

Washington State Health Care Authority

HCA Prescription Drug Program

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Washington Prescription Drug Price and Purchasing Summit
Seattle Tacoma Airport
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HCA's Two Prescription Drug Programs

HCA PDP has had two drug programs operating for the last decade with the overall aims of assuring patient care quality and controlling drug costs

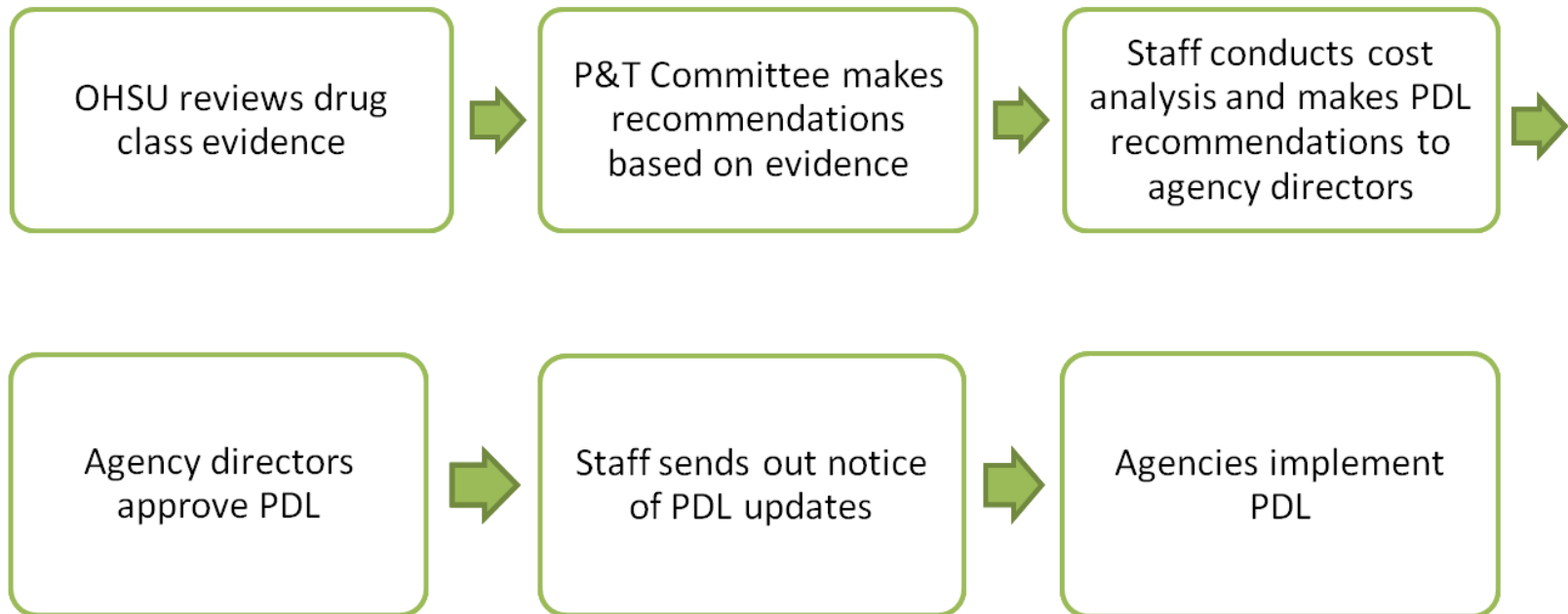
- 1. WA State PDL:** State's three largest health care purchasing agencies joined forces for joint evidence-based pharmacy purchasing in 2002
 - Dept of Social & Health Services for Medicaid
 - Health Care Authority (HCA) for public employees and
 - Dept of Labor & Industries (L&I) for workers' compensation
- 2. NW Drug Consortium:** WA joined forces with OR through an interstate agreement in 2006 to pool drug purchasing and bring the best price to participants. Current membership is 952K and drug spend close to \$1B
 - Discount card for the un- and underinsured
 - Employer group (mail & retail) network purchasing with transparent contracting, pass through pricing, 100% rebate capture and financial performance guarantees
 - Facility wholesale purchasing w/affiliation to a larger hospital purchasing group

Program #1

The Washington State PDL

- Senate Bill 6088 (chapter 29 Law of 2003) directed state-purchased health care programs to consolidate prescription drug purchasing using:
 - Pharmacy & Therapeutics (P&T) Committee
 - Evidence based Preferred Drug List (PDL)
 - Endorsing Practitioner & Therapeutic Interchange Program (TIP)
- HCA administers the PDP for Medicaid, public employee and worker compensation programs
- Agencies implemented PDL on May 1, 2004

