August 7, 2018

OREGON HEALTH AUTHORITY

EVALUATION OF A SINGLE OR ALIGNED PREFERRED DRUG LIST (PDL)

Oregon Health Policy Board Meeting

MYERS AND STAUFFER LC

AGENDA

- WELCOME & INTRODUCTIONS
- PROJECT BACKGROUND & SCOPE
- OPTIONS AND KEY CONSIDERATIONS
- STAKEHOLDER CONSIDERATIONS
- DATA ANALYSIS & RESULTS
- KEY RECOMMENDATIONS
- QUESTIONS & CLOSING REMARKS

WELCOME
& INTRODUCTIONS

PROJECT TEAM

Allan Hansen

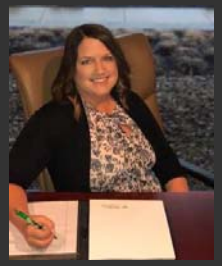
PRINCIPAL

- 23 years experience
- **Practice areas**: Medicaid pharmacy reimbursement & Medicaid program integrity
- Advises state Medicaid agencies and CMS on pharmacy reimbursement issues including dispensing fees and ingredient reimbursement

Michael Sharp, R.Ph.

PHARMACY CONSULTANT

- 25 years experience
- **Practice areas**: Medicaid and commercial pharmacy benefit management, medical policy, procedure coded drugs, pharmacy informatics, pharmaceutical pricing & claims processing
- Consults primarily with CMS Division of Pharmacy, state Medicaid programs & other core practice areas
- Former Indiana Medicaid Pharmacy Director



Jennifer Murray, PharmD

SENIOR MANAGER

- 13 years experience
- **Practice areas**: Pharmaceutical pricing, Medicaid pharmacy benefit management, procedure coded drugs, specialty drugs, pharmacy claims analysis, drug utilization review, cost containment opportunity evaluation, project management
- Project manager and consulting for CMS Division of Pharmacy & other state Medicaid programs

Ashley Halterman, CPA

MANAGER

- 8 years experience
- **Practice areas**: Data informatics, process design & implementation, project management, client relations, quality assurance, & regulatory compliance
- Quality control, project management, and compliance for CMS Division of Pharmacy and multiple state Medicaid programs

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ABOUT US

We are a public accounting firm with six engagement teams providing diverse services to state and federal agencies managing government-sponsored health care programs.

OUR MISSION

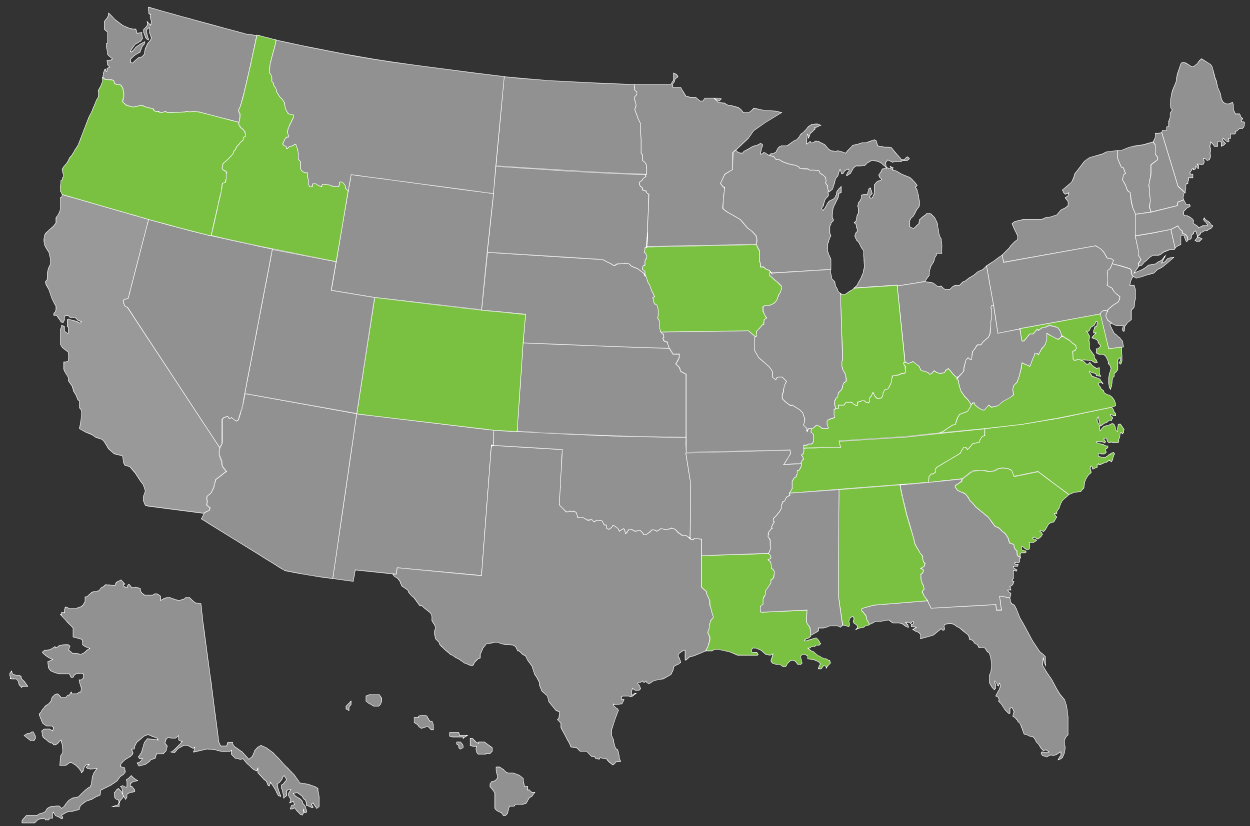
We are dedicated to delivering Medicare and Medicaid expertise with exceptional service.

