

November 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 has established a phased approach for implementing the Apple Health PDL. Phase 1 begins January 1, 2018, when HCA will implement the first set of drug classes. The contracted Medicaid managed care organizations (MCOs) and the fee-for-service program are required to comply with the Apple Health PDL.

November highlights

- HCA's Data Warehouse team began programming a semi-automated solution to produce the Apple Health PDL. This will allow HCA to avoid much of the effort to maintain the PDL manually.
- HCA evaluated the long-term systems solution response received from OptumRx/CNSI and determined that a scaled-back systems request is preferred now that the semi-automated solution will likely provide a significant benefit.
- The DUR Board reviewed 19 additional drug classes for Phase 2 in July 2018. A total of 60 drug classes are planned for implementation during this 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 is on schedule to implement the first phase, effective January 1, 2018. The Phase 1 PDL includes 13 drug classes that are likely to result in the most cost savings. They are listed at the end of this report. 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, approximately 60 more 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: HCA has developed an approach to automate the Phase 1 PDL and which will be implemented in early 1Q 2018. Additional automation is being considered for later in 2018 pending further analysis of its costs and benefits. Additional funds may be sought to support the enhancement through a supplemental budget request.

Other Project accomplishments – November

- MCO Readiness
 - Delivered an updated Apple Health PDL file to managed care plans November 30, 2017.
 - Conducted weekly meetings with each MCO to manage implementation.
 - Received verbal acknowledgement that each MCO will be ready for the January 1 launch.
 - Sent January 1, 2018 contract amendments to MCOs for signature. The amendments include the single PDL and requirements for additional reports on drug cost transparency.
- HCA Readiness
 - Began configuring HCA's fee-for-service (FFS) systems to accommodate the Apple Health PDL.
 - Worked with the Magellan team to coordinate implementation of the PDL. Areas covered included invoicing of supplemental rebates, data sharing, and drug class reviews.
- Communications and Training
 - Completed revisions to the HCA Pharmacy website and posted the Apple Health PDL to the site. All FAQ documents (provider, pharmacist and client/member) are posted on HCA's website.
 - Trained HCA's prior authorization staff to be ready for implementation of the new Apple Health PDL.
 - Managed care plans notified providers of January 1, 2018, PDL changes on November 1, 2017.

December priorities

- MCO Readiness
 - MCOs and their PBMs will complete system programming of Phase 1 Apple Health PDL and demonstrate readiness to HCA.
 - MCOs will send a 30-day notice to members impacted by changes in medications in January 2018.
- HCA Readiness
 - Complete the programming for the semi-automated approach to produce the Apple Health PDL.
 - Complete the configuration for HCA's fee-for-service systems to administer the Apple Health PDL starting January 1.
 - Continue preparation to invoice supplemental rebates on the 13 drug classes in 2018.
 - Add clarifying user instructions for the Apple Health PDL posted on the HCA Pharmacy website.
 - Begin additional modifications to HCA's website to clarify the differences between the Apple Health PDL and the other drug lists on the website.
 - Clarify the permissibility of using MediSpan and First Data Bank product information with the MCOs.
- Operations and Compliance
 - Outline the options to create efficiencies in the MCO drug reimbursement process and review with Steering Committee.
 - Finalize HCA's Data Sharing Agreement with Magellan.
 - Finalize and submit the required State Plan Amendments to CMS.
 - Obtain signed contract amendments from MCOs for 2018.
- Preparation for Phase 2
 - The DUR Board meets on December 20 to review 21 additional drug classes for Phase 2 implementation.
 - Begin programming Phase 2 drug classes for the FFS PDL as soon as possible and for July 1, 2018 implementation with the MCOs.

Project risks and issues

1. **Issue:** Permissibility to use licensed product information from MediSpan (GPI#) and First Data Bank (GCN#) with MCOs.
Mitigation: Identify solutions with HCA's Division of Legal Services. Until a final solution is identified, provide MCOs that use MediSpan with a Medispan-only file and the users of FDB a FDB-only file.
2. **Issue:** Readiness of managed care organizations.
Mitigation: Continue meetings 1-2X/week; validation testing of MCO's PDL to occur during the week of 12/11; require signed attestation of readiness. In the event of failure, invoke remedies as outlined in the MCO agreement.
3. **Issue:** MCO reimbursement process is manual and resource-intensive.

Mitigation: Analyze possible solutions to create efficiencies in the process.

4. **Risk:** Challenge of adding a large number of new drug classes (60+/-) 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.

5. **Risk:** Stakeholder concerns with Apple Health PDL.

Mitigation: Proactive presentations and meetings with stakeholders; clear, frequent, and transparent communication. Decisions are made in open public meetings.

6. **Risk:** Some Apple Health clients may need to change their medications causing possible disruption in treatment.

Mitigation: Allow members to continue medication when clinically appropriate as determined by the DUR Board; allow continuation of care for certain high-volume medications to reduce administrative burden on providers and health plans; provide multiple opportunities for prescribers to become familiar with the Apple Health PDL before January 1; and, facilitate proactive outreach to patients directly impacted by the changes.

7. **Risk:** Estimated savings for Apple Health PDL is not achieved.

Mitigation: Clear, consistent communication around realistic savings and reasons savings may not be achieved.

8. **Risk:** MCO rate-setting challenges due to unknown future drug expenditures.

Mitigation: Align implementation of Phases 2 and 3 with rate-setting process; communicate savings as clearly and accurately as possible; rely on new vendor, Magellan, to provide alerts about expected drug cost increases.

Drug classes for January 1, 2018

The 13 drug classes that will be 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