

Value-Based Programs in Oklahoma Medicaid

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Background

Why the focus in Medicaid on Alternative Payment Models (APM) or Value Based Contracts (VBC)?

- Prescription drug spending is a key driver in health care spending
- Increase in costly specialty medications
- Finite Medicaid budgets
- VBC may provide some cost predictability for the state
- Medicaid is a unique regulatory environment
- Some of the most vulnerable populations
- Goal is to treat the most members with the best possible care within the budget provided

Background (2)

- Challenging Political and Legal Environment:
 - States are taking legislative action to control drug costs or provide pricing transparency
 - States face legal pressure and lawsuits to ensure access
 - Limited state budgets subject to state legislative approval
 - Participation in federal rebate program requires coverage of a drug with limited exceptions
 - Very limited autonomy to shift costs through increases in premiums or copays

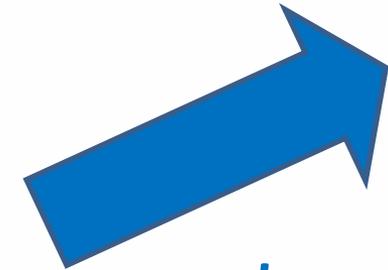
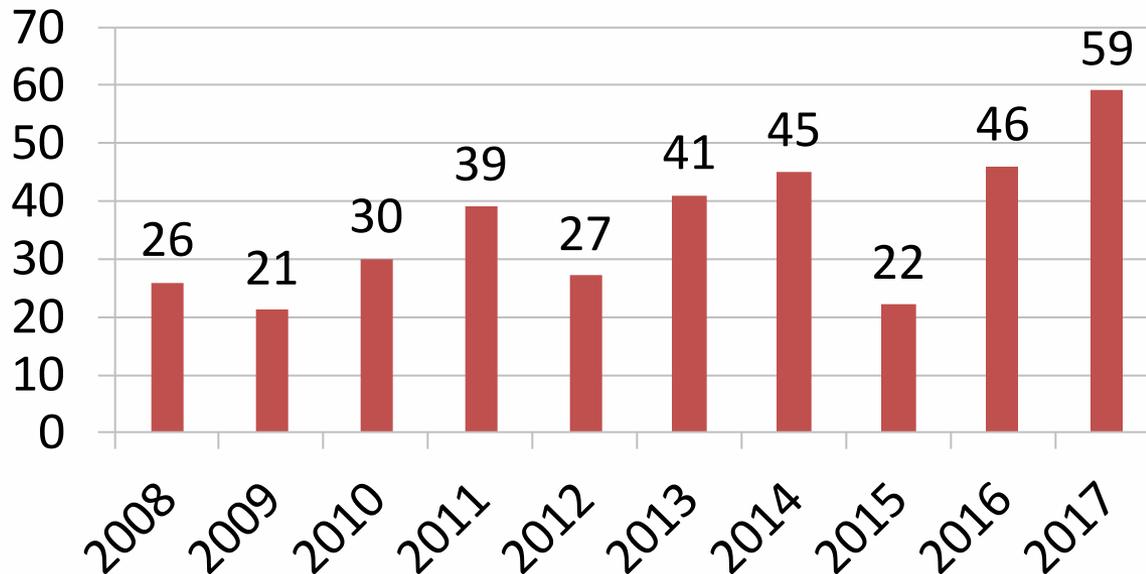
NASHP. State Legislative Action on Pharmaceutical Prices. November 2017.

Brown J. ACLU sues Colorado Medicaid over denial of treatment for thousands of hep C patients. *Denver Post*. September 2016.

Social Security Administration. Payment for Covered Outpatient Drugs. Sec. 1927. [42 U.S.C. 1396r-8]

Drug Trends

of Novel Drugs Approved



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Spending on prescription drugs has risen rapidly over past decades

- Medicaid drug spending had the highest growth, increasing 14.8% between 2013 and 2017
- Total gross spending on prescription drugs in 2017 was \$67.6 Billion in Medicaid

Boxler, D. Small doses. Drug Topics. April 2019

FDA. 2017 New Drug Therapy Approvals. January 2018.

