Congressional Briefing on State Policies

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Disclosures

- I have no potential conflict of interest to declare
- I am Employed by the University of Oklahoma College of Pharmacy

Background

- Prescription (RX) drug spending is a key driver in the increase in healthcare costs:
  - RX drug spending rose 12% for all payers in 2014 including a 24% increase for Medicaid
  - RX drug spending increased 9% to $324.6 billion in 2015; growth in 2015 was slower than the 12% growth in 2014, however spending on RX drugs outpaced all other services in 2015
  - Increase in high-cost specialty drugs: during SFY17 Oklahoma Medicaid spent 37.72% of total pharmacy expenditures on 0.84% of claims for medications costing >$1,000 per claim

MACPAC. Trends in Medicaid Spending. June 2016.
CMS. National Health Expenditures 2015 Highlights. 2017.

Oklahoma Details

- Annual Medicaid enrollment approximately 1 million members
- 100% fee-for-service
  - No managed care organizations
  - Allows for discussions and negotiations between one payer and one manufacturer for a more efficient process
- Oklahoma Medicaid is a member of purchasing pool [Sovereign States Drug Consortium (SSDC)]
- Pharmacy benefit managed by Pharmacy Management Consultants (a division of the OU College of Pharmacy)
  - Access to both medical and pharmacy claims
  - Capability to research other outcomes not necessarily stated in the agreement; unintended outcomes, additional benefits, and other health related outcomes

OHCA. Annual Report 2016.

Alternative Payment Models (APMs)

- Generally two types of APMs:
  - **Financial:** caps or discounts to provide predictability or limit spending; intended to lower costs and expand access
    - Easier to administer; data collection less onerous
  - **Health outcome-based:** payments for drugs are tied to clinical outcomes or measurements; often referred to as "value-based contracts"
    - Requires additional planning and data collection; potential to increase quality and value of treatments
    - Provides opportunity for manufacturer to validate the effectiveness of their product
    - Provides real world outcomes vs. clinical trials

Stuard S, Beyer J, Bonetto M, et al. SMART-D Summary Report. Center for Evidence-Based Policy. September 2016.
Goodman C. Value-Based Health Care: Identifying Benefits for Patients, Providers & Payers. November 2017.
Kenney JT. The Outcome of it All – The Impact and Value of Outcomes Based Contracts. October 2017.

SMART-D and NASHP Support

- State Medicaid Alternative Reimbursement and Purchasing Test for High-Cost Drugs (SMART-D)
  - Provided ideas on initiating APMs in Oklahoma Medicaid
  - Provided support for universal contract template and potential approval by CMS to allow state Medicaid implementation
- National Academy for State Health Policy (NASHP)
  - Funding provided is intended to pave the way for other state Medicaid payers; identify challenges, eliminate barriers, provide lessens learned, and reduce costs for those entering this arena
  - The intent is to reduce or eliminate the need for states to require extra funding to implement an APM

Center for Evidence-Based Policy. About SMART-D. 2016.
Reck J. NASHP Awards Grants to Colorado, Delaware, and Oklahoma to Tackle Rising Rx Drug Prices. October 10, 2017

Initial Lessons Learned

- A certain level of trust between the payer and the manufacturer is required
- More efficient process when getting key stakeholders at the table early (contracting, regulatory, legal, finance, etc.)
- Works best if manufacturers decide what they are comfortable with before negotiations begin
  - Oklahoma found that letting manufacturers bring what products they were interested in contracting in was most effective
- State Medicaid programs most likely need to pull utilization data initially
  - Will help determine if both parties are pursuing the right patient population, product, disease state, etc.
  - Determine the right benefit vs risk model
  - Both parties have understanding of how data is measured

It's All About Perspective

- Manufacturer Concerns:
  - Improving market access or market share
  - Avoiding restrictions
  - Avoiding "best price" implications
  - Gaining a competitive advantage
- Payer Concerns:
  - Reducing costs
  - Reducing waste
  - Improving health outcomes/quality of care
  - Reducing financial risks
  - Obtainable and accurate outcome measurement
  - Better value for money spent

