Medicaid Preferred Drug List Annual Report

State Fiscal Year 2025

Report Prepared in Accordance with Louisiana Revised Statutes 46:153.3

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LOUISIANA DEPARTMENT OF HEALTH

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Executive Summary

The Louisiana Medicaid Supplemental Rebate Program is a partnership between the Centers for Medicare & Medicaid Services (CMS), Louisiana Medicaid, and participating drug manufacturers. Funds received through this program go back to the state general fund. Supplemental rebates on both fee-for-service (FFS) and managed care organization (MCO) claims are collected in addition to federal rebates.

The federal rebate program requires a drug manufacturer to enter into rebate agreements at the national level, with the Secretary of the Department of Health and Human Services, in exchange for Medicaid coverage of most of the manufacturer's drugs. Louisiana's supplemental rebate program requires drug manufacturers to enter into agreements with Louisiana Medicaid in exchange for preferred status of the manufacturer's drug(s). These drugs are placed on the Preferred Drug List (PDL) for Louisiana Medicaid. Generally, drugs on the PDL have an associated supplemental rebate and are the most cost effective clinically sound drugs. In addition to supplemental rebates, the PDL also allows LDH to contain costs through market shifts. Market shift savings are realized by requiring a prior authorization (PA) on non-preferred products, which results in prescriptions being shifted from medications that are more expensive to cost-effective alternatives with similar clinical effectiveness.

The Louisiana Department of Health (LDH) is focused on improving management and administration of pharmacy benefit for beneficiaries by increasing financial accountability, streamlining processes, ensuring alignment with clinical and policy goals, and improving transparency. Below is a summary of collected rebates in State Fiscal Year (SFY) 2025. This report details the evolution of these rebates.

State Fiscal Year 2025

In SFY25, supplemental rebate collections totaled approximately $219 million, of which approximately $70 million was retained by the state with the remaining funds accruing to the federal government.

Background

Legislation and Program Implementation

Before 2001, Louisiana had an open formulary law, which required Medicaid reimbursement of most Federal Drug Administration approved prescription drugs. The law also prohibited the use of prior--authorizations (PA) in the pharmacy program. These laws restricted Louisiana's use of PA tools available to other states to control costs.

Act 395 of the 2001 Regular Legislative Session amended R.S.46:153.3 and allowed the Department to utilize a prescription PA process and/or any combination of processes that prove to be cost-effective for the Medicaid program. In 2002, Louisiana implemented a PDL process where, in general, drugs on the PDL have an associated supplemental rebate, while drugs not on the PDL require PA.

In May 2019, Medicaid implemented a single PDL as an effort to enhance cost avoidance through supplemental rebates, decrease beneficiary and provider abrasion, and provide administrative simplification. Act 263 of the 2019 Regular Legislative Session mandated the use of a single PDL for both the FFS and managed care programs that include all therapeutic drug classes that are subject to PA. Act 263 further prohibited MCO pharmacy benefit managers (PBMs) from retaining drug rebates. These changes allowed LDH the opportunity to accrue additional supplemental rebates and alleviated the confusion of multiple PDLs for Medicaid beneficiaries and providers.

Pharmaceutical and Therapeutics Committee

In accordance with R.S. 46:153.3, the department established a Pharmaceutical and Therapeutics (P&T) Committee made up of physicians and pharmacists who are nominated by state licensing and regulatory boards, educational institutions, and others. The Governor appoints P&T Committee members. The appointees are then confirmed by the Senate. The P&T Committee meets semiannually and is charged with developing PDL recommendations based on both clinical and financial data. Upon LDH approval of the committee's recommendations, the PDL is updated and posted online at www.lamedicaid.com.

Reporting Requirements

R.S. 46:153.3 requires that the Department provide an annual written, public report to the Legislature and the Governor. The report must include:

- The cost of administering the PDL, including:
  - The cost of administering the PA function;
  - The costs of development and maintenance of the PDL; and
  - Aggregate funds returned to the federal government related to pharmaceutical rebates.
- An analysis of the utilization trends for medical services provided by the state and any correlation to the PDL.