Brooks M. FDA Approved Record Number of Drugs in 2018. *Medscape*. January 2019.

Kamal R. What are the recent and forecasted trends in prescription drug spending? December 2018

Alternative Payment Models (APMs)

Health Outcome-Based

- “Value-based contracts”
- Payment for drugs tied to clinical outcomes or measurements
- Requires additional planning and data collection
- Potential to increase quality and value of treatments
- Examples: outcomes guarantee, conditional coverage, per member per month (PMPM) guarantees, event avoidance (e.g., hospitalizations)

Financial

- Caps or discounts to provide predictability or limit spending
- Intended to lower costs and expand access
- Easier to administer
- Data collection less onerous
- Examples: price volume agreements, market share, patient level utilization caps, manufacturer funded treatment initiation

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.

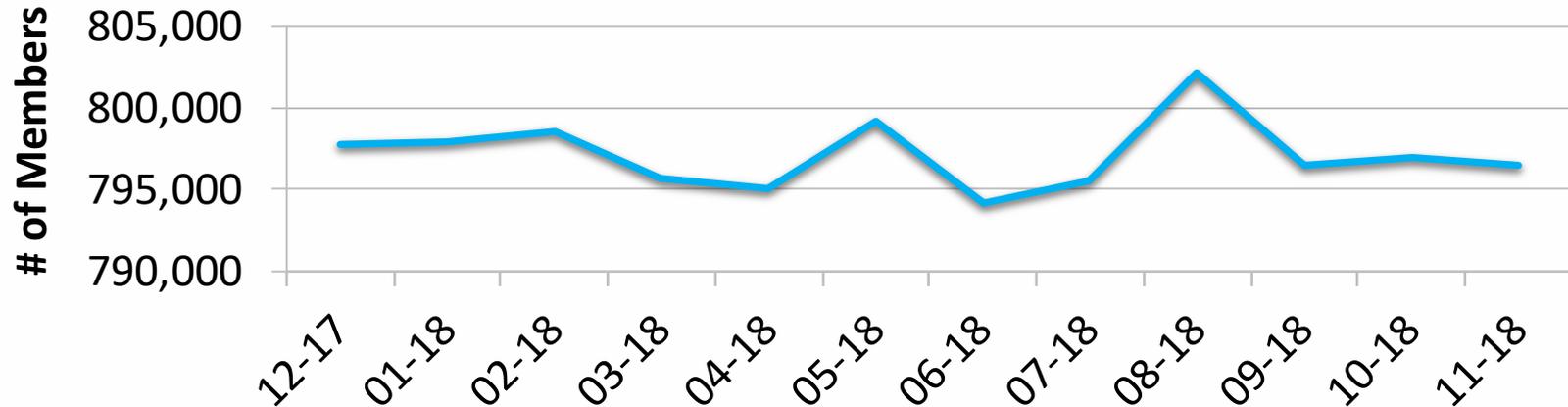
Kenney JT. The Outcome of it All – The Impact and Value of Outcomes Based Contracts. October 2017.

Outcome-Based Contracts

- Where to start?
 - Unlimited number of options
 - Can be based solely on pharmacy claims or may require both pharmacy and medical claims
 - Requires buy-in from management of both organizations
 - Requires knowledge of data/baseline values to develop contract
- Outcome-based APM goals include:
 - Clinically meaningful outcomes
 - May have adherence requirements
 - Outcomes which can be tracked via feasible data sources
 - Population or individual based
 - Feasible and sufficient return on investment (ROI) expectations
 - Continued innovation in value-based models

