

February 27, 2023

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Senator Krueger  
Chair, New York Senate Finance Committee  
New York State  
NYS Capitol Building  
Albany, NY 12224

RE: Repeal of the Medicaid Pharmacy Benefit “Carve-Out” in FY23-24 Proposed Budget

Health System Owned Specialty Pharmacy Alliance (HOSP) is a network of leading health systems and the businesses that support them who advocate for better patient care and outcomes associated with fully integrated health system specialty pharmacies. HOSP develops and advocates for industry best practices to ensure that onsite health system specialty pharmacy operations have gold standard care models of excellence.

We are writing to express our strong opposition to the Department of Health’s initiative to carve out the Medicaid pharmacy benefit from the Medicaid Managed Care Program to fee-for-service, scheduled for implementation on April 1, 2023. We are concerned that the policy will create significant disruption for our patients. As a coalition of providers in many states, we have seen first-hand how this proposal has negatively impacted our patients. If implemented, carving the pharmacy benefit out of the Medicaid Managed Care Program will impact our ability to continue to care for all patients, most importantly, those most vulnerable.

Congress created the 340B Drug Pricing Program in 1992 to help eligible safety net providers purchase covered outpatient drugs at a substantial discount. These discounts create a sustained and reliable source of flexible funds that providers then reinvest to meet the unique needs of our communities. Specifically, participation in the 340B Program ensures that patients enrolled in public health insurance programs or who are uninsured can access specialty clinics that provide lifesaving treatments such as organ transplants, complex cancer care, immunological care (including bone marrow transplants), neurological and neurosurgical care, cardiovascular care and cardiothoracic surgery.

If carve-out is implemented, we fully expect that facilities will have to reduce hours of operation, have fewer appointments available to serve chronically ill patients and access to low cost or fee medications to low-income patients will diminish. Critical services that will be eliminated include, chronic care management, including for HIV and Hepatitis C patients, transportation services, nutrition and diabetes education programs, among many others.

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As a cautionary tale, California, despite significant concerns repeatedly expressed by key stakeholders, implemented a similar proposal. As a result, 22 health centers reduced hours of operation, 20 health center organizations are closing at least one site of operation and 36 new health center sites will not open as previously planned.<sup>1</sup>

In New York, we face additional headwinds. It is well-established that there are significant operational challenges to implementing the carve-out. The Department of Health will be tasked with implementing the carve-out policy at the same time that it undertakes recertifying millions of New Yorkers in the state's public health programs. During the COVID-19 public health emergency, health insurance eligibility determinations were suspended while the state sought to increase access to health care for all New Yorkers and to minimize any interruptions in their care. The practical outcome will be that New Yorkers will be grappling with understanding their eligibility for remaining enrolled in health insurance programs, while the state simultaneously endeavors to make fundamental changes to how their pharmacy benefits will be provided. We are hard-pressed to understand how this will result in anything other than confusion and disruption and result in many New Yorkers most at risk falling through the cracks.

In fact, we must emphasize that by continuing the policy of full integration of the pharmacy benefit as part of the Medicaid Managed Care Program, payors and providers can maintain their collaborative work to ensure coordination of care resulting in the optimal outcomes for their patients. The success of this collaboration is due in large part to the exchange of real-time pharmacy data that allows all parties to make well-informed decisions regarding the best treatments for patients.

Moreover, integrated specialty pharmacies deliver exemplary patient care and exceptional patient outcomes because they are best positioned to alleviate barriers to accessing specialty medications for their patients. Allowing patients, especially disenfranchised individuals, to choose care provided through an integrated specialty pharmacy ensures they receive effective care coordination with their medical and pharmacy providers through frequent communication in-clinic or through shared electronic medical records. This allows for a collaborative team approach that results in better patient outcomes. In contrast, by carving out the pharmacy benefit and having all pharmacy claims and information go through the state, or its contracted vendor, adds more complexity to the system, especially for Medicaid beneficiaries.

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<sup>1</sup> Data from California Primary Care Association.



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There are far better ways to find efficiencies in the system; however, in order to do so, the state must move away from this draconian approach to delivering pharmacy benefits. We appreciate the opportunity to present this information to the Committee and recommend repeal of the pharmacy carve-out proposal in the final negotiated budget.

Please contact us with any questions.

Very Truly Yours,

Gary Kerr  
President

Health System Owned Specialty Pharmacy Alliance