Review Process for Washington PDL



Pharmacy & Therapeutics (P&T) Committee

- 10 P&T members actively practicing in their area of clinical expertise and represent a broad geographic distribution (4 physicians, 4 pharmacists, 1 PA, 1 ARNP who meet at least quarterly)
- Evaluate the relative safety, efficacy and effectiveness of drugs within a drug class and make recommendation to the state on the development of the PDL
 - Determine which drugs are equally safe and effective, or have advantages in special populations
 - Do not consider cost in recommendation
- Opportunity for public comment

Evidence-based Review

- Participate in Drug Effectiveness and Review Project (DERP) at Oregon Health and Science University to access evidence-based reports
 - Key questions drive the reviews on comparative effectiveness, safety and special population of drugs within a class
 - Critical evaluation of the evidence including grading the quality of studies and rating the strength of the overall body of evidence
- Pharmaceutical companies can submit dossier on drugs under evaluation
- Opportunity for public comment to draft reports
- Re-review each PDL drug class yearly
- Repeat cost analysis with each re-review

Preferred Drug List (PDL)

- Evidence-based list of drugs used by participating state agencies as the basis to purchase drugs within the state-purchased health care program
- Preferred drug – a drug selected by state agencies as recommended by P&T Committee and/or based on cost
- Non-preferred drug – a drug that wasn't selected due to inferior safety or efficacy or due to cost and may require prior authorization for coverage or placed on a higher cost tier

Cost Analysis

- State obtains bids for supplemental rebates from manufacturers prior to P&T meeting
- Milliman conducts an actuarial cost analysis of the drug classes reviewed by the P&T committee
 - Use supplemental rebate offers and other cost data
 - Determine which drugs result in the lowest net cost to the state
- The directors (or designees) of each agencies make the final decision as to which drugs will be included on the PDL
- State notifies stakeholders and implements PDL changes

Endorsing Practitioner Therapeutic Interchange Program

(1 of 2)

- An “endorsing practitioner” is a prescriber who has reviewed the preferred drug list and notified the HCA that he or she has agreed to allow therapeutic interchange of a preferred drug for any non-preferred drug
- Pharmacists will automatically interchange the preferred drug for any non-preferred drug prescribed by these practitioners and notify the prescriber of the change unless:
 - the Rx is for a "refill" of an antipsychotic, antidepressant, antiepileptic, chemotherapy, antiretroviral, or immunosuppressive drug; or treatment for hepatitis C
 - the endorsing practitioner indicates “dispense as written” (DAW) on an Rx for a non-preferred drug
- In these situations the pharmacist will dispense the non-preferred drug as prescribed (generic first initiative may apply)

Endorsing Practitioner Therapeutic Interchange Program

(2 of 2)

