

# The Future of Children's Health Coverage Series

Other series briefs:

## [Children in the Marketplace](#)

Focuses on ways to improve marketplace coverage and the associated financial assistance for children.

## [Fulfilling the Promise of Children's Dental Coverage](#)

Focuses on pediatric dental coverage and ways to improve children's oral health.

Georgetown University  
Health Policy Institute  
CENTER FOR CHILDREN  
AND FAMILIES


## The Future of Children's Health Coverage

# How Medicaid and CHIP Shield Children from the Rising Costs of Prescription Drugs

by Jack Hoadley and Joan Alker

Third in a series of briefs on the future of children's health care coverage

July 2017



### ABOUT THIS SERIES

This issue brief is the third in a series of papers from Georgetown University Center for Children and Families on the future of children's health coverage. Other briefs in the series include:

[The Future of Children's Coverage: Children in the Marketplace](#)  
Focuses on ways to improve marketplace coverage and the associated financial assistance for children.

[Fulfilling the Promise of Children's Dental Coverage](#)  
Focuses on pediatric dental coverage and ways to improve children's oral health.

### KEY FINDINGS

- Nearly a quarter of U.S. children use at least one prescription drug a month, most commonly treating such conditions as asthma, attention deficit hyperactivity disorder, and infections. Medicaid guarantees that most enrolled children who need drugs receive them without any financial barriers.
- Drug costs are projected to rise faster than overall health costs, which themselves are projected to continue rising faster than general inflation. Although Medicaid children are generally protected, cost increases place fiscal pressure on the state and federal governments that pay for the drugs.
- Preferred drug lists and prior authorization can help states secure price discounts, but an effective process for exceptions and appeals is necessary to ensure access.
- Price discounts achieved through Medicaid's drug rebate program have saved states and the federal government billions of dollars in purchasing prescription drugs, but that program does not address all sources of high drug prices. The Medicaid rebate program should be extended to the Children's Health Insurance Program.



Georgetown University  
Health Policy Institute  
CENTER FOR CHILDREN  
AND FAMILIES

# How Medicaid and CHIP Shield Children from the High and Rising Costs of Prescription Drugs

July 20, 2017

17

# The Case of EpiPen

- 3.5 million EpiPen prescriptions in 2014
- 1 in 5 EpiPen prescriptions covered by Medicaid
- Price raised 6X by Mylan to \$608 for 2-pen package
- Most Medicaid children shielded fully from costs
- Other Medicaid or CHIP kids at higher incomes still protected
- Some privately insured and all uninsured unprotected
- Federal and state Medicaid and CHIP budgets: it's complicated

# Presentation

- Some Basic Facts: Drug Use for Children
- Protecting Children from High Drug Costs
- Managing Children's Prescription Drug Use
- Factors Limiting Medicaid's Protections
- Reducing States' Medicaid Drug Costs
- Recommendations

# Health Coverage for Children

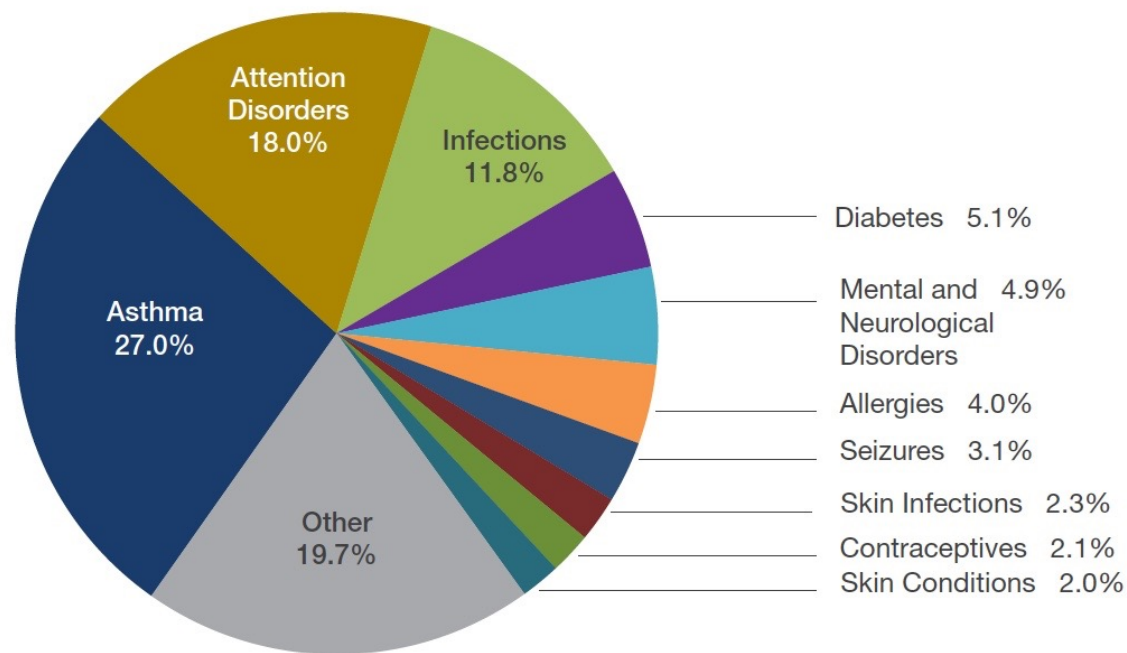
- 95% of children with health coverage (2015)
- 36% of children in public programs
  - 37 million in Medicaid
  - 9 million in CHIP