WEBSITE

https://www.mslc.com/

CURRENT PHARMACY PROJECTS

- Alabama
- Centers for Medicare and Medicaid Services (CMS)
- Colorado
- Iowa
- Idaho
- Indiana
- Kentucky
- Louisiana
- Maryland
- North Carolina
- Oregon
- South Carolina
- Tennessee
- Virginia



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OUR CLIENTS

- State Medicaid Agencies
- Centers for Medicare & Medicaid Services
- U.S. Department of Justice
- Federal Bureau of Investigation
- Other Governmental Agencies & Divisions

PROJECT BACKGROUND & SCOPE

PROJECT BACKGROUND

The Oregon Health Policy Board (OHPB) serves as a policy making and oversight body for the Oregon Health Authority (OHA). They have requested OHA to assess the concept of a state-wide single Medicaid preferred drug list (PDL).

A single PDL would obligate the current coordinated care organizations (CCOs) to adhere to the same PDL as Medicaid fee-for-service (FFS).

CCOs are concerned that a single PDL is not a viable option.

OHA requested a third party vendor analyze Oregon's current position and make analytics-based recommendations around a preferred drug list solution. Myers and Stauffer was selected as the vendor to perform the analysis.

PROJECT SCOPE

Single PDL
Aligned PDL
Status Quo

CCO Perspectives
Financial Impact
Administrative Efficiency
Consistent Access
Operational Realities

