

Medicaid **Medicaid Matters New York** *Matters*

Statement on the Transition of the Medicaid Pharmacy Benefit from Managed Care to Fee-for-Service

The 2020-21 enacted state budget included a major provision to move the Medicaid pharmacy benefit from managed care to fee-for-service. Implementation of this provision is referred to as a “carve-out,” and it is a reversal of the “carve-in” implemented in 2011.

Medicaid Matters continues to investigate what, if any, front-end changes in consumer experience will occur when this transition takes place. Initial research indicates that various processes and payment happen on the back end with little known to the beneficiary. It will be incumbent on the state to implement extensive outreach efforts with appropriate notice to consumers upon implementation of this change.

The carve-out does, however, present tremendous fiscal hardship to safety-net providers that rely on the federal 340B prescription drug discount program, which will in turn threaten access to services provided to Medicaid beneficiaries. Established in 1992, the 340B program provides deep discounts on prescription drug purchasing in the form of rebates to federally-qualified health centers (FQHCs) and other safety-net providers. The savings are passed on to individuals through lower- or no-cost prescriptions. Many of the providers also use the funding to supplement typical health care services with transportation, housing supports, additional care management, and more.

FQHCs and other safety-net providers are woefully under-resourced, despite being the frontline providers that people turn to in their communities across the state. Also known as community health centers, FQHCs serve a vital function in the lives of thousands of New Yorkers who rely on them for trusted, comprehensive services. They rely on a patchwork of funding streams, the 340B program being a significant one. Many providers have developed, long-standing essential programs using 340B savings, something they would not be able to do with otherwise limited funds.

Until our system adequately funds the health care safety net, 340B funds must continue to flow to community health centers and other safety-net providers. The pharmacy carve-out should not be implemented without a clear path toward making sure providers that rely on 340B funding remain whole. Failure to do so will result in the loss of vital, trusted, comprehensive programs New Yorkers rely on for their health and well-being.