Oklahoma Details

Total Enrollment

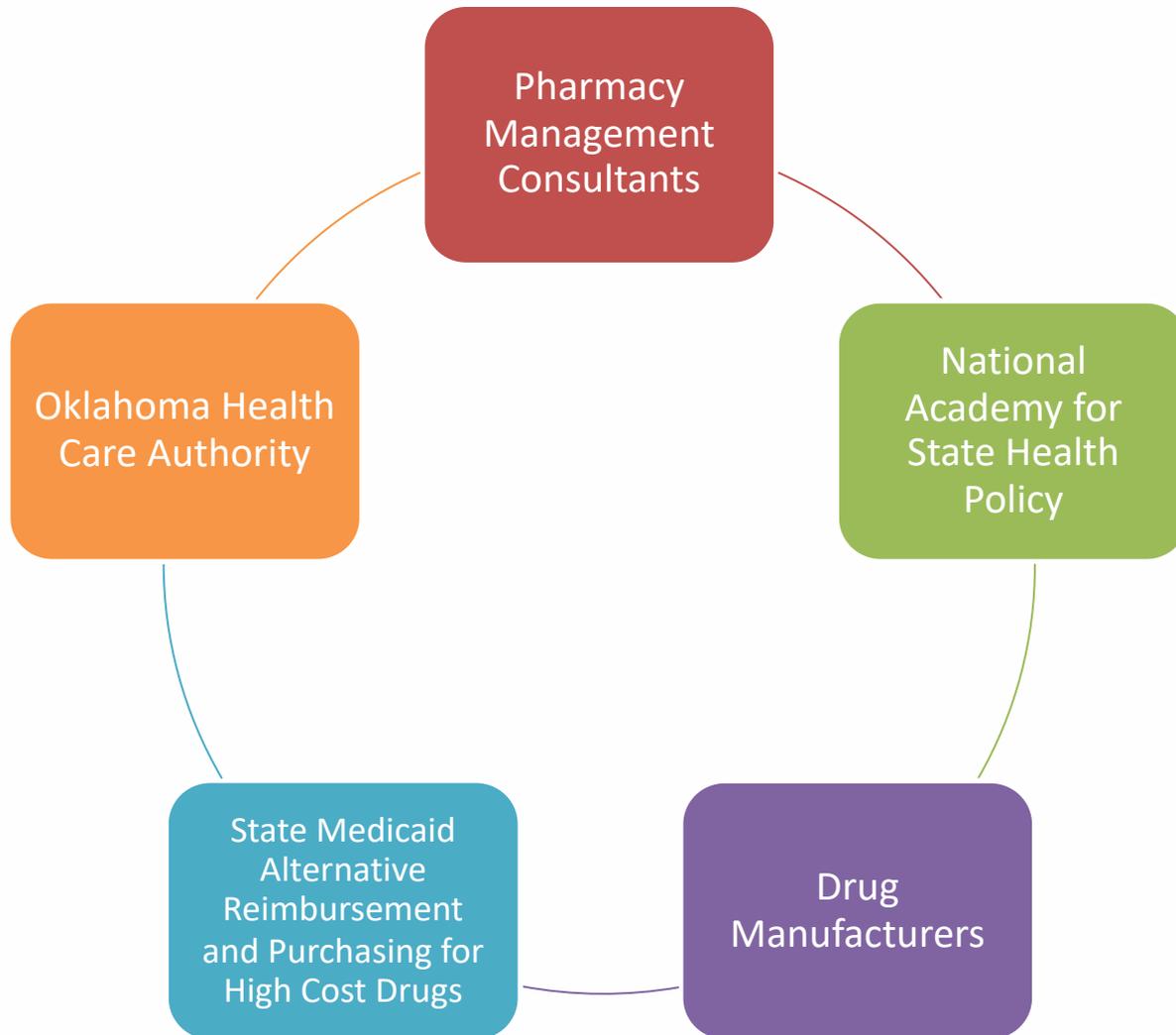


- Average annual enrollment: ~1 million members
- 100% fee-for-service (FFS)
 - No managed care organizations
- Oklahoma Medicaid is a member of purchasing pool [Sovereign States Drug Consortium (SSDC)]
- Pharmacy benefit managed by Pharmacy Management Consultants (a division of the OU College of Pharmacy)
 - Access to both medical and pharmacy claims

OHCA. Annual Report 2017.