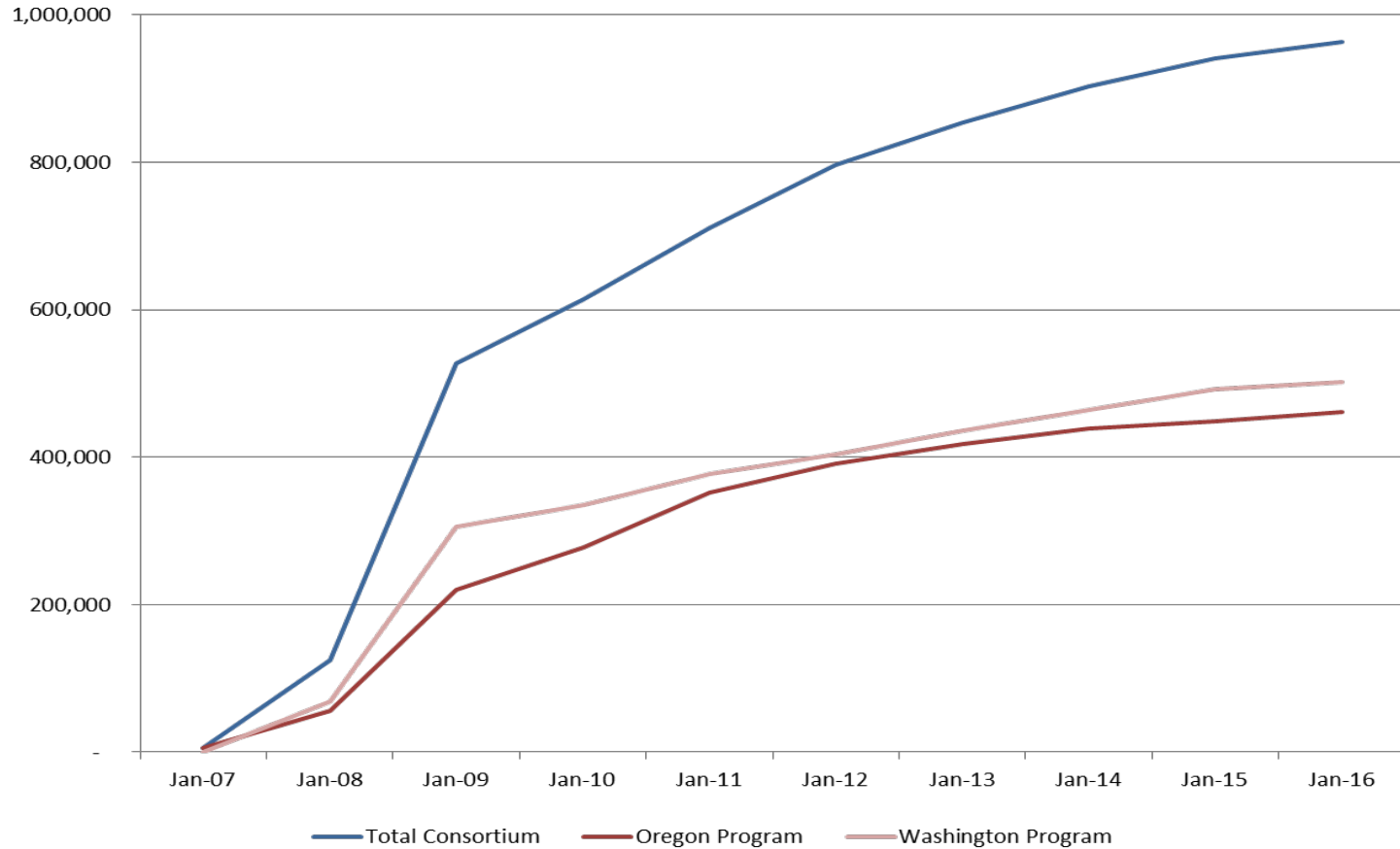
- For drugs not included on the preferred drug list, or those prescribed by non-endorsing practitioners, pharmacists will dispense the prescribed drug according to each agency's benefit structure
- Prior authorization and generic substitution laws may apply
- A 2009 JLARC study found that 6,600 endorsing practitioners accounted for ~41% of Medicaid prescriptions (current total endorsers ~ 7,500+)
- Over 16,000 practitioners prescribed at least one Medicaid prescription last year