Supplemental Rebate Collections

In SFY 2025, LDH continued to contract with Prime Therapeutics State Government Solutions, LLC to negotiate state supplemental rebates with drug manufacturers for the FFS and MCO programs. Based on these negotiations, supplemental rebate collections totaled $219 million in SFY 2025. The table below provides detailed information regarding the total rebates collected and the amount returned to the federal government[1].

SFY 2025 Fee-For-Service and Managed Care Organization Rebates

Per CMS-64.9R Medicaid Drug Rebate Schedule

	FFS		MCO		Total	
Means of Financing:	**Federal**	**Supplemental**	**Federal**	**Supplemental**	**Federal**	**Supplemental**
Federal Share†	$28,731,719	$3,378,377	$731,005,163	$145,852,259	$759,736,881	$149,230,636
State Share	$13,545,678	$1,592,749	$344,635,159	$ 68,762,601	$358,180,837	$70,355,350
Total	**$42,277,397**	**$4,971,126**	**$1,075,640,322**	**$214,614,860**	**$1,117,917,718**	**$219,585,986**

Invoicing Timelines

Invoice production timelines and CMS guidelines for payment timing can cause rebate dollars to be collected in a different fiscal year than the one in which the expenditure incurred.

[1] These figures are not directly comparable to figures reported by Prime Therapeutics State Government Solutions, LLC in the appendices, as these figures reflect cash flow, while Prime's figures are reflective of incurred savings/cost avoidance.

Cost of Preferred Drug List and Prior Authorization Operations

Louisiana Department of Health and Contractor Roles

The Medicaid Pharmacy Benefits Management section of the department administers the supplemental drug rebate program and related PDL and PA functions utilizing the services of three contractors in SFY 2025: Gainwell Technologies, the University of Louisiana at Monroe (ULM) College of Pharmacy, and Prime Therapeutics State Government Solutions, LLC. PDL/PA program administrative roles are listed below:

PDL/PA Program Administrative Roles

Gainwell Technologies	Functions as the Medicaid fiscal intermediary for Fee for Service (FFS). In this role, Gainwell manages FFS edits to the point-of-sale system in compliance with PDL and PA changes, and supports the FFS web-based PA software.
ULM College of Pharmacy	Operates the pharmacist-staffed FFS PA desk and provides physician consultations. Additionally, ULM serves as consultant on the PDL/PA process and performs departmental-directed data analyses and outcome studies. ULM develops PA criteria for the Single PDL with LDH direction.
Prime Therapeutics State Government Solutions, LLC	Secures clinical and cost data for drugs in selected therapeutic classes, performs clinical and economic analysis of manufacturer data, negotiates state supplemental rebates with manufacturers (i.e., The Optimal PDL Solution (TOP$)), prepares therapeutic classifications and clinical and cost data for P&T Committee deliberation and review. Production of quarterly rebate invoices, reconciliation of drug manufacturer rebate payments, and dispute resolution for both the federally mandated rebate program and the state supplemental rebate program. Effective September 1, 2019, Prime assumed services/functions previously provided by the University of New Orleans (UNO).
LDH	Oversees contractor activities related to the PDL/PA and supplemental rebate programs. Ensures recommendations are inclusive of Louisiana-specific initiatives and goals. Issues final approval of all contractor recommendations.

Administrative Costs

The table below lists administrative costs for execution of the roles described in section 4.1:

SFY 2025 PDL/PA Administrative Costs

Contract/Administrator	Match Rate	Total Cost	Federal Share	State Share
Gainwell	50/50	$709,625	$354,813	$354,813
ULM	75/25	$266,095	$199,571	$66,524
Prime Therapeutics	50/50	$676,513	$338,257	$338,257
LDH[†]	75/25	$93,906	$70,430	$23,477
SFY 2025 TOTAL COSTS		**$1,746,139**	**$963,071**	**$783,071**

[†] 15% of salaries

Analysis of Utilization Trends for Medical Services

Prime Therapeutics State Government Solutions, LLC annual “Preferred Drug List Program Overview and Results” report, located in Appendix A, summarizes the results of the PDL program. The report indicates savings to the state of $129 million in SFY 2025.