# Prescription Drug Use for Children

- One in four children used at least one drug per month (2009-12)
- 4% of children used 3 or more drugs
- Average child on Medicaid had 0.5 prescriptions per month (2009)

# What Drugs Do Children Use?

Figure 1. Selected Drug Classes with the Most Spending for Medicaid Children and Adolescents, Ages 0-19



- Children (to age 6):  
Antibiotics
- Children (to age 11):  
Asthma drugs
- Adolescents (12 to 19):  
ADHD drugs

Source: Express Scripts, 2011 Drug Trend Report.

# Less Common but Costly Drugs

- Childhood cancers
- HIV/AIDS
- Enzyme replacements (\$200K-\$300K per year)
- Spinraza for spinal muscular atrophy (\$750K first year, \$375K thereafter)



# Protecting Children: Drugs as a Covered Benefit

- EPSDT: guarantees coverage when screened and diagnosed
- But restrictions remain (prior authorization)
- OTC drugs mostly covered
  - State coverage rules vary
  - May require a prescription

# Protecting Children: Limits on Cost Sharing

- Cost sharing can be a barrier to access
- Most Medicaid children fully protected from most cost sharing
- At 133% FPL (\$27,159 for a family of 3 in 2017) or above (or CHIP), modest cost sharing allowed

# Managing Children's Prescription Drug Use

- Clinically based management: example of psychotropic drugs
  - Prior authorization
  - Drug utilization review programs
- Economically based management for high-priced drugs
  - Hepatitis C drugs
  - Spinraza

# Factors Limiting Medicaid Protections

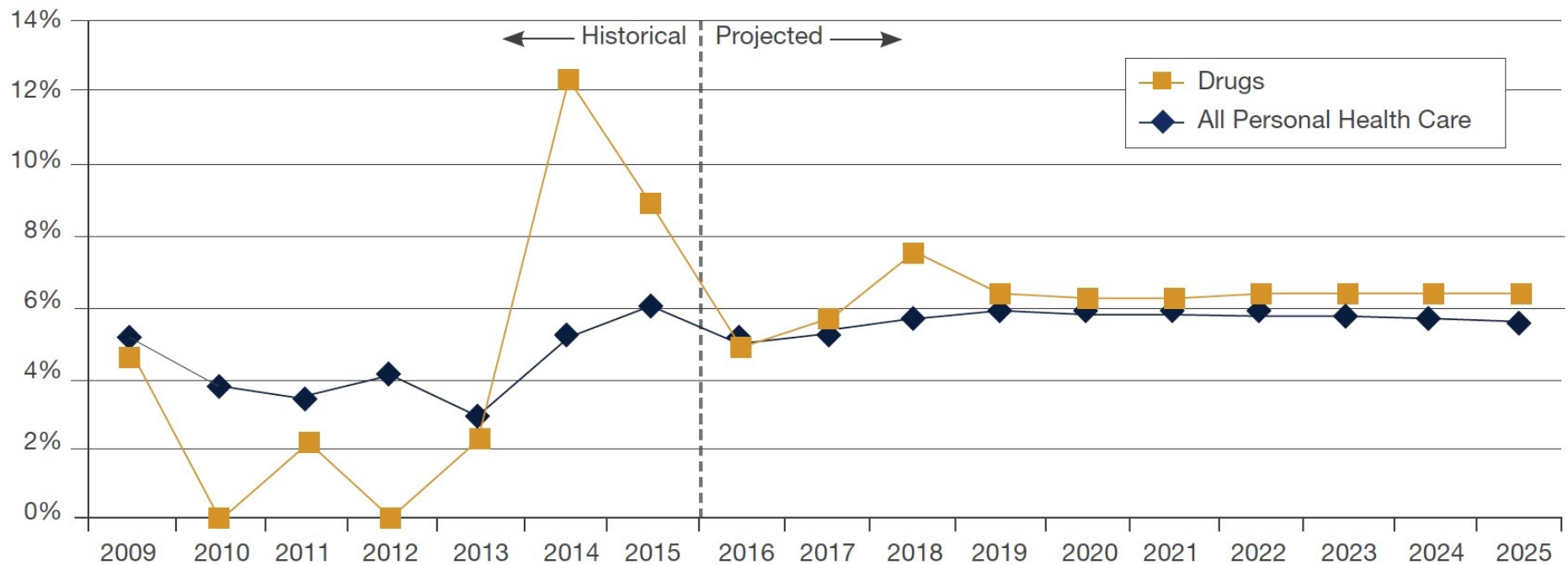
- Monthly limits: most states exempt children
- Prior authorization (PA)
  - Clinical or safety criteria
  - High-priced drugs
  - Preferred drug lists
- Federal protections
  - Response to a PA request in 24 hours
  - 72-hour emergency supplies