Program #2

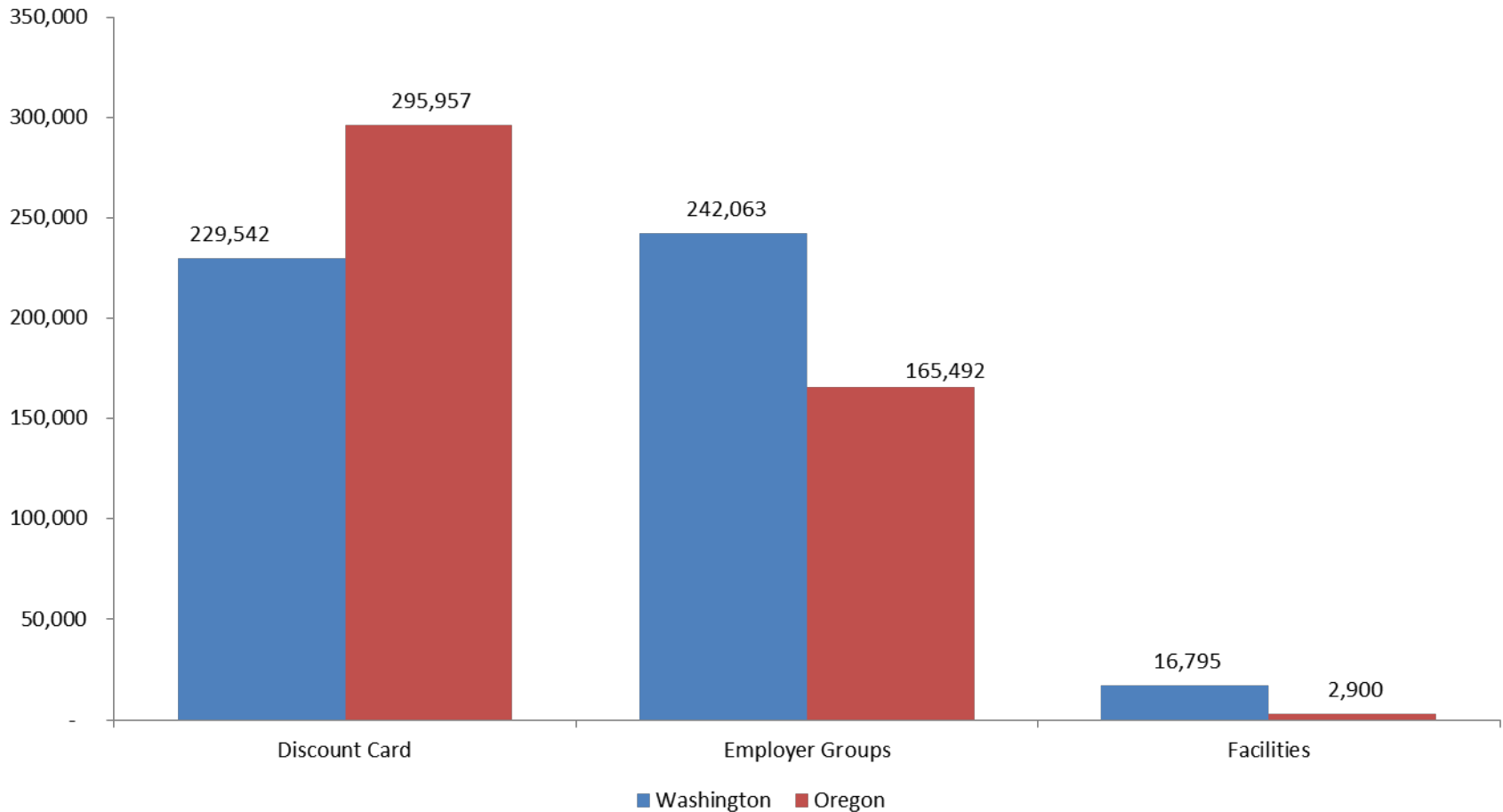
Washington State NW Drug Purchasing Consortium A Joint Purchasing Initiative with Oregon

- Established by the Legislature in 2005
- Offers a “model” Pharmacy Benefits Management Contract that can be tailored to purchasers needs
- Participation is mandatory for state agencies that purchase prescription drugs directly unless they demonstrate they can achieve greater discounts by using another purchasing mechanism
- Open to local government, private sector businesses, labor organizations, and individuals, total current participants 952K across two states, representing ~\$1 B in spending
- Services provided by Moda Health, a health insurer based in Portland, Oregon with an office in Bothell, Washington

Northwest Drug Purchasing Consortium Enrollment 2007 - 2016



Northwest Drug Purchasing Consortium Enrollment by State and Program, April 2016



The Washington State Drug Purchasing Consortium – Why Join?

- Clinical pharmacy expertise and flexible programs including tailored formularies regardless of group size
- Two networks to choose from, a Value network and a Broad Network
- Consortium prices are better than commercial rates available to other large groups in Oregon and Washington and backed by a Most Favored Nation (MFN) guarantee
- Market competitive pricing is audited annually by 3rd party, guaranteed to yield results that commercial large employer groups receive in the Northwest, and a second audit by 3rd party demonstrating actual payments compared to guarantees—both audits paid by Contractor
- Local Mail Order, Postal Prescription Services (PPS) in Value Network while both PPS and Walgreens are available in the Broad Network; NW-based Specialty Pharmacy, Ardon Health

The Washington State Drug Purchasing Consortium – Why Join?