Conclusion

The PDL continues to generate significant cost savings for the state through supplemental rebates and strategic market share shifts. The implementation of a single, unified PDL in May 2019 further strengthened the department's ability to manage and contain pharmacy program expenditures effectively.

Appendices

Louisiana Medicaid Preferred Drug List Program Overview and Results

January 15, 2026

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LOUISIANA MEDICAID PREFERRED DRUG LIST

PROGRAM OVERVIEW AND RESULTS

JANUARY 15, 2026

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1.0 Overview

The Louisiana Department of Health (LDH) preferred drug list (PDL) program has been in operation since 2002 by Provider Synergies, LLC. Provider Synergies is an affiliate of Prime Therapeutics State Government Solutions ("Prime").

Louisiana is entering its 23rd year as one of seven states participating in the multi-state purchasing program, The Optimal PDL Solution (TOP$). Louisiana was one of three states that initially participated in TOP$ in 2005. The seven states now participating in TOP$ are Louisiana, Maryland, Idaho, Wisconsin, Nebraska, Washington, and Connecticut.

This review summarizes the results of the PDL program for fiscal year 2024-2025 (FY2025) and the first quarter of fiscal year 2025-2026 (FY2026). This report includes MCO data.

2.0 Major Developments

In March 2010, President Obama signed the Patient Protection and Affordable Care Act and the Health Care and Education Affordability Reconciliation Act of 2010, together known as the Affordable Care Act (ACA), into law. The ACA included stipulations that had a significant impact on both federal and supplemental Medicaid drug rebates. These regulations went into effect October 1, 2013.

In 2012, ACA's impact for Louisiana was seen in the partial movement of coverage for Medicaid pharmacy services from a fee-for-service (FFS) model to managed care organizations (MCOs). With MCO utilization eligible for the collection of federal rebates, several states elected to employ MCOs for coordination of benefits. MCO utilization is not eligible for supplemental rebates if the MCOs are permitted to use their own formularies. Louisiana elected this option for a portion of Medicaid lives, decreasing the number of FFS lives to about 630,000.

For FY2013, the State altered its reimbursement methodology, which created a more aggressive pricing model for payments to pharmacies. In October 2014, LDH changed pharmacy reimbursement to actual acquisition cost (AAC) plus $10.41 professional dispensing fee plus $0.10 provider fee, to be in compliance with the CMS-approved state plan. This has enabled the State to take advantage of inexpensive generics and opportunity for significant switch savings. Switch savings are savings associated with moving pharmacy utilization from expensive products to less expensive products, provided that clinical effectiveness is similar. With this methodology in place, all PDL classes were re-evaluated for appropriate preferred products and the November 2012 TOP$ review incorporated the new methodology in order to make projections under the new reimbursement model.

In SFY2015, the State underwent a significant decrease in the FFS population. This movement of lives to MCOs severely impacted the FFS pharmacy program savings/spend numbers.

During SFY2017 through SFY2018, the FFS population continued to remain stable post MCO shifting.

On May 1, 2019, the State implemented a Single PDL to address the significant Medicaid population that moved to MCOs. This implementation standardized the PDL across all the MCOs and the FFS program. As such, a Single PDL simplified the process for providers to prescribe medications to all Medicaid beneficiaries. Through a Single PDL program, the State can collect supplemental rebates for contracted medications

dispensed to all Medicaid members, rather than to FFS beneficiaries only. Another way a Single PDL played a significant role in increased savings to the State is by market shifts from non-preferred medications to preferred, less costly alternatives.

Also in May 2019, the reimbursement methodology for FFS changed to the national average drug acquisition cost (NADAC) instead of AAC, plus $10.99 professional dispensing fee, plus $0.10 provider fee. The MCOs were legislatively mandated to pay local pharmacies the FFS rate during the 2017 Louisiana Legislative Regular Session. In October 2023, the reimbursement methodology was updated to reimburse the provider at the appropriate ingredient cost plus the maximum allowable professional dispensing fee or the usual and customary charge, whichever is less for brand and generic non-physician administered drugs. The professional dispensing fee was increased to $11.81.