Provide Recommendations
at August OHPB Meeting

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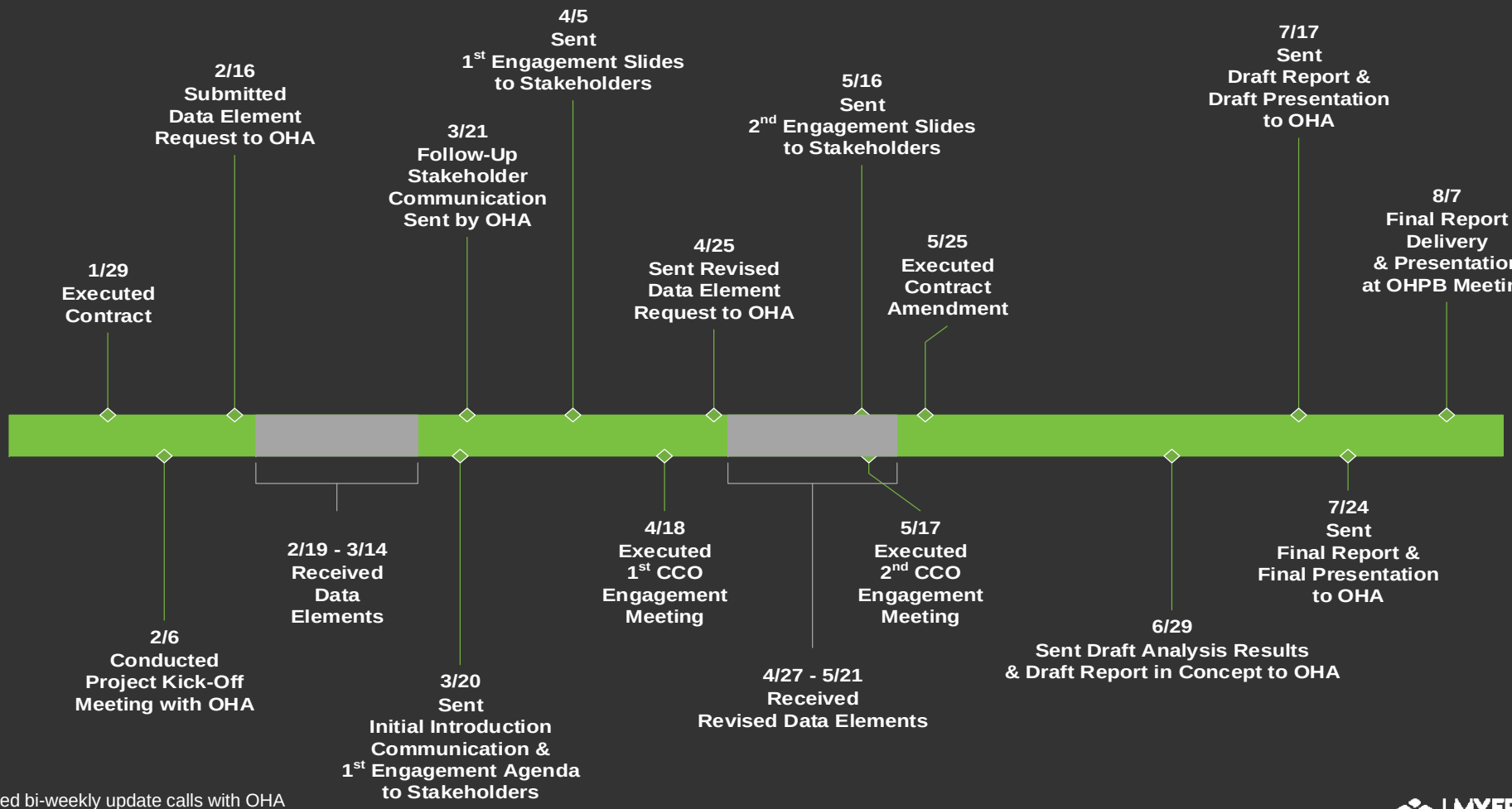
PROJECT TIMELINE



Conducted bi-weekly update calls with OHA

Reference: *Evaluation of a Single or Aligned Preferred Drug List, Page 23*

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OPTIONS AND KEY CONSIDERATIONS

PDL APPROACHES

- Single PDL Approach
- Aligned PDL Approach
- Status Quo

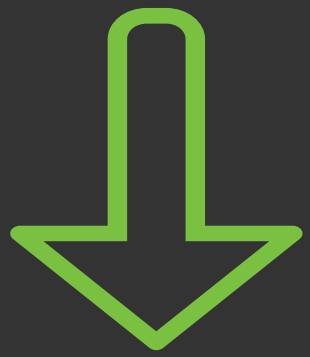
KEY CONSIDERATIONS

- Operational Realities
- Measurable Program Savings
- Impact Considerations to CCOs, OHA, and the Provider Community

*Note: The implementation of a single or aligned PDL approach would not result in carving out the prescription drug benefit from the CCO capitation payments.

Reference: *Evaluation of a Single or Aligned Preferred Drug List, Page 24 - 25*

IMPLEMENTATION AND OPERATIONAL REALITIES OF TRANSITIONING TO A SINGLE OR ALIGNED PDL

DESCRIPTION	SINGLE PDL	ALIGNED PDL
Disruption in Patient Care and Medication Access Issues	**Greater Level of Risk and/or Effort** 	**Lower Level of Risk and/or Effort** 
Pharmacy Provider and Prescriber Impact		
Capitation Rate Impact		
Required System Configuration Changes		
Length of Implementation Period		
Competing Priorities		
Required Resource Bandwidth		
Risk of Negative Financial & Operational Outcomes		

Reference: *Evaluation of a Single or Aligned Preferred Drug List, Page 24 - 25*

STAKEHOLDER CONSIDERATIONS

- Established a dedicated email address to allow for continual CCO feedback, questions and interaction throughout the project
- Hosted 2 CCO webinar engagement meetings
- Reviewed CCO single and aligned PDL Whitepapers
- Conducted research and reviewed existing literature and publications regarding implementation of a single or aligned PDL approach

