



Update on Key Agency Activities

House Health Care and Wellness
Committee

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Controlling Prescription Drug Costs

Overview

- ▶ Definitions
- ▶ 20th Century Cures Act of 2016
- ▶ Cost drivers
 - ▶ Market trends
 - ▶ Copay coupons
 - ▶ Other cost drivers
- ▶ What we are doing to control costs
- ▶ What we cannot do to control costs

Definitions

▶ Traditional drugs

- ▶ Simple chemical structures
- ▶ Easy to manufacture
- ▶ Treat wide spread chronic disease (e.g., hypertension, diabetes, asthma)
- ▶ Usually self-administered
- ▶ Many have generic equivalents

▶ Orphan drugs

- ▶ Drugs developed to treat diseases affect < 200,000 individuals in U.S.
- ▶ Typically classified as specialty drugs

▶ Specialty drugs

- ▶ Are more likely to treat **complex and/or rare** diseases
- ▶ Often require patient education, management/oversight, special handling, and may be administered through injection or infusion
- ▶ Are generally **very costly** compared to “traditional” drugs (average 10x cost)
- ▶ Usually **no generic** equivalents
- ▶ Are distributed by specialty pharmacies

20th Century Cures Act of 2016 spurs innovation of more specialty drugs

- ▶ Modified FDA approval process
 - ▶ Expedites process by which new drugs and devices are approved
 - ▶ Allows submission of “real world” evidence such as observational studies, insurance claims data, and anecdotal data
- ▶ Facilitates development and approval of genetically targeted and variant protein targeted drugs for treatment of rare diseases
- ▶ Breakthrough specialty drugs may be available as early as 2022 that treat:
 - ▶ Certain types of cancer
 - ▶ Blindness (neovascular age-related macular degeneration)
 - ▶ Hemophilia
 - ▶ Alzheimer’s disease
 - ▶ Certain neurologic diseases

Specialty drugs are the biggest driver of growth in U.S. spending on pharmaceuticals

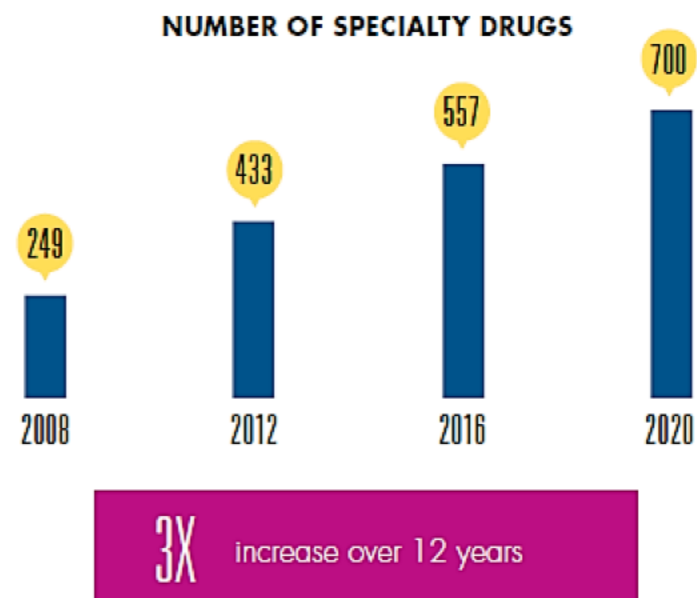
2008

About 10 years ago, specialty medicines accounted for **24.7%** of total pharmacy spending

2017

Today, they contribute to **46.5%** of total pharmacy spending, but only **~2% of prescriptions**

Specialty drug pipeline shows no signs of slowing



SOURCE: MagellanRx Management. "2018 Employer Market Insights Report"

Specialty drugs bring exciting innovation...



A Cure for Hemophilia within Reach

The New York Times

They Thought Hemophilia Was a 'Lifelong Thing.' They May Be Wrong.

Experimental gene therapies have yielded promising results in early trials. But the drugs have left some patients worried that success will not last.

...and enormous price tags

Can Novartis charge \$4 million for a one-time drug?