On July 15, 2019, the State executed its hepatitis C subscription model to help eradicate this disease in Louisiana while using a cost-effective initiative. The State entered into a 5-year Supplemental Rebate Agreement with Asegua that caps gross annual expenditure for one contracted hepatitis C medication (velpatasvir/sofosbuvir). Once this cap is met, the net cost for this drug to the State becomes zero for the rest of the state fiscal year. This model allows unlimited access to the hepatitis C treatment for Medicaid MCO and FFS beneficiaries, as well as incarcerated individuals in the State. This contract has been extended to June 30, 2026.

On July 1, 2024, the state removed the brand over generic (BOG) program and co-preferred the brands and the generics. On January 1, 2025, the state continued with the generics preferred and made the brands non-preferred.

3.0 Analysis

There was an increase in savings in SFY2025 over the previous year. This is mainly attributed to a decrease in total prescription volume and an increase in total savings due to supplemental rebates and market shift savings in the top five market baskets compared to the previous year.

4.0 Savings Methodology

There are two ways that Louisiana derives savings from the PDL: (1) supplemental rebates and (2) market shift savings.

1. **Supplemental Rebates = Supplemental Rebate Per nit x Number of Units Dispensed**

   Supplemental rebate per unit is calculated in accordance with the supplemental rebates offered for products (identified by 11-digit NDC) that are included on the PDL.

   The predominant calculation type that manufacturers may use is called a “Guaranteed Net Unit Price” (GNUP). GNUP calculations are different from total percent offers because they protect the State from price increases through manufacturer price guarantees. If the manufacturer increases its price, it makes up the price increase penny for penny in additional rebates. For example, if the manufacturer offers a GNUP of $0.60 per unit, its federal rebate is $0.25 and the wholesale acquisition cost (WAC) of the product is $1.00, the manufacturer would pay a $0.15 supplemental rebate. Should the

manufacturer then increase its price to $1.10, the rebate liability would also increase from $0.40 to $0.50 (i.e., $1.10–$0.60). The supplemental rebate would increase from $0.15 to $0.25.

2. **Market Shift Savings = Total Savings – Supplemental Rebates**

   Market shift savings occur when a member on a nonpreferred product changes therapy to a preferred medication that is less expensive with similar clinical effectiveness. Essentially, this is a measure of cost avoidance for the Medicaid program.

   For example, suppose that a non-preferred medication costs the Louisiana Medicaid program $40 per prescription (after all rebates are applied), and the physician changes a recipient's drug regimen to replace that medication with one on the PDL that costs $30 per prescription (again, after application of all rebates). As a result of the change, the Medicaid program saves $10 each time the recipient receives the new prescription versus incurring the additional cost had the patient not changed drugs.

   In some cases, products are placed on the PDL and generate savings even without offering a supplemental rebate. This situation occurs either because the product is less expensive or because it has a large federal rebate that renders the net price paid by LDH lower than the cost of competing therapies.

   Market shift savings for each class are calculated for each drug name in the class and then summed for the class total. Total savings is the sum of market shift savings and supplemental rebate savings.

5.0 Review of Major Therapeutic Classes

Supplemental rebates along with shifting of market share to less expensive alternatives contributed to the savings from the PDL program for FY2025.

The following is a summary of the major therapeutic classes that generated the most savings for the PDL program.

5.1 The Top Five Classes

5.1.1 Group One: Cytokine and CAM Antagonists

Cytokine and CAM Antagonists are drugs used for the treatment of a wide array of inflammatory and auto-immune disorders such as rheumatoid arthritis, plaque psoriasis, psoriatic arthritis, Crohn's disease, and ankylosing spondylitis.

SAVINGS: For FY2025, the supplemental plus market shift savings totaled over $92 million; they were mostly due to supplemental rebates in this class.

5.1.2 Group Two: Antipsychotics

Antipsychotics are used to treat a wide variety of behavioral health disorders such as schizophrenia, bipolar disorder, and irritability associated with autism spectrum disorder.

SAVINGS: For FY2025, the supplemental plus market shift savings totaled over $20 million in this class. The savings in this class are all attributed to supplemental rebates.