Reference: *Evaluation of a Single or Aligned Preferred Drug List, Page 25*

PERSPECTIVES & POSITIONS SURROUNDING A SINGLE OR ALIGNED PDL

- IMPROVED PROVIDER EXPERIENCE & ADMINISTRATIVE SIMPLIFICATION
- CONSISTENT ACCESS
- REBATE MAXIMIZATION/LOWER NET COSTS
- PREFERRED MULTIPLE SOURCE BRAND DRUGS OVER GENERICALLY EQUIVALENT DRUGS
- IMPROVED MEMBER EXPERIENCE
- BEST PRACTICE DEVELOPMENT
- BENEFIT ADMINISTRATION TRANSPARENCY
- FEDERAL & SUPPLEMENTAL REBATE TRANSPARENCY

Reference: *Evaluation of a Single or Aligned Preferred Drug List, Page 25 - 27*

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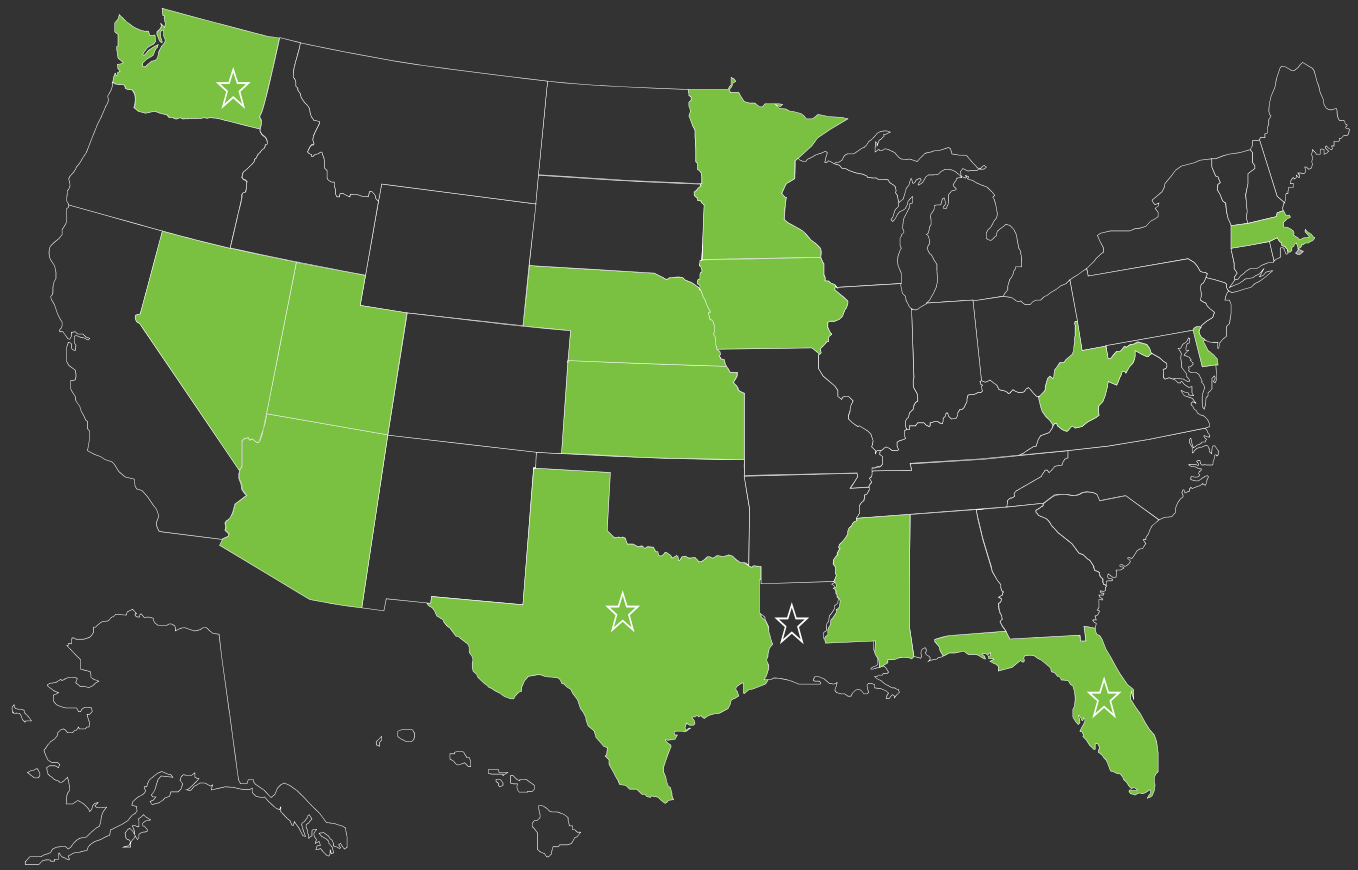
PDL ENVIRONMENTAL SCAN