# Medicaid Managed Care

- 2/3 of Medicaid children enrolled in managed care
- CMS rule: Emphasizes that requirements flow through to MCOs
- Issues remain

# Cost Trends

Figure 2. Comparing Historical and Projected Spending Trends for Drugs and All Personal Health Care, 2009-2025



Source: CMS, National Health Expenditures Data, <https://www.cms.gov/Research-Statistics-Data-and-Systems/statistics-Trends-and-Reports/NationalHealthExpendData/index.html>.

# Reducing State Medicaid Drug Costs

- Federal rebate program (for Medicaid, not separate CHIP)
  - Base rebates for all drugs
  - Best price rebate
  - Inflation rebate
- Applied to MCOs by the ACA
- States and MCOs negotiate supplemental rebates
  - Enforced through preferred drug lists

# Conclusion

- Growing cost of prescription drugs: challenge for broader system
  - High-cost specialty drugs especially challenging
- Medicaid and CHIP provide coverage
- Most Medicaid and CHIP children protected from costs
  - Protections could be strengthened in CHIP



# Recommendations

- Maintain coverage of drugs
  - Ensure coverage restrictions are clinically justified
- Maintain discounts now available to Medicaid
  - Extend rebates to standalone CHIP
- Preserve key protections for access for children in Medicaid MCOs
- Develop solutions outside Medicaid for high launch prices

# Want to Learn More?

- See the report:  
<https://ccf.georgetown.edu/2017/07/14/how-medicaid-and-chip-shield-children-from-the-rising-costs-of-prescription-drugs/>
- Visit our website  
[ccf.georgetown.edu](http://ccf.georgetown.edu) and sign up for our newsletter!
- Follow us on Twitter:  
[@GeorgetownCCF](https://twitter.com/GeorgetownCCF)
- Facebook: Georgetown University Center for Children and Families

The screenshot shows the website header with the logo for the Georgetown University Health Policy Institute Center for Children and Families. The navigation menu includes 'Topics', 'Say Ahhh! Blog', 'States', 'Research', and 'About Us', along with social media icons for Facebook, Twitter, and RSS. A search bar is located in the top right corner.

The main content area features a large central article titled 'Racial and Ethnic Disparities Persist in Mental Health Care for Children' with a 'Say Ahhh!' button. To the left, there are two smaller article teasers: 'Creating More Direct Pathways to Health Coverage in Colorado' and 'Report Suggests Improved Outreach and Enrollment Efforts Directed at Very Poor Parents Needed'. To the right, there are two more teasers: 'Boosting Developmental Screening Efforts in Pennsylvania' and 'The Covering All Kids Act is Smart Investment in Future of Illinois Kids & State'.

At the bottom of the page, there is a dark blue footer with the text 'Subscribe to Updates from our Team' and a 'Sign Up' button.