5.1.3 Group Three: Immunomodulators, Atopic Dermatitis

Atopic Dermatitis Immunomodulators are drugs used to treat atopic dermatitis ranging from mild to severe. Some drugs may also have other approved indications such as asthma, eosinophilic esophagitis, chronic spontaneous urticaria, and plaque psoriasis.

SAVINGS: For FY2025, the supplemental plus market shift savings totaled almost $19.5 million in this class. The savings in this class are attributed mostly to supplemental rebates.

5.1.4 Group Four: Group Five: Opiate Dependence Treatments

Opiate Dependence Treatments are drugs used to treat opiate addiction and overdose.

SAVINGS: The supplemental plus market shift savings for the Opiate Dependence Treatments class totaled over $14 million; they were driven by supplemental rebates and market shift savings.

5.1.5 Group Five: Growth Hormone

Growth Hormone drugs are used to treat growth hormone deficiency, growth failure, or short stature due to various conditions.

SAVINGS: The supplemental plus market shift savings for the Growth Hormone class totaled over $7million; they were driven mostly by supplemental rebates.

5.2 Number of Therapeutic Classes Reviewed

The number of PDL classes reviewed by LDH has significantly increased since the inception of the TOP$ program, culminating with the review of 138 classes during the Louisiana FY2025 Pharmaceutical and Therapeutics Committee (P&T) Review meetings.

5.3 PDL Compliance

PDL Compliance is the percentage of the number of dispensed prescriptions that are preferred divided by the total number of dispensed prescriptions that are subject to the PDL. In FY2025, the PDL Compliance average rate was 97.33% for FFS; that rate was 96.71% for MCOs.

6.0 Reported Savings FY2024 through FY2025

6.1 Historical Factors Affecting the PDL Program

Below are major factors that have affected the PDL Program in the past several years: (1) United States Health Care Reform, (2) a shift in population from FFS to MCOs, (3) inception of the Single PDL, and (4) and the Hepatitis C Subscription Model.

1. **United States Health Care Reform**

   As referred to in *2.0 Major Developments in FY2016*, the ACA resulted in an 8% increase in the federal rebate on the majority of single source brand (SSB) drugs and 2% on generics, an increase that is exempted from State Federal Medical Assistance Percentage (FMAP) regulations. This act reduced State Medicaid supplemental rebate dollars initially for those drugs under contract starting January 1, 2010.

2. **Shift of Population from FFS to MCOs**

The loss of lives from the FFS Pharmacy Program to the MCOs resulted in a loss of savings due to less utilization on medications with high federal and/or supplemental rebates. Between the last two quarters of FY2015, there was an 83% decline in supplemental rebates due to the loss of population to the MCOs.

3. **Inception of the Single PDL**

   The Single PDL was implemented in May 2019 and has resulted in a considerable increase in savings for the State since its inception. This enactment marks a vital milestone for the State as it improves provider convenience. Instead of looking up each health plan's formulary, prescribers can simply use one PDL to prescribe medications to all Medicaid beneficiaries. For members, a Single PDL can simplify the process of choosing a health plan and can make switching between health plans less difficult. From a financial standpoint, the Single PDL execution offers a significant positive fiscal impact to rebates for the State.

4. **The Hepatitis C Subscription Model**

   The hepatitis C subscription model was implemented on July 15, 2019, with the goal of eliminating hepatitis C in Louisiana while using a cost-effective approach. In the United States, this infection kills more individuals than all other infectious diseases combined. Louisiana Medicaid signed a 5-year contract with Asegua to pay a fixed amount each year in exchange for unlimited hepatitis C regimen for that year to treat patients in its Medicaid program and correction facilities. Louisiana Medicaid signed two additional one-year agreements with Asegua with an end date of 06/30/2026.

6.2 Recent Factors Affecting the PDL Program

Below are major factors that have affected the PDL Program in the recent years: (1) Growth of Specialty Drugs (2) Decline in Claims Volume (3) AMP CAP Removal (4) Removal of BOG Program.