Managed Care State Utilizing a Single PDL

☆ State highlighted in *Evaluation of a Single or Aligned Preferred Drug List Report*



Reference: *Evaluation of a Single or Aligned Preferred Drug List, Page 27 - 30*

DATA ANALYSIS & RESULTS

- Data Acquisition, Validation & Exclusions
- Analysis Calculation Methodology
- Data Results

Reference: *Evaluation of a Single or Aligned Preferred Drug List, Page 32 – 37*

DATA ACQUISITION & VALIDATION

Data provided to MSLC by OHA Policy & Analytics and OSU College of Pharmacy Drug Use Research and Management (DURM) Program. Data was obtained from same source used for rebate invoicing and capitation rate calculations.

Data reviewed and validated by OHA Actuarial Services Unit.

MSLC calculated key pharmacy utilization metrics such as generic dispensing rates, average payment rates per claim, drug claim expenditures, claim counts and compared these metrics to OHA published DUR reports for reasonability.

Reference: *Evaluation of a Single or Aligned Preferred Drug List, Page 32 - 33*

DATA EXCLUSIONS

340B CLAIMS
Not eligible for federal rebates

TITLE XXI CLAIMS
Not eligible for federal rebates

COMPOUND DRUG CLAIMS
Inconsistent claims data, minimal expenditures and limited PDL implications

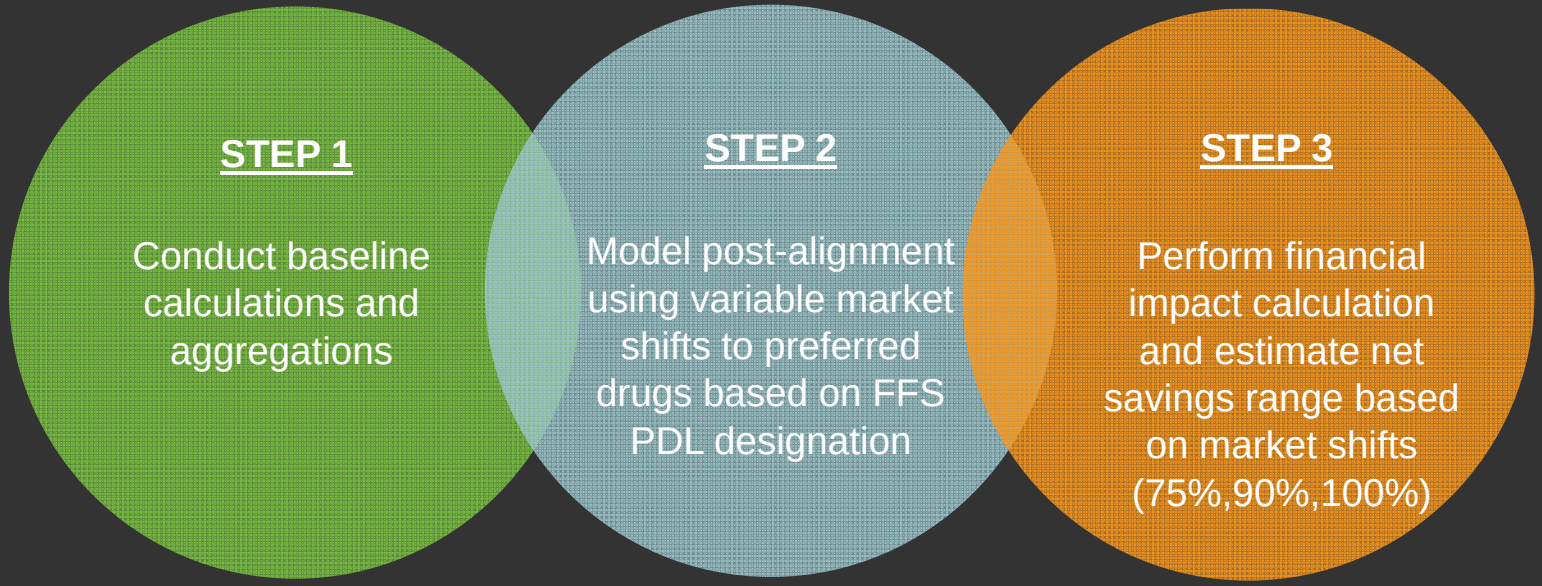
INDIAN HEALTH SERVICES (IHS) CLAIMS
Paid via all-inclusive rate

