State Drug Pricing Policy

Colorado

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Our Mission

Improving health care access and outcomes for the people we serve while demonstrating sound stewardship of financial resources
Colorado Summary

<table>
<thead>
<tr>
<th>Total Medicaid Lives:</th>
<th>Nearly 1.3 million Coloradans enrolled in Health First Colorado (Medicaid); almost 24% of the total state population</th>
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<td>429,000 eligible through ACA expansion</td>
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<td>Annual Pharmacy Spending:</td>
<td>Medicaid prescription drug spending was over $919 million in 2016 or 11.4% of total Medicaid expenditures</td>
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<td>Fee For Service or Managed Care State:</td>
<td>Predominantly a Fee For Service state with only 10% in capitated managed care plan</td>
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<td>Single Preferred Drug List (PDL) or Multiple PDL:</td>
<td>A single PDL applies to FFS expenditures; For the 10% enrolled in managed care, plans can deviate from PDL but cannot be more restrictive.</td>
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<td>Multi-state Purchasing Pool:</td>
<td>Colorado is not a member of a purchasing pool</td>
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<td>Value-Based Payment (VBP) Initiatives</td>
<td>Colorado is actively pursuing VBP initiatives focused on aligning incentives to improve health outcomes and cost efficiencies.</td>
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Overview: Medicaid Drug Rebate Program

- Congress enacted MDRP in 1990
- MDRP created the construct of a voluntary rebate agreement between the drug manufacturer and HHS
  - If manufacturer enters into a rebate agreement, they are assured coverage of their drugs by Medicaid and Medicare
  - States are required to include drug on their formulary
- Rebate agreement ensures that CMS and the states:
  - Receive a rebate on a drug’s price - set in statute
  - Do not pay more than a brand name drug’s “Best Price” in the U.S. market
- Feds and states split rebates according to the state’s federal medical assistance percentage (FMAP)
**Colorado Medicaid & Prescription Drugs**

**Current pharmacy management**
- Cannot mandate use of generics for certain drug classes (state statute)
- PDL
- Reliance on prior authorization
- Quantity limits, dosing limits

**Pursuit of tools to manage cost and improve health outcomes**
- SPA language to be well positioned for APM development
- Section 1115 waiver to give state ability to better manage drug benefit

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**Medicaid §1115 Waivers**

**§1115 of the Social Security Act**
- Gives HHS Secretary discretion to approve state requests for:
  - Waivers of certain Medicaid requirements and/or
  - Use federal Medicaid funds for costs that are not otherwise allowable

**§1115 demonstrations**
- Allow flexibility to “demonstrate and evaluate policy approaches” by:
  - Expanding eligibility
  - Providing services not covered
  - Improving care, increasing efficiency, or reducing costs

**Other §1115 demonstration elements:**
- Budget neutral or generate savings
- Time-limited, usually 5 years, and can be renewed
- Public notice/input, reporting & evaluation requirements
**Current State of §1115 Waivers**

- Historically very limited use to waive MDRP
- Administration has expressed interest in alternative payment models for high cost drugs
- FY 2019 President’s Budget proposed new Medicaid demonstration
  - Authorize 5-year demo to test state-level formularies
  - Up to 5 states
- Massachusetts §1115 Waiver
- Arizona §1115 Waiver

**Colorado Waiver Request Concept**

- Overarching Goal: Achieve the best health outcomes through the best use of public funds

- Pursue Section 1115 waiver authority to:
  - Focus the pharmacy benefit on the most efficacious and cost-effective treatment options, while continuing to cover full range of therapeutic classes
**Physician- Administered Drugs**

- Trend toward bundled payment structures such as EAPG and DRG
- High cost drugs in EAPG and DRG methodologies
- Payment Options
  - Keep rates as is
  - Build drug cost into EAPG
  - Carve out drugs
  - Stop Loss

**PAD Reimbursement**

- National Academy for State Health Policy (NASHP) grant to fund an initiative involving PAD reimbursement
- Current rate methodology for PADs is based on Average Sales Price (ASP)
- By contrast, pharmacy reimbursement is Average Acquisition Cost (AAC)
- Can we use a cost-based methodology to reimburse PADs?
- Grant supports a survey and report
Questions or Concerns?

Contact Information

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Thank You!