1. **Growth of Specialty Drugs**

   The number of specialty drug approvals continues to be astounding. Along with the growth of specialty drugs comes the hefty price of these products. State Medicaid programs struggle with utilization controls on these products for a variety of reasons which may include lack of competition, legislative protection, grandfathering, or pharmacy department policy.

2. **Decline in Claims Volume**

   The total amount of prescriptions paid by Louisiana Medicaid declined from 20.2 million in 2024 to 18.7 million in 2025. This is most likely due to the decrease in the number of Louisiana Medicaid enrollees observed in the same period. Even though prescription volumes decreased, there were still more savings due to supplemental rebates and market shift savings in 2025.

3. **AMP CAP Removal**

   Average Manufacturer Price (AMP) was established under the Affordable Care Act, when the Medicaid minimum rebate percentage increased from 15.1% to 23.1% of AMP for most brands and from 11% to 15% for generics. Previously, rebates were capped at 100% of the Average Manufacturer Price (AMP) to prevent manufacturers from paying more in Medicaid rebates than the sale price of their drug. Removing this cap prompted manufacturers to adjust pricing strategies—

lowering AMP, reducing commercial discounts, or discontinuing their drug—to limit rebate exposure. This change reduced federal rebate percentages across all states.

4. **Removal of Brand over Generic (BOG) Program**

   On July 1, 2024, the BOG requirement was removed. The products remained co-preferred until January 1, 2025, at which time only the generics continued to be preferred. At the end of brand-name drugs patent life, they often generate large Medicaid rebates due to inflation-based penalties, making their net cost lower than newly launched generics. Early generics typically enter the market priced close to the brand but without comparable rebates, and the first generic's 180-day exclusivity period limits price competition. Because of these dynamics, the brand drug can be more cost-effective for Medicaid than the generic, helping the program reduce overall drug spending. The removal of this program eliminates these savings from the state.

6.3 Savings Results

In FY2025, savings with the Louisiana Single PDL program totaled over $129.4 million. This number increased from $120.4 million in FY2024. The actual savings amounts shown are calculated in accordance with federal Medicaid drug rebate requirements under the Affordable Care Act and reflect supplemental rebates, as well as market-shift savings which takes into account federal rebates collected.

Table 1: Reported Savings by Quarter for FY2024

Savings Results FY 2024			
Calendar Quarter	**LA Fiscal Quarter**	**Quarterly Reported Savings**	**Comments**
3Q23	Q124	$ 34,841,976	Actual 3Q2023
4Q23	Q224	$ 32,313,631	Actual 4Q2023
1Q24	Q324	$ 27,019,116	Actual 1Q2023
2Q24	Q424	$ 26,261,213	Actual 2Q2023
Total		$ 120,435,936	

Table 2: Reported Savings by Quarter for FY2025

Savings Results FY 2025			
Calendar Quarter	**LA Fiscal Quarter**	**Quarterly Reported Savings**	**Comments**
3Q24	Q125	$ 26,988,965	Actual 3Q2024
4Q24	Q225	$ 32,399,773	Actual 4Q2024
1Q25	Q325	$ 31,891,126	Actual 1Q2025
2Q25	Q425	$ 38,154,610	Actual 2Q2025
Total		$ 129,434,475	

7.0 Estimated Savings for FY2026

The estimated savings for FY2026 are dependent on elements that continue to influence the PDL program**.**

7.1 Projected Savings for FY2026

Savings estimates for FY2026 total almost $116.2 million. The estimated savings amounts shown are calculated in accordance with federal Medicaid drug rebate requirements under the Affordable Care Act and reflects supplemental rebates, as well as market-shift savings which takes into account federal rebates collected.