THIRD PARTY LIABILITY (TPL) CLAIMS
PDL prior authorization claim editing is bypassed and State is not primary payer

MEDICARE PART B CROSSOVER CLAIMS
PDL prior authorization claim editing is bypassed and State is not primary payer

Reference: *Evaluation of a Single or Aligned Preferred Drug List, Page 32*

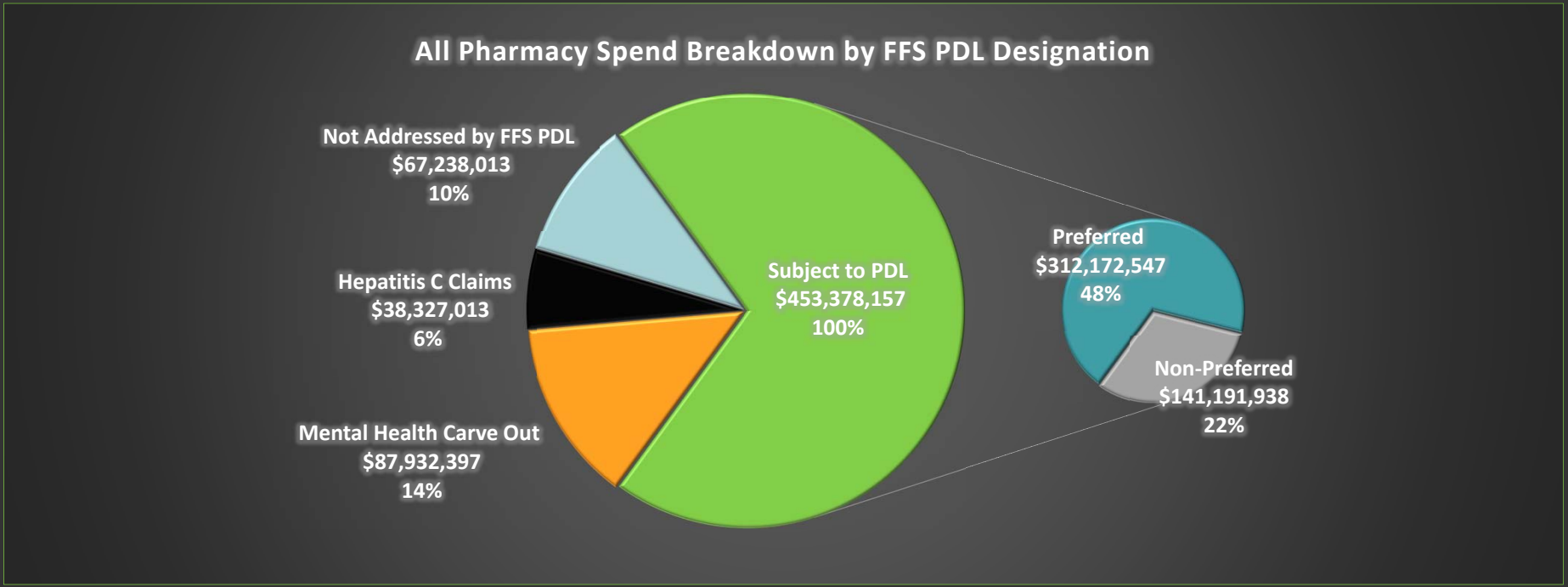
ANALYSIS CALCULATION METHODOLOGY



Reference: *Evaluation of a Single or Aligned Preferred Drug List, Page 33 - 35*

CCO and FFS Spend Breakdown by FFS PDL Designation

2017 Service Dates

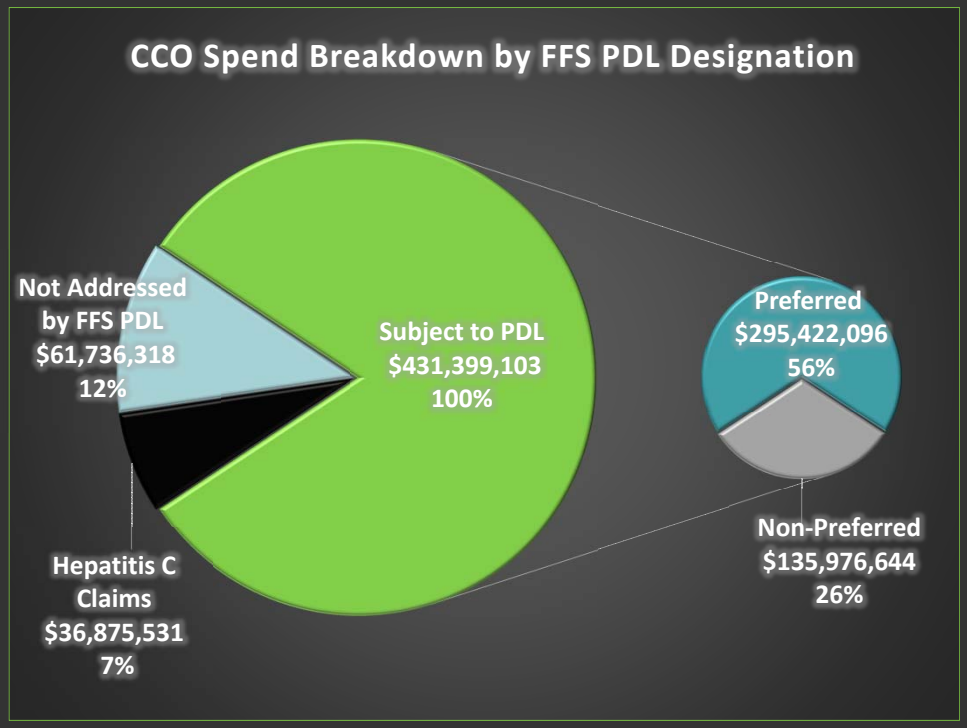


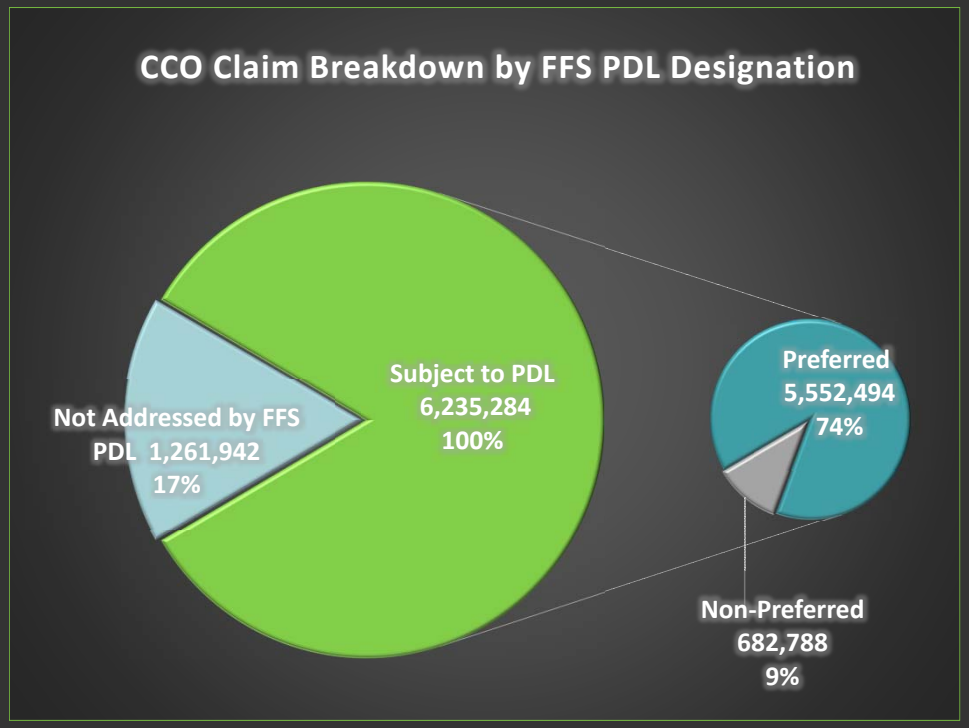
A high degree of alignment between CCO and FFS spend already exists within the current environment. The mental health carve out drugs and the Hepatitis C therapeutic class alignment represent 20% of overall program spend. In addition, 10% of overall spend is not subject to the FFS PDL leaving only 22% of the overall spend for non-preferred drugs based on their FFS PDL designation.

Reference: *Evaluation of a Single or Aligned Preferred Drug List, Page 22*

CCO SPEND AND CLAIM SUMMARY

2017 Service Dates





Currently, only 26% of the total CCO spend and 9% of the total CCO claims are for non-preferred drugs (based on FFS PDL designation)