- 100% Transparent contract, all pharmacy discounts are passed through to member groups or individuals. There is no spread kept by Contractor
- Administrative expense is fixed and transparent and three levels of service are available for selection
- Manufacturer rebates are passed through at 100% including rebates on Specialty drugs
- Contract oversight by WA and OR, including quarterly monitoring of Most Favored Nation status, Basis of Reimbursement analysis to ensure pricing compliance, responding to or creating new market opportunities, quick contract amendments to meet rapidly changing market
- Consortium solicitation proposals and repricing for participating programs has demonstrated price advantage
- Competitive Group Purchasing Organization (GPO) for facilities and wholesaler discounts by additional affiliation with large NW hospital group

NW Drug Purchasing Consortium

Sample Analytics Reporting

for

Washington & Oregon Employer Groups Combined

(n=~400,000 / pharmacy claims incurred 1/1/15–12/31/15)

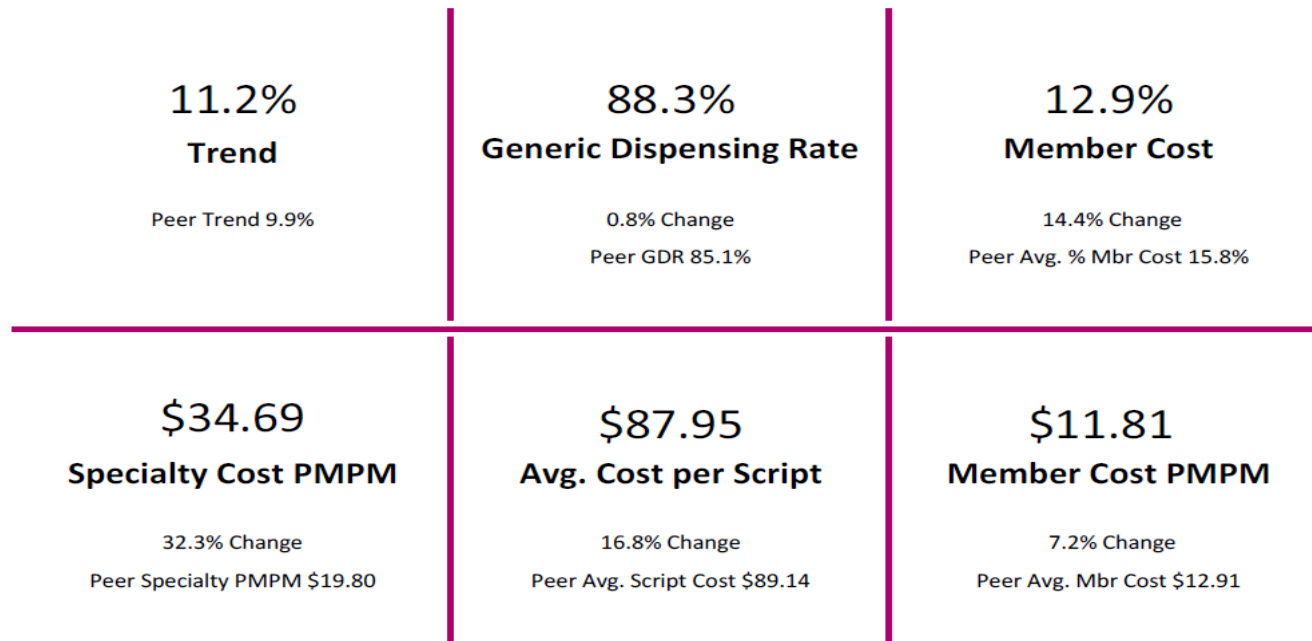
Washington & Oregon Consortium Employer Groups Key Performance Indicators, 2015

Client Dashboard

Key Performance Indicators

► Consortium - OR-WA (Group)

Pharmacy claims incurred 1/2015 - 12/2015



Source: Consortium Bi-annual Meeting, May 20, 2016

Washington & Oregon Consortium Employer Groups Paid PMPM Performance, 2015

Client Trend

Key Performance Indicators

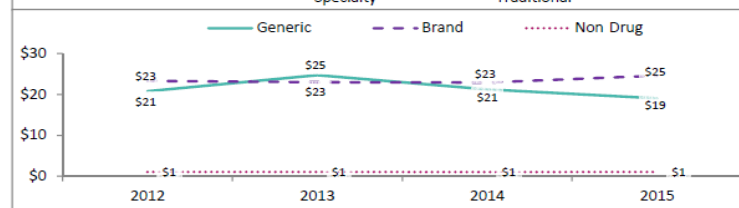
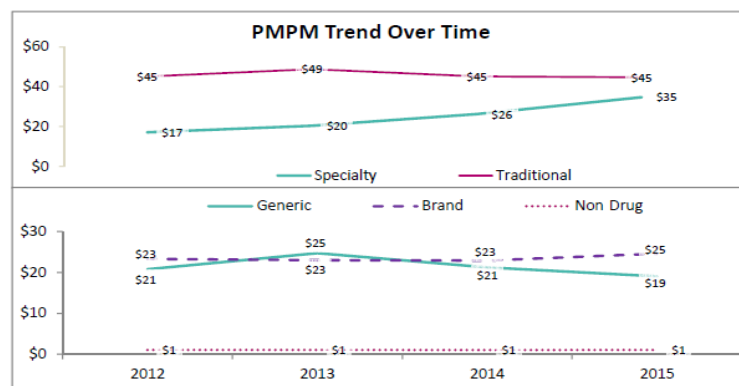
► Consortium - OR-WA (Group)

