# December 2017 Monthly Report
# Single Preferred Drug List for Apple Health (Medicaid)

## Background and purpose

The 2017-19 state operating budget directs HCA to implement a single, standard preferred drug list (PDL) to be used on behalf of all Apple Health (Medicaid) clients on or before January 1, 2018.

HCA implemented the first phase of the Apple Health PDL (13 drug classes) on January 1, 2018. The second phase is scheduled to be implemented July 1, 2018, and a third later in 2018. All contracted Medicaid managed care organizations (MCOs) and the fee-for-service program will use the Apple Health PDL.

## December highlights

- The MCOs and their Pharmacy Benefit Managers (PBMs) completed systems programming and demonstrated fundamental readiness to implement the Apple Health PDL on January 1, 2018.
- HCA completed systems configuration, testing, and quality assurance of the agency's fee-for-service (FFS) systems and determined readiness to implement the PDL on January 1.
- HCA submitted the required State Plan Amendments to the Centers for Medicare & Medicaid Services (CMS).
- The DUR Board reviewed 21 additional drug classes for Phase 2 in July 2018. HCA plans to implement over 100 drug classes in the next phase.

## Benefits of a single preferred drug list

When fully implemented, the expected benefits of the Apple Health PDL include:

1. **Administrative ease.** A single PDL simplifies formulary selection and prior authorization requirements for prescribing providers and pharmacies.
2. **Consistent access.** All Medicaid clients will have access to same set of medications and coverage rules.
3. **Maximized rebates**. A single PDL steers members to highly effective drugs that have the lowest cost or maximum rebate potential, resulting in an overall reduction in prescription drug costs.
4. **Price transparency.** Improved price transparency will allow for more accurate rate setting and better cost management.

5. **Minimize disruptions**. Some members enrolled in MCO coverage switch plans to access certain prescription medications. While the number of members who switch plans is small, such disruptions would not occur with a single statewide PDL.

## Project approach

Phase 1: The Health Care Authority implemented the first phase, effective January 1, 2018 with limited uniform coverage criteria. The Phase 1 PDL includes the 13 drug classes listed below that are likely to result in the most cost savings. For drug classes that are not part of the first phase, plans will manage them as they currently do.

Phase 2:  Beginning July 1, 2018, over 100 additional drug classes will be added to the Apple Health PDL. Managed care plans will use the Apple Health PDL as it expands and includes more drug classes.

Phase 3: The approach for the final phase of the remaining approximately 20 drug classes will be determined in early 2018.  The approach will be determined by a balance of rebate savings, consistent criteria use, administrative simplification and continuation of carve-out implications.

## Other Project accomplishments – December

- MCO Readiness
    - Delivered two additional updated Apple Health PDL files to managed care plans before the month ended.
    - Continued weekly change management meetings with each MCO.
    - MCOs sent a 30-day notice to members impacted by changes in medications in January 2018.
    - Received signed contract amendments from each MCO for the calendar year 2018. The amendment includes requirements for the single PDL and additional reports on drug cost transparency.
- HCA Readiness
    - Created a plan to implement the MCO drug cost reimbursement process.
    - Worked with the Magellan team to coordinate implementation of the PDL for the January 1 go-live date.
    - Drafted the attestation document that the MCOs will sign to document their readiness to administer the Apple Health PDL.
    - Implemented additional improvements to HCA's website.
    - Put revised processes in place for HCA's Prior Authorization (PA) staff and assured readiness of the PA and Customer Service staff members.
    - Began an assessment of the Apple Health Single PDL project with North Highland Consultants.

## January priorities

- MCO Readiness
  - Work with MCOs to create a plan for the July 2018 implementation of Phase 2 drug classes. This will also include more extensive clinical criteria.
  - Address the need to have reject messaging for denied pharmacy claims that is specific and uniform across MCOs. Establish a due date for the standardization.
- HCA Readiness
  - HCA's Data Warehouse team to complete the automated programmed solution to produce the Apple Health PDL. Begin testing with MCOs. This solution will allow HCA to avoid much of the effort to maintain the PDL manually and to produce an updated PDL on a weekly basis for the MCOs.
  - Begin programming Phase 2 drug classes in the FFS system.
  - Work with the MCOs to develop uniform clinical coverage policies.
  - Complete a gap analysis in order to invoice supplemental rebates for the Apple Health PDL 13 drug classes and for the FFS drug classes.
  - Update the online Apple Health PDL to include user instructions.
  - Update the FAQ documents and re-post them online to reflect progress in the project.
  - Finalize and sign-off on HCA's Data Sharing Agreement with Magellan.
  - Finalize and sign-off the MCO Attestation document.

## Project risks and issues – changes since November status report

1. **Risk:** Challenge of adding a large number of new drug classes (100 +) to the PDL, along with additional clinical criteria on July 1, 2018.
   **Mitigation:** Automate file production; complete review of additional drug classes and clinical criteria by the April 18, 2018, DUR Board meeting. Complete implementation plan to achieve July 1, 2018, go live date.
2. **Issue:** MCO reimbursement process is manual and resource-intensive.
   **Mitigation:** Implement timely reimbursement to the MCOs and reconcile over- or under-payments; explore long-term process efficiencies with a system enhancement to P1; maintain regular communication with MCOs.
3. **Issue:** The MCOs' PBMs' reject messages are generic which may lead to provider confusion. While this is the current standard of practice for most MCOs, messaging for the Apple Health PDL should be specific and uniform across all MCOs and FFS.
   **Mitigation:** Pursue a long-term fix to standardize messaging among all MCOs and FFS.
4. **Issue**: Permissibility to use licensed product information from MediSpan (GPI#) and First Data Bank (GCN#) with MCOs.
   **Mitigation:** With the implementation of the automated Apple Health PDL, remove the indicators from the fields in the file. Until this can be implemented, provide MCOs that use MediSpan with a Medispan-only file and the users of FDB a FDB-only file. Research the cost of obtaining licenses for both reference file products.
5. **Issue**: HCA reporting readiness.

      **Mitigation:** Identify and prioritize needed change to reports containing capitation rates. Communicate with all who access data through the impacted systems.

6. **Risk:** Legislature introduces/passes new bills impacting current readiness.
      **Mitigation:** Clearly and consistently communicate impacts.

## Drug classes for January 1, 2018

The 13 drug classes that were implemented January 1, 2018, are:

- Anticoagulants
- Anti-emetics
- Beta agonists (long and short acting)
- COPD Drugs
- Cytokines and CAM Antagonists
- Epinephrine auto-injectors
- Insulin
- Inhaled Corticosteroids
- Growth Hormones
- HIV
- Multiple Sclerosis
- Pancreatic enzymes
- Substance Use Disorder

**Project Contact**
Donna Sullivan, Chief Pharmacy Officer
Clinical Quality and Care Transformation
Donna.sullivan@hca.wa.gov
360-725-1564