Reference: *Evaluation of a Single or Aligned Preferred Drug List, Page 21*

DATA RESULTS

Therapeutic Classes for Alignment Consideration

Therapeutic Class	Estimated Annual Net Savings Range (S&F)	Estimated Annual Net Savings State Only Dollars**
Insulins*	$17 million - $22 million 74%	$4.75 million - $6.25 million
Multiple Sclerosis Agents		
Biologics for Auto-Immune Conditions		
Pulmonary Anti-Hypertensives	$6 million - $8 million 26%	$1.75 million - $2.25 million
Short-Acting Beta-Agonists Inhalers		
Diabetes, GLP-1 Receptor Agonists		
Inhaled Corticosteroids		
Long-Acting Inhaled Anticholinergics		
Pancreatic Enzymes		
Cystic Fibrosis, Inhaled Aminoglycosides		
Growth Hormones		
Total***	$23 million – $30 million	$6.5 million – $8.5 million

*The estimated fiscal impact for the insulin therapeutic class does not include potential savings related to the interchange of Admelog® and Humalog® because Admelog was not commercially available until 2018. Inclusion of this interchange would increase the estimated savings.

**In order to estimate the financial impact in state only dollars Myers and Stauffer applied a blended FMAP of 72%. The blended FMAP was provided by OHA and is an estimate based upon the enrolled Oregon Medicaid population.

***The vast majority of total net savings was attributable to shifting utilization to FFS preferred products based upon optimal federal rebate return net of CCO spend.

Reference: *Evaluation of a Single or Aligned Preferred Drug List, Page 36*

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KEY RECOMMENDATIONS

KEY RECOMMENDATIONS

1. Consider pursuing an aligned PDL strategy and the application of consistent pharmacy utilization management criteria for the recommended 11 therapeutic classes. The estimated annual fiscal savings associated with these classes range from $23 million to $30 million (state and federal dollars) with an estimated range of state share between $6.5 and $8.5 million annually.
2. Develop a regulatory strategy and work plan for necessary legislative, rule making, procedural or state plan amendment activities related to an aligned PDL.
3. Measure and regularly monitor fiscal performance for current and future selected therapeutic classes chosen for alignment.
4. The Oregon Health Authority (OHA), with input provided by program stakeholders, should be designated as the sole decision maker with regard to current and future therapeutic classes for PDL alignment.
5. The CCOs should collaborate and actively provide collective input in the public P&T meeting process as a means to establish consistent utilization management tools and best practices between the FFS and CCO delivery systems.
6. Examine, and as necessary, adjust CCO capitation rates to reflect additional expenditures resulting from the aligned PDL classes not previously accounted for in the existing capitation rates. Quantify any rebates or other remuneration paid to the CCOs or their contracted PBMs by drug manufacturers for purposes of CCO contracting transparency and capitation rate setting.

Reference: *Evaluation of a Single or Aligned Preferred Drug List, Page 38 - 39*

KEY RECOMMENDATIONS CONTINUED

7. Consider the use of an Administrative Services Organization model for aligned classes where OHA pays administrative fees to the CCOs for claims processing-related activities and reimburses the CCO directly for aligned therapeutic class pharmacy expenditures.

8. Develop a consolidated PDL format with electronic search capabilities for the benefit of prescribers, pharmacies, program beneficiaries and other interested parties. The resulting PDL format should also include utilization criteria and required prior authorization forms associated with the specific drugs and/or therapeutic classes. Aligned therapeutic classes should be clearly noted.

9. Focus collaborative efforts on implementing aligned utilization management strategies for specialty drugs, including the role and feasibility of value-based purchasing arrangements as a potential strategy to assist in managing specialty pharmaceutical spend.

10. OHA should evaluate the "provider prevails" requirement established under ORS 414.334 to determine the current associated fiscal impact and determine if regulatory action should be pursued to revisit this requirement. OHA should consider optimizing the use of existing utilization management tools, such as step therapy, to maximize the use of preferred drugs providing the most value and ensure medical necessity of non-preferred drugs.

11. Evaluate the drug utilization, expenditures, reimbursement amounts and contractual requirements for 340B drugs dispensed or administered in the CCO delivery systems. Currently, an OHA payment policy does not exist regarding CCO payment for covered outpatient drugs dispensed by 340B covered entities and their contract pharmacies. This can result in excessive payments for 340B drug claims as well as the loss of substantial federal rebate opportunities.

Reference: *Evaluation of a Single or Aligned Preferred Drug List, Page 38 - 39*

DISCLAIMER

This PDL analysis report and the recommendations contained within are only applicable to the Oregon Medicaid program. Each Medicaid program should carefully evaluate their own program in the context of its specific structure, pharmacy program design, rebate programs and federal matching considerations.

Reference: *Evaluation of a Single or Aligned Preferred Drug List, Page 45*

QUESTIONS & CLOSING REMARKS

DEDICATED TO GOVERNMENT HEALTH PROGRAMS