Pharmacy claims incurred 1/2015 - 12/2015
Generic, Brand, and Non Drug all make up the Traditional drug group

11.2%
Change from
Prior Period

Peer Change 9.9%

Specialty: \$34.69 PMPM Contribution



Paid PMPM

Specialty / Non-Specialty				Brand / Generic			
Claim Type	Current Period	Prior Period	% Change	Claim Type	Current Period	Prior Period	% Change
Specialty	\$34.69	\$26.23	32.3%	Brand	\$24.57	\$22.89	7.3%
Traditional	\$44.69	\$45.17	-1.1%	Generic	\$19.04	\$21.22	-10.3%
Total Rx Cost	\$79.38	\$71.40	11.2%	Non-Drug	\$1.08	\$1.06	1.6%

Source: Consortium Bi-annual Meeting, May 20, 2016

Washington & Oregon Consortium Employer Groups Eligibility & Utilization Summary, 2015

Eligibility & Utilization Key Performance Indicators

› Consortium - OR-WA (Group)

Pharmacy claims incurred 1/2015 - 12/2015

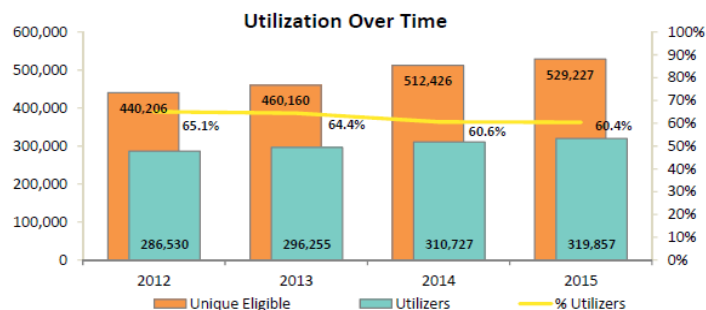
60.4%
Utilizers

0.3% from prior period

Peer Utilizers 62.6%

\$1,288.34 Average Cost per Utilizer
+15.9% from prior period

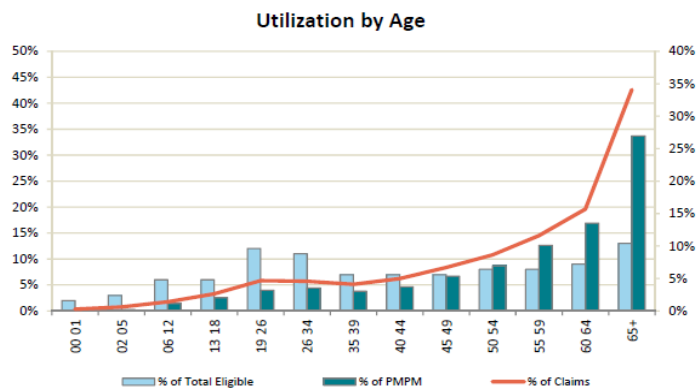
Peer Avg. Cost per Utilizer \$1,178



Utilization Measure

	Average Age Utilizer	Average Age Eligible	Rx Count PUPM	Rx Count PMPM
Current	45.5	40.5	1.7	0.9
Prior	45.6	40.6	1.8	0.9
Change	0.3%	0.3%	8%	4.8%

Percent change may not tally due to rounding differences.



