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## Pharmacy and Other Non-Institutional Medicaid Providers

### SFY24-25 Budget Proposal

#### Overview

More than 170,000 providers across Ohio serve Medicaid members, from large hospital or nursing home companies to community mental health agencies and independent providers of in-home services. The partnership between Ohio Medicaid and its network of providers is critical to ensuring reliable and timely access to care that improves quality of life, supports recovery and independence for individuals enrolled in the program, strengthens families, and sets Ohio's children and youth on the best possible path so they can grow up to lead healthy and successful lives.

Like other types of healthcare providers, pharmacy and other non-institutional Medicaid providers have faced enormous workforce challenges and pressures. These front-line professionals have been difficult to find, easy to lose, and costly to replace as a result of constriction in the workforce with business closures, earlier-than-planned retirements, changing recruitment pressures, and the desire for hybrid work-at-home options, all adding to turnover and hiring pressures.

From 2020-2022, the DeWine administration and the Ohio General Assembly provided swift and targeted one-time relief payments to providers using several federal sources and some state General Revenue Fund (GRF). Many Medicaid providers were recipients of this relief including nursing facilities, behavioral health, hospitals, Home- and Community-Based Services (HCBS), Intermediate Care Facilities for Individuals with Intellectual Disabilities (ICF-IID) and other groups, totaling more than \$2.7 billion. While that relief was welcome, it did not reach all provider types, particularly pharmacy and other non-institutional Medicaid providers.

As such, the SFY24-25 biennial budget, targets this group of providers for a modest 5% increase, with pharmacy, dental and transportation, targeted for more substantial increases based on data, feedback from consumers, and identified access issues. This is a total increase of 8.2% for this entire group of providers; a total of \$470.8M all funds for the biennium. These increases, while modest, are essential to maintain access.

#### Pharmacy

With the launch of the Single Pharmacy Benefit Manager in October 2022, Ohio took an enormous step forward in revolutionizing how it pays pharmacy providers. Rather than

adapting to a complex, opaque supply chain, the new structure focuses on paying a fair and predictable rate to providers on the frontlines serving Ohio's most vulnerable citizens.

There are two main components to the SPBM pricing methodology: the Ohio Average Acquisition Cost (OAAC) survey and the dispensing fee. The OAAC uses actual, evidence-based Ohio data to ensure Medicaid reimburses as close to actual acquisition as possible. Using Ohio-based data ensures access, fair payments and eliminates excess profit margins by anyone in the supply chain. Additionally, Ohio's three-tiered dispensing fee structure ensures resources are directed at pharmacies that are located in potential pharmacy deserts by taking patient mix into account. Pharmacies serving the highest percentage of Medicaid members receive the highest dispensing tier. This is done in direct response to stakeholder concerns about pharmacy closures specifically in provider shortage areas. SPBM dispensing fees, at a minimum, are over ten times higher than the average dispensing fees under the previous managed care program which averaged 73 cents.

The initial launch of the SPBM necessitated a dispensing fee framework that was cost neutral since within the current biennium. This budget proposal includes a 5.7% increase to the dispensing fee, taking into account the most recent cost of dispensing survey results. In addition, the budget proposes replacing the supplemental dispensing fee included in HB 110 with a value-based dispensing fee. This will allow ODM to work with stakeholders on a quality-centered add-on to the base dispensing fee. This moves Ohio in the direction of an outcomes-based program rather than simply reimbursing pharmacies solely on volume.

### **Dental and Transportation**

Dentists and transportation providers have been significantly underfunded for years. This has resulted in an increase of "dental deserts" as fewer dentists are willing to accept Medicaid payment. This is particularly acute when trying to contract with specialists like oral surgeons and pediatric dentists. Last year approximately 40% of Ohio children on Medicaid between the ages of 3 and 17 had a dental appointment within the past year, compared to approximately 74% of all children nationally.

Transportation challenges in Ohio are not limited to healthcare. However, access to medical transportation has been uniquely impacted in recent years. In addition to combatting general workforce challenges, transportation providers must contend with the rising cost of fuel, which increased approximately 150% in Ohio over the past year. This confluence of challenges is resulting in communities that cannot access critical medical transportation. Shortages are particularly acute in the rural parts of the state, where it is not unheard of for someone to have to be transported more than 30 miles to receive care.

Type of Service	% Rate Increase	SFY24/25 Dollar Impact (millions)
Transportation	20.0%	\$49.1
Dentists	15.0%	\$59.2
Pharmacy	5.7%	\$37.5
Physicians, APRN, PA, Clinics, skilled therapy providers, Vision/Other	5.0%	\$266.1
Ambulatory Surgical Center/Dialysis/Renal	5.0%	\$19.5
Testing/Lab/X-ray/DME	5.0%	\$39.4
<b>Total</b>	<b>8.2%</b>	<b>\$470.8</b>

## Conclusion

Widespread workforce shortages, inflation, and shrinking access to care are the biggest challenges facing our ability to provide care for Medicaid's members. The proposed rate increases outlined above are critically targeted to maintain or improve access to care – care that is needed to help the people we serve live up to their greatest potential.