

Proposal for Cost Saving Calculation Methodology

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Objective

To determine a methodology to calculate cost savings based on the establishment of upper payment limits (UPLs).

Legislative Mandate

SB-5532 Sec 6. Use of Savings

- ▶ (1) Any savings generated for a health plan, as defined in RCW 48.43.005, or a health plan offered under chapter 41.05 RCW that are attributable to the establishment of an upper payment limit established by the board must be used to reduce costs to consumers, prioritizing the reduction of out-of-pocket costs for prescription drugs.
- ▶ (2) By January 1, 2024, the board must establish a formula for calculating savings for the purpose of complying with this section.
- ▶ (3) By March 1st of the year following the effective date of the first upper payment limit, and annually thereafter, each state agency and health carrier issuing a health plan in the state must submit a report to the board describing the savings in the previous calendar year that were attributable to upper payment limits set by the board and how the savings were used to satisfy the requirements of subsection (1) of this section.

Overview of Options

▶ Approach 1

- ▶ Use of consistent data collection methodology with Colorado Prescription Drug Affordability Board (PDAB)
 - ▶ Single data source (i.e. carriers)

▶ Approach 2

- ▶ Development of our own data collection methodology with use of All Payer Claims Database (APCD) and Drug Price Transparency (DPT) database with carriers' inputs
 - ▶ Multiple data sources (i.e. carriers, APCD, DPT) to be coordinated

Approach 1: Consistent Methodology with Colorado PDAB

▶ Process

- ▶ Use the data collection template developed by the Colorado State PDAB as our starting point
- ▶ Each carrier submits their cost saving information by using the template annually
- ▶ WA PDAB will aggregate data collected from all carriers

Approach 1: Consistent Methodology with Colorado PDAB

► Cost saving calculation formula

- Total Claims Saving = $\sum_{plan=1}^n [Total\ Claims\ Savings]_{plan}$, where n= total number of plans which adopted the UPL
- Total Cost-Sharing Saving = $\sum_{plan=1}^n [Total\ Cost\ Sharing\ Savings]_{plan}$, where n= total number of plans which adopted the UPL
- Total Premium Saving = $\sum_{plan=1}^n [Total\ Premium\ Savings]_{plan}$, where n= total number of plans which adopted the UPL

Approach 1: Consistent Methodology with Colorado PDAB

▶ Pros

- ▶ The data collection sheet has already been developed by Colorado PDAB
- ▶ Providing a consistent reporting mechanism for carriers with other states' PDAB
- ▶ Collaboration with other states' PDAB in the future if we need to analyze any inter-state data

▶ Cons

- ▶ Potentially duplicated reporting with the APCD and the DPT database for carriers

Approach 1: Consistent Methodology with Colorado PDAB

- ▶ Potential challenges and future considerations
 - ▶ Gathering feedback from Washington carriers on the template provided by Colorado PDAB would be recommended.
 - ▶ Modification based on their feedback can be considered.

Approach 2: Using Washington Data Sources with Carriers' Inputs

▶ Process

- ▶ Develop a data collection template by minimizing duplicated information with in the APCD and the DPT database
- ▶ Each carriers submit their cost saving information by using the template annually
- ▶ WA PDAB will aggregate data collected from all carriers, as well as data from the APCD and the DPT database

Approach 2: Using Washington Data Sources with Carriers' Inputs

▶ Cost saving calculation formula

- Total Claims Saving = $\sum_{plan=1}^n [Total\ Claims\ Savings]_{plan}$, where n= total number of plans which adopted the UPL
- Total Cost-Sharing Saving = $\sum_{plan=1}^n [Total\ Cost\ Sharing\ Savings]_{plan}$, where n= total number of plans which adopted the UPL
- Total Premium Saving = $\sum_{plan=1}^n [Total\ Premium\ Savings]_{plan}$, where n= total number of plans which adopted the UPL

Approach 2: Using Washington Data Sources with Carriers' Inputs

▶ Pros

- ▶ Streamlined data collection and minimized reporting burden for the carriers

▶ Cons

- ▶ Coordination with existing Washington datasets
 - Will need to coordinate data collection with DPT program
 - WA PDAB needs to pull and aggregate data from the DPT program and APCD
 - Challenges with matching data across the databases
 - What to do if carrier data is contradictory to APCD and/or DPT data
- ▶ Coordination with other states
 - The way data is organized will not be consistent with other states.
- ▶ Coordination with carriers
 - Carrier input and reports are still necessary.
 - The data collection process for carriers will not be consistent with other states.

Approach 2: Using Washington Data Sources with Carriers' Inputs

- ▶ Potential challenges and future considerations
 - ▶ Information to be collected from carriers needs to be identified.
 - ▶ Data collection process needs to be either
 - Coordinated with the DPT program, or
 - Created by the development of our own template and instructions.
 - ▶ Currently, carriers submit their data by October 1. For the PDAB annual reporting, the due date is set on March 1.

Additional Challenges for Both Approaches

- ▶ Potential need to validate the data collected from carriers
- ▶ Need to keep track of carriers who have or have not submitted their data and to follow up
- ▶ Possible data entry errors or inconsistent ways of entering data between carriers
- ▶ Potentially collecting similar information on therapeutic alternatives to look at an overall picture if applicable



Questions?

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