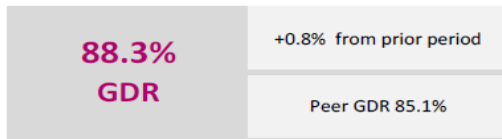
Source: Consortium Bi-annual Meeting, May 20, 2016

Washington & Oregon Drug Purchasing Consortium Employer Groups Generic Dispensing Rate, 2015

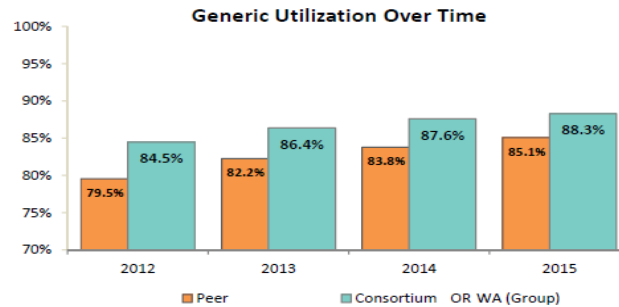
Generic Dispensing Rate (GDR) Key Performance Indicators

► Consortium - OR-WA (Group)

Pharmacy claims incurred 1/2015 - 12/2015



0.25% of GDR change equals
\$2,442,281 in savings/costs



Claim Type	Paid PMPM					Scripts per 1,000 members				
	Generic	Brand	Specialty	Non-Drug	Total	Generic	Brand	Specialty	Non-Drug	Total
Current	\$19.04	\$24.57	\$34.69	\$1.08	\$79.38	9,311.9	1,235.8	91.6	191.3	10,830.6
Prior	\$21.22	\$22.89	\$26.23	\$1.06	\$71.40	9,724.6	1,376.6	81.1	192.7	11,375.0
Change	10.3%	+7.3%	+32.3%	+1.6%	+11.2%	4.2%	10.2%	+12.9%	0.7%	4.8%

Washington & Oregon Consortium Employer Groups Average Cost per Prescription, 2015

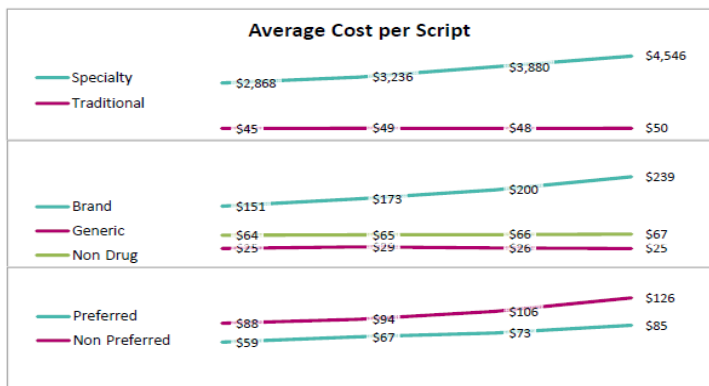
Average Cost per Rx Key Performance Indicators

> Consortium - OR-WA (Group)

Pharmacy claims incurred 1/2015 - 12/2015
Generic, Brand, and Non Drug all make up the Traditional drug group

\$87.95 Average Cost/Rx	+16.8% from prior period
	Peer Avg. Cost/Rx \$89.14

\$238.63 Average Brand Rx	(+19.6%)
\$24.54 Average Generic Rx	(-6.3%)
\$4,545.81 Average Specialty Rx	(+17.2%)



		Average Cost per Prescription Type						
Claim Type		Traditional	Specialty	Brand	Generic	Non-Drug	Preferred	Non-Preferred
Current		\$49.94	\$4,545.81	\$238.63	\$24.54	\$67.49	\$84.61	\$126.36
Prior		\$48.00	\$3,880.08	\$199.57	\$26.19	\$65.93	\$72.75	\$105.79
Change		+4.0%	+17.2%	+19.6%	6.3%	+2.4%	+16.3%	+19.4%

Washington & Oregon Consortium Employer Groups Specialty Medications Overview, 2015

Specialty Medications Key Performance Indicators

> Consortium - OR-WA (Group)

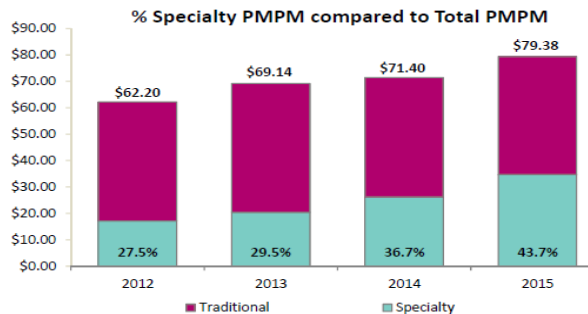
Pharmacy claims incurred 1/2015 - 12/2015

