

MERCER GOVERNMENT HUMAN SERVICES CONSULTING

PHARMACY STATE MAXIMUM ALLOWABLE COST PROGRAM

With budgetary issues facing most states, cost-saving strategies are a priority for managing health care expenditures. Pharmaceuticals are one of the primary cost drivers in health care today. An effective cost-saving strategy is developing and maintaining a State Maximum Allowable Cost (SMAC) list for generic medications. A SMAC program can quickly produce significant cost savings and maximize the return on investment.

MERCER'S SMAC PROGRAM

Our Breadth and Depth

Mercer has successfully implemented and currently updates and maintains SMAC lists for five Medicaid programs. Mercer's SMAC program is built on sound, criteria-based pricing logic and is staffed by highly qualified professionals with extensive experience in SMAC program implementation and maintenance.

Mercer collaborates with clients to develop state-specific SMAC lists that meet the financial and clinical goals of their Medicaid programs. Our SMAC lists contain approximately 800 to 2,000 price points. We also provide SMAC pricing for specific groups of

drugs, such as over-the-counter (OTC) medications, prenatal vitamins, and specialty products.

Mercer's SMAC pricing reflects the uniqueness of Medicaid programs and all aspects of product purchasing and reimbursement, including issues related to wholesaler distribution, rural-pharmacy product acquisition, product margin, fee-for-service reimbursement, preferred drug lists, and rebate considerations. We work with states to tailor a SMAC list that achieves their financial and clinical goals while also being mindful of their SMAC program's impact on the pharmacy-provider community.



Proven Return on Investments

Mercer has been establishing SMAC rates since December 2001. Our clients have achieved an annual return on investment of between 150:1 and 350:1. The range of savings depends on a number of factors, including but not limited to:

- Program size.
- Aggressiveness of SMAC pricing factors chosen by the client.
- Drug mix.
- Inclusion of OTC and/or specialty products.

Ongoing Review of SMAC Price Points

To develop and update our SMAC pricing list, Mercer uses a proprietary database of national drug-wholesaler information. We proactively monitor newly approved generic products for potential SMAC implementation at the earliest opportunity while taking into consideration market dynamics and regulations. This practice helps ensure that pharmacies have ready access to the products at the acquisition cost used to develop the SMAC price points.

Mercer performs scheduled reviews of all SMAC price points to ensure that clients are maximizing savings as generic

products are introduced into the market and prices drop due to competition. Our pricing methodology includes a review of the entire SMAC list pricing on a regular basis — no less than quarterly.

If pricing concerns develop during off-cycle reviews, Mercer works collaboratively with the state and the provider community to quickly address and resolve any provider concerns regarding SMAC price points. We anticipate and take into consideration the likely reactions of the pharmacy providers and other stakeholders to recommend and develop responses that cultivate the buy-in necessary for program success.

A HIGHLY QUALIFIED AND EXPERIENCED TEAM

Mercer has a dedicated team of highly qualified professionals to develop, implement, and maintain its SMAC program. Our SMAC team includes licensed pharmacists, several certified pharmacy technicians, experienced data analysts, and a contract administrator to ensure that Mercer provides the state with the highest level of service. Mercer's team is known for being responsive, efficient, and experienced in working with all components of SMAC programs.

STEPS INVOLVED IN CREATING A MERCER SMAC LIST

- Mercer reviews the state's current utilization data and estimates savings based on different SMAC pricing and product-type scenarios.
- Mercer meets with the state to discuss SMAC modeling scenarios and a recommended SMAC list.
- Mercer and the state determine the communication strategy and meet with interested external parties, such as pharmacy associations, to proactively address concerns, if requested.
- Mercer electronically publishes and implements the state's SMAC list.

CONTACT MERCER

Mercer is available to discuss your pharmacy needs. Please send an email to shawna.kittridge@mercer.com.

Since 1985, Mercer has consulted with more than 30 states and the federal government on a wide variety of health care and human services issues, including actuarial, data/systems analysis, clinical, policy, operations, and procurement.

For more information, please contact a Mercer representative at one of the following offices:

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