Table 3: Projected Savings by Quarter for FY2026

Calendar Quarter	LA Fiscal Quarter	Estimated Savings	Comments
3Q25	Q126	$34,139,000	Actual 3Q2025
4Q25	Q226	$27,196,879	Estimated 4Q2025. Projections may be impacted by list of factors below
1Q26	Q326	$27,383,901	Estimated 1Q2026. Projections may be impacted by list of factors below
2Q26	Q426	$27,570,608	Estimated 2Q2026. Projections may be impacted by list of factors below
Totals		$116,290,388	

Actual savings may be different from projections due to following various factors:

- Medicaid expansion with eligibility.
- Drug utilization may change depending on the health of the newly eligible population.
- Large population changes as a result of economy, hurricanes or other disasters would have a potentially large effect on the population.
- The percent of federal share of the newly eligible population changes over several years.
- New drugs will enter the market – unforeseen impact on drug utilization and unknown participation in supplemental rebate program.
- Drugs may enter the market for diseases that are currently not treated.
- Recalculation of AMP and the changes in FUL calculation may have a significant impact on pricing of drugs.
- The level of aggressiveness of a state MAC list can impact the number of branded drugs listed on the PDL.
- If state MAC pricing is more aggressive over time, it will likely make generics lower cost than branded products in some classes.

- Fewer branded drugs or lower utilization of branded products will result in lower supplemental rebates.
- Limiting the number of branded products in a class would likely lower supplemental rebates in that class and potentially for the whole PDL program.
- Federal rebate changes regarding 8% offset will impact supplemental rebates. Estimated reduction of 27.3% for LA.
- Base Federal Rebates for generic drugs has increased from 11 to 13%.
- The Health Care Reform Act establishes a generic program within the FDA for biologic agents; the impact of this over the next 10 years is unknown.
- FMAP changes will impact the State's share of all rebates.
- If Pharmacy FFS is placed into comprehensive care networks (CCN) programs, the smaller population in FFS would accrue less supplemental rebates.

8.0 Evaluation of Louisiana's PDL Program: Key Strengths and Remaining Barriers

Louisiana's PDL program has achieved numerous significant improvements over the past years. However, some limitations still exist which are noted in weaknesses section.

8.1 Strengths

Louisiana participates in the multi-state purchasing pool and benefits from volume purchasing while maintaining autonomy in PDL decisions. States receive, in some cases, better offers for supplemental rebates as a part of the TOP$ program compared to other single states soliciting supplemental rebates.

Effective June 2, 2016, pursuant to Act 33 of the 2016 Regular Session of the Louisiana Legislature, any new drug introduced into the market in one of the therapeutic classes reviewed by the P&T Committee may be prior authorized until the next P&T meeting. Previously, new drugs (both brand and generic) were covered without a prior authorization before being reviewed by the P&T Committee. New drugs are usually extremely expensive and can gain market share quickly before the P&T Committee has an opportunity to review them, so this change has been a huge stride in achieving additional savings.

The switch to a Single PDL in May 2019 is another major advancement taken by the State. Supplemental rebates can be collected on contracted medications dispensed to all Medicaid beneficiaries, rather than to FFS members only. Additional savings can be attained by favorable market shifts. Both factors result in a massive surge in cost avoidance for the State.

The number of reviewed PDL classes for Louisiana Medicaid has increased to an impressive 138. This is an important achievement because usually a positive correlation exists between the number of reviewed classes and savings accrual.

8.2 Weaknesses

LDH does not achieve the full savings potential for the HIV/AIDS drug class because legislative regulations currently mandate all HIV/AIDS drugs to be available to members without a prior authorization. Due to this restriction, many of these drugs do not qualify for supplemental rebate offers worth millions of dollars.

LDH removed its BOG program July 1, 2024. The products remained co-preferred until January 1, 2025, at which time only the generics continued to be preferred. New generics typically enter the market priced close to the brand's wholesale acquisition cost (WAC), and because of rebate dynamics, the brand drug can end up costing Medicaid less than the generic. Due to this change, LDH is not taking full advantage of brand over generic supplemental rebate offers that are worth millions of dollars.

9.0 Summary

The Preferred Drug List generates cost savings in two ways. First, supplemental rebates are collected from pharmaceutical manufacturers for their inclusion as a preferred product. Secondly, by requiring a prior authorization (PA) on non-preferred products, claims are shifted from expensive medications to more cost-effective alternatives.

The LDH PDL program continues to be very successful. Savings for FY2025 were over $129 million, mainly due to supplemental rebates. Savings have increased from FY2024 due to increase in supplemental rebates and market shift savings in several market baskets. Louisiana's estimated savings for FY 2026 are almost $116 million.