43.7%
of Total Spend

+19.0% from prior period

% Peer Specialty Spend 28.8%

Specialty is \$34.69 of Total PMPM



	Paid PMPM			Cost per Script		
	Current Period	Prior Period	% Change	Current Period	Prior Period	% Change
Specialty	\$34.69	\$26.23	+32.3%	\$4,546	\$3,880	+17.2%
All Rx	\$79.38	\$71.40	+11.2%	\$88	\$75	+16.8%
% Specialty Rx	44%	37%	+19%			

Washington & Oregon Consortium Employer Groups Member Cost Summary, 2015

Member Cost

Key Performance Indicators

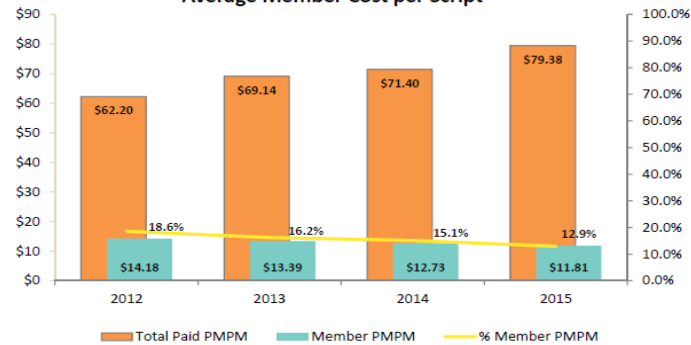
► Consortium - OR-WA (Group)

Pharmacy claims incurred 1/2015 - 12/2015
Generic, Brand, and Non Drug all make up the Traditional drug group

12.9%
Overall
Member Cost

14.4% from prior period
% Peer Member Cost 15.8%

Average Member Cost per Script



	Traditional	Specialty	Member Cost	Brand	Generic	Non-Drug	Percent of Total Paid		
							Retail	Mail	Specialty
Member Cost	19.8%	2.3%	22.1%	16.4%	22.0%	50.0%	6.3%	43.7%	
% Change	-6%	-14.5%	-11.8%	+2.1%	-2.9%				

Washington & Oregon Consortium Employer Groups Performance Trend Drivers, 2015

Trend Drivers

Key Performance Indicators

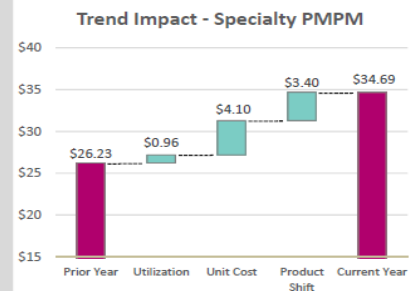
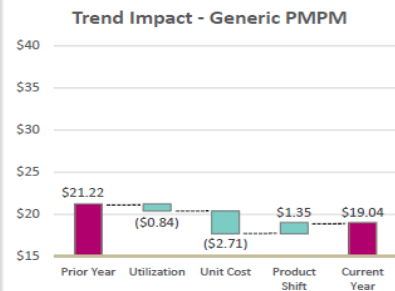
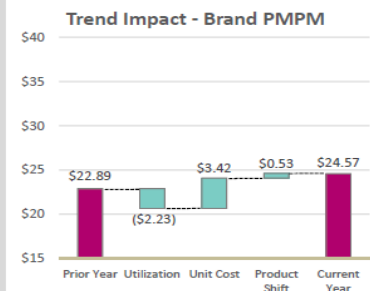
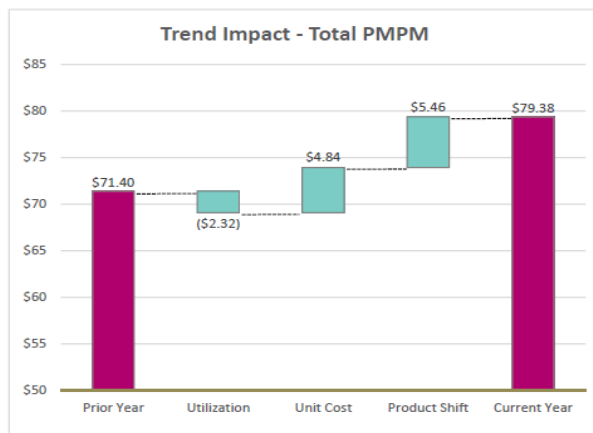
➤ Consortium - OR-WA (Group)

Pharmacy claims incurred 1/2015 - 12/2015

\$7.98
PMPM Change

Trend Drivers

Utilization	29.1%
Unit Cost	60.7%
Product Shift	68.4%



QUESTIONS?



Northwest Prescription Drug Consortium
Integrating Solutions for Best Value