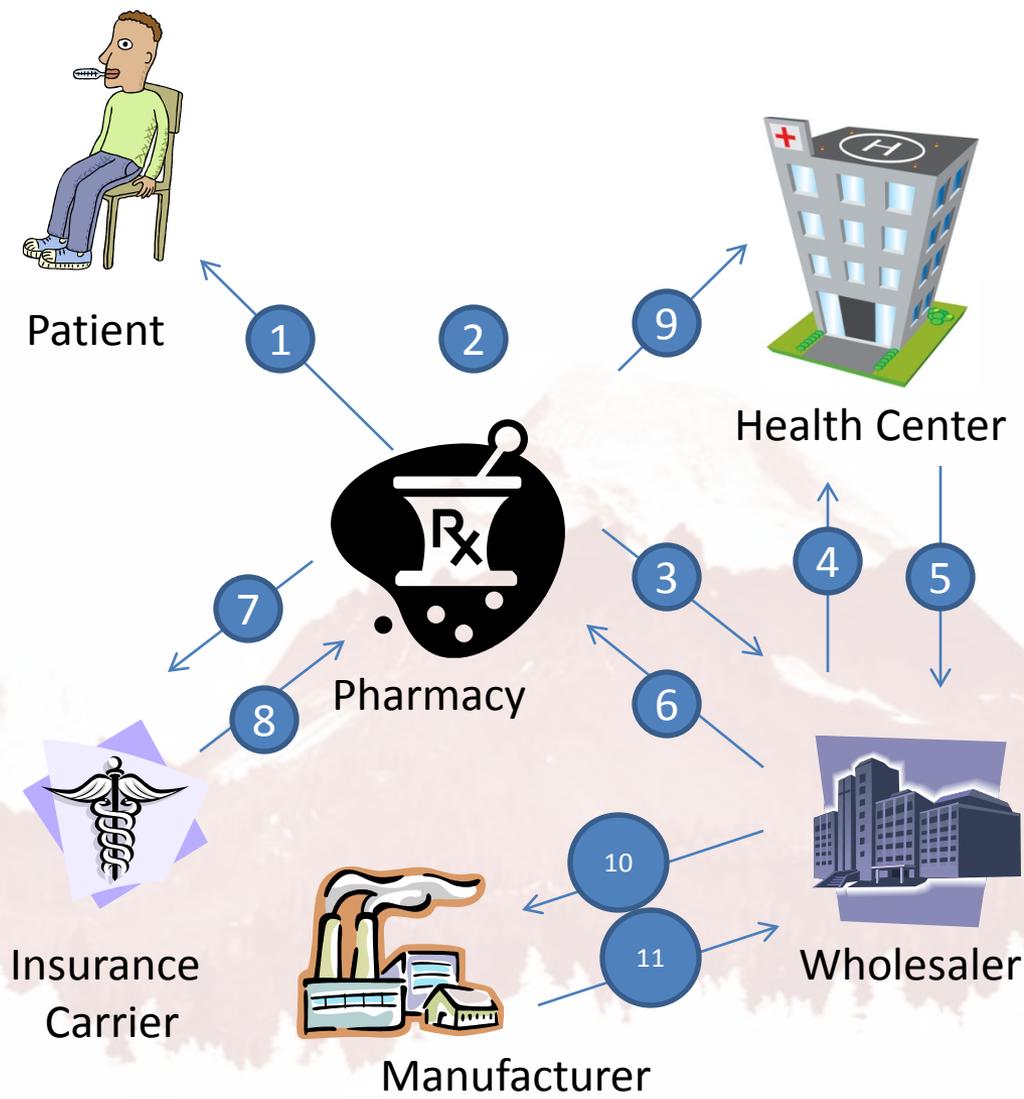
- The 340B drug pricing program resulted from enactment of the Veterans Care Act of 1992, Public Law 102-585, which is codified as Sec. 340B of the Public Health Service Act
- 340B limits the cost of covered outpatient drugs to certain Federal grantees. All prescriptions that are purchased outside a 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) Wholesaler bills Covered Entity for ordered drugs at 340B prices.
- 5) Covered Entity pays Wholesaler for ordered drugs.
- 6) Wholesaler 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*)

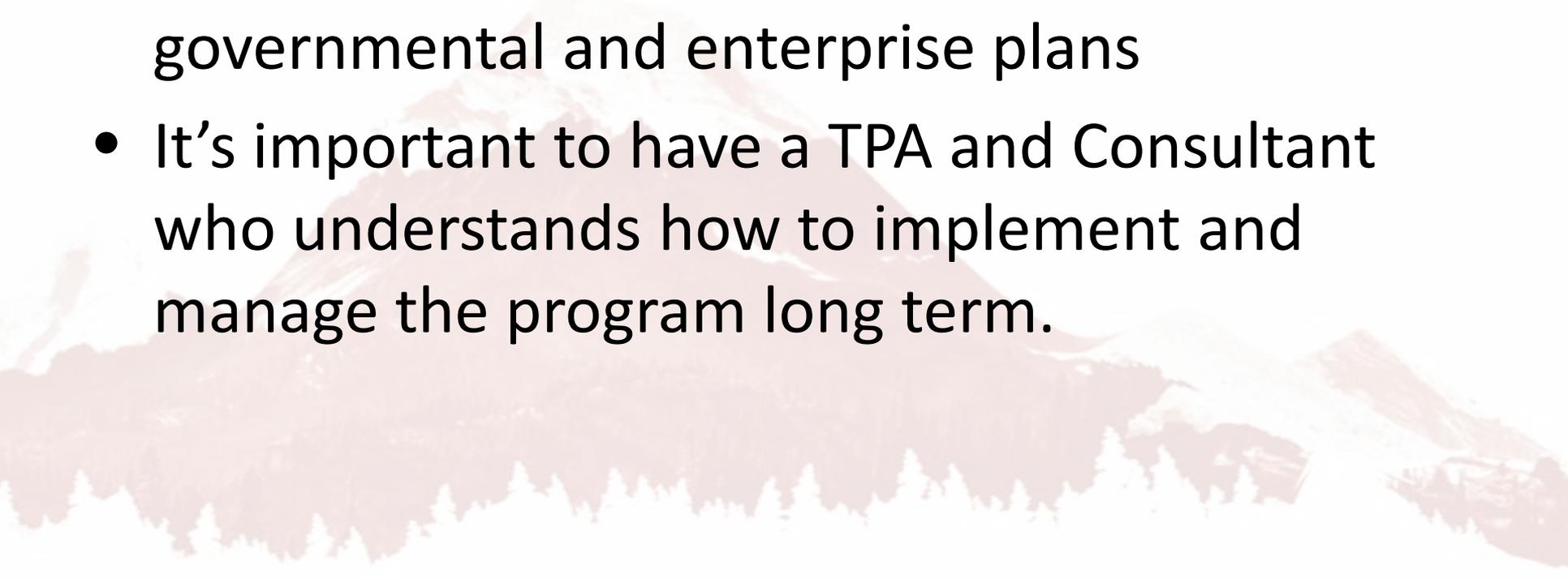
Patient Eligibility

- 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.
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Questions?

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