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Challenges & Considerations

- Manufacturer Challenges:
  - "Beyond label" or "off label" concerns
  - "Best price" and purchasing pool implications
  - Anti-Kickback concerns
- Depending on the product there may not be enough patients to study or warrant an APM agreement
- Need to consider outcomes that show improvement in population health even if the financial outcomes are not produced
- Some outcomes may take longer to measure or be identified
- Concerns that manufacturers will have the MSRP approach and mark up the product initially with plans for an APM leading to no real savings

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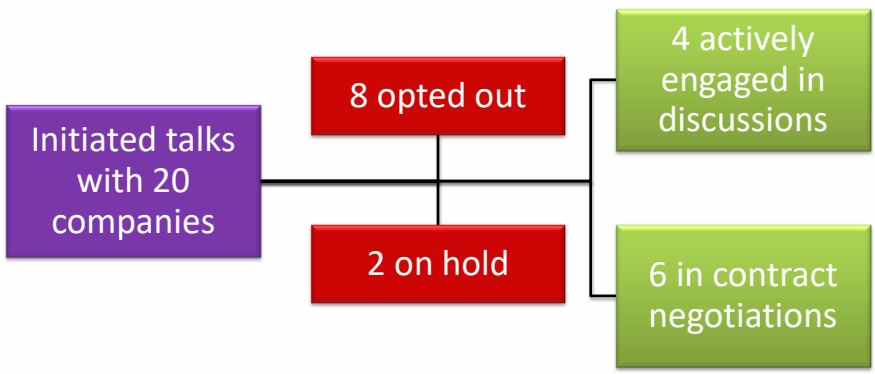
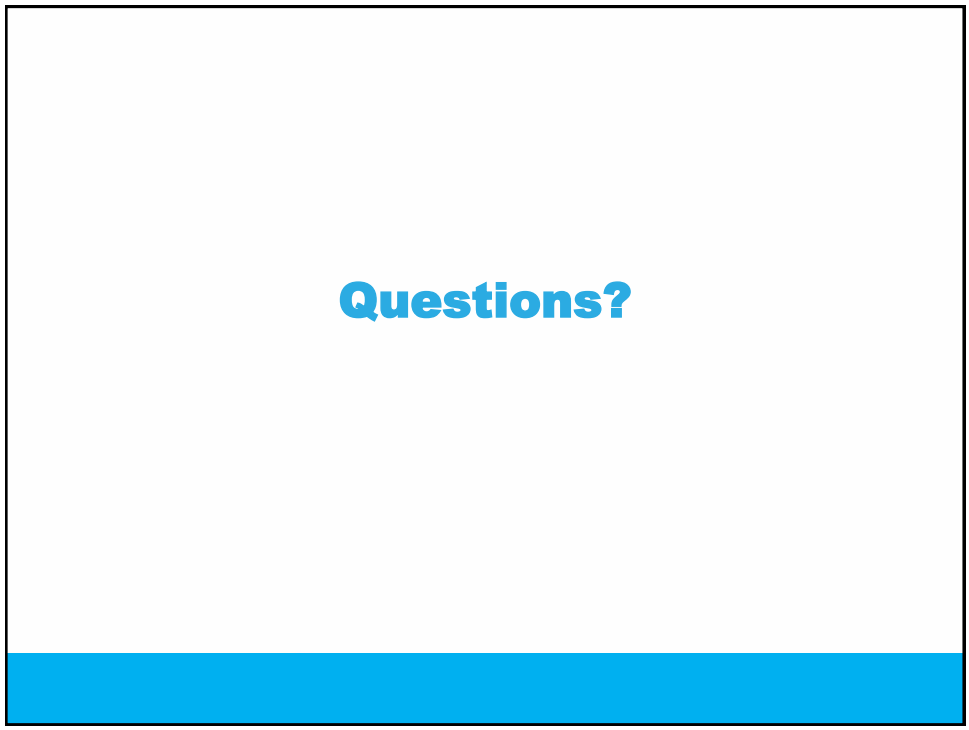
By the Numbers




Questions?