OHCA. January 2019 Drug Utilization Review Board Packet.

Our Partners



Oklahoma's Approach

- Oklahoma's goal was to negotiate a mutually beneficial APM contract with a manufacturer
 - Pave the way for future contracts between Medicaid programs and manufacturers
 - To engage in different types of agreements
 - Share lessons learned with others
 - Anything is on the table for discussion
 - Not all agreements are focused solely on initial cost of product
- Utilize PMC research team for analysis of all findings (inclusive and exclusive of the agreement)
- Worked with CMS to get approval of a State Plan Amendment (SPA)
 - Supplemental Rebate format is outside of "Best Price" implications

Contact with Manufacturer

- Have had conversations with over 30 manufacturers
 - #3 prefer a data research/collaboration agreement → APM
 - #3 could not reach an agreement
 - #13 opted out or not responded lately
 - #7 still in discussions (#3 future products)
 - #4 executed agreements
 - #3 discussions around products not yet on the market
- Manufacturer Interactions
 - Receptive and non-confrontational
 - Very beneficial for manufacturer to bring ideas to the table
 - Understanding of the Medicaid environment
 - Required management of data requests

Executed Contracts

Alkermes

- Long-acting injectable antipsychotic
- Adherence

Melinta

- IV antibiotic
- Overall costs and potential savings

Eisai

- Antiepileptic
- Reduction in hospitalizations

Janssen

- Long-acting injectable antipsychotic
- Population adherence (Phase 1)
- Phase 2 will include clinical outcomes

Collaboration Agreements

- 3 agreements currently in place
- Population characterization

Oklahoma Health Care Authority. Press Release: Amgen, Oklahoma Health Care Authority and University of Oklahoma's Pharmacy Management Consultants Partner to Improve Medicaid Outcomes. June 2018.

Challenges (1)

- Larger companies seem to take longer to implement
- Return on investment (potential work vs risk)
- How much data is required up front to evaluate proposal
- Some limitations on data sharing if it exposes other products
- Fair agreement for both parties
- Tracking members coverage throughout the measurement period
- Measurement could require pro-rated calculations
- Potential impact on supplemental rebate contracts in place
- State contract limitations
 - May require a shortened measurement period

Challenges (2)

- Subjective measurements
- Delayed claim submissions for medical claims
 - May result in delay in settle-up and contract renewal
- Measuring discontinuation of therapy
- Measuring adherence and compliance (or lack of)
- Limitations on exclusion of covering medications
- Purchasing pools
- Clinician administered drugs, infusions centers, & specialty Pharmacy involvement

Challenges (3)

- “Medicaid Best Price” (State Plan Amendment [SPA] – Supplemental Rebate format)
- “Beyond Label” concerns
- “Real World” project (not clinical trial approach)
- High federal rebates limiting ability to discount prices further (generally older products)
- Limited utilization of particular products
- Changes in physician prescribing behaviors
- Concerns of MSRP approach
- Could APMs have impact on future manufacturers clinical trials

Moving from Value Based Contract (VBC) to Milestone Based Contract (MBC)

- Current SPA and VBC template will not work for MBC unless:
 - Measurement is within 1 year
 - Payment is all upfront with supplemental rebate payments if milestones not met
- Challenges with states have a 1 year limit on contracts
- States will most likely need a 1115 waiver from Centers for Medicare and Medicaid Services (CMS) for approval (402 Medicare Demonstration Waiver?)
- Current laws prevent paying a manufacturer directly
 - Waiver could allow for this to be waived
 - Possibly a specialty pharmacy to facilitate payment
- Would need to involve finance and budget department at the state for carry over into subsequent years

Conclusions

- APMs provide opportunities to promote potential cost savings and improve health outcomes but diligent work may be required
- A large amount of APM options to be explored
 - May be appropriate to start small just to get the ball rolling and get through some of the initial hurdles
 - May take some time to see the full results
- Our goal is to share outcomes as they are available with hopes other states can follow with much less work and challenges
- Watch for “Pay Over Time” models as they will present a new set of challenges