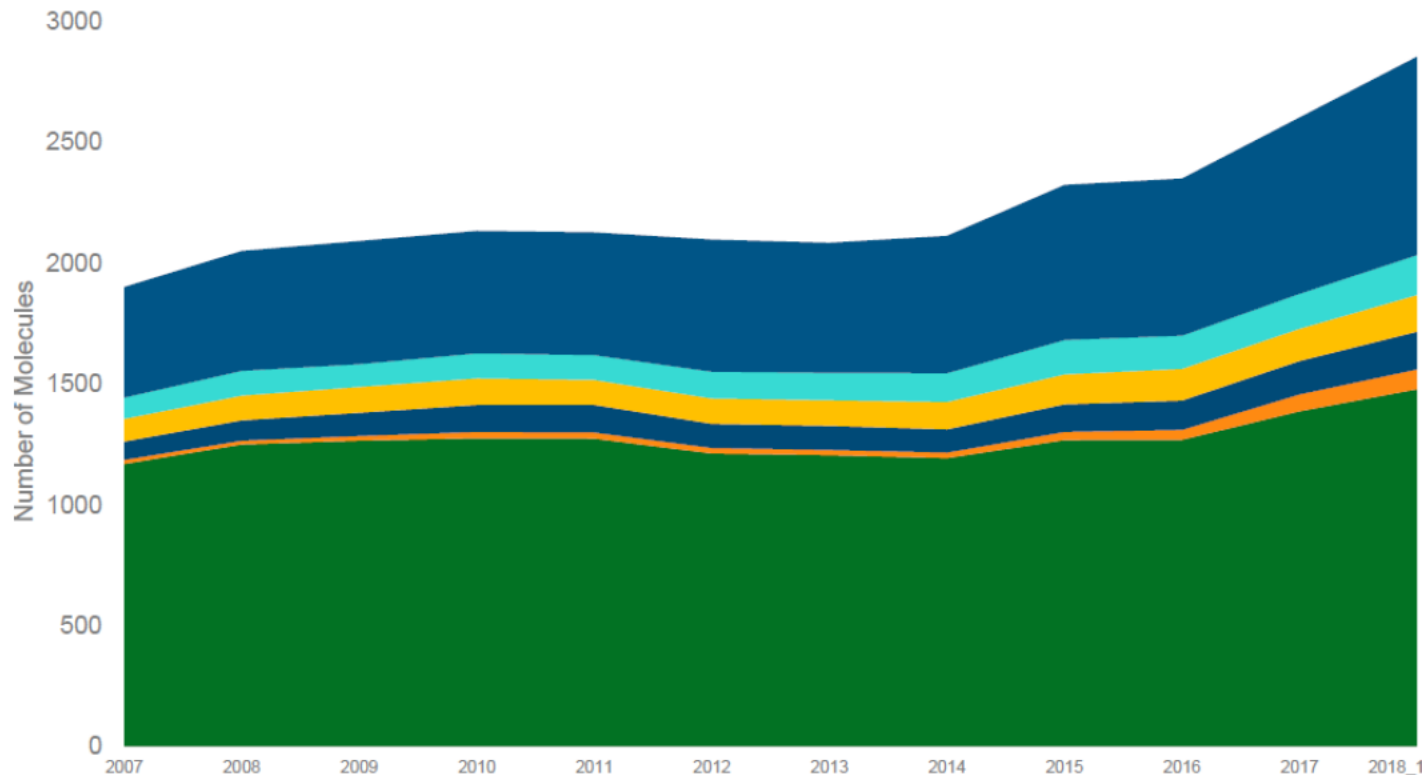
STAT

A life-saving gene drug could hold families hostage with a \$4 million price tag

MIT
Technology
Review

New drug entities in phase III trials have increased almost 40% since 2007

The Pipeline of Late Phase Molecules, 2007–2018



Year	2007 (1901)	2018 Oct (2601)
Oncology (incl supportive care)	24% (457)	29% (820)
Various Neurological/CNS	5% (88)	6% (165)
Pain	5% (94)	5% (151)
Dermatology	4% (76)	6% (157)
Immunosuppressants	1% (17)	3% (82)
All others	61% (1169)	52% (1478)

Copay coupons contribute to increasing premium costs ...

Generic Drug A cost per year: **\$165**

Brand Drug A cost per year: **\$4,800**



	Generic drug (\$15 copay)	Brand drug (50% coinsurance)	Brand drug + Copay Coupon
Member pays	\$15	\$2,400	\$0
Plan pays	\$150	\$2,400	\$2,400

SOURCE: MagellanRx Management. "2018 Employer Market Insights Report"

...and the impact can be significant

▶ Copay coupons are common

- ▶ Around 50% of drugs with coupons have generic equivalents at a lower price¹
- ▶ Coupons are used in 42% of all specialty prescriptions and 18% of all non-specialty brand prescriptions filled through commercial plans²

▶ ...And lead to a lot of additional spending

- ▶ A 2016 study estimated that coupons for 23 drugs led to between \$700 million and \$2.7 billion in additional drug spending over 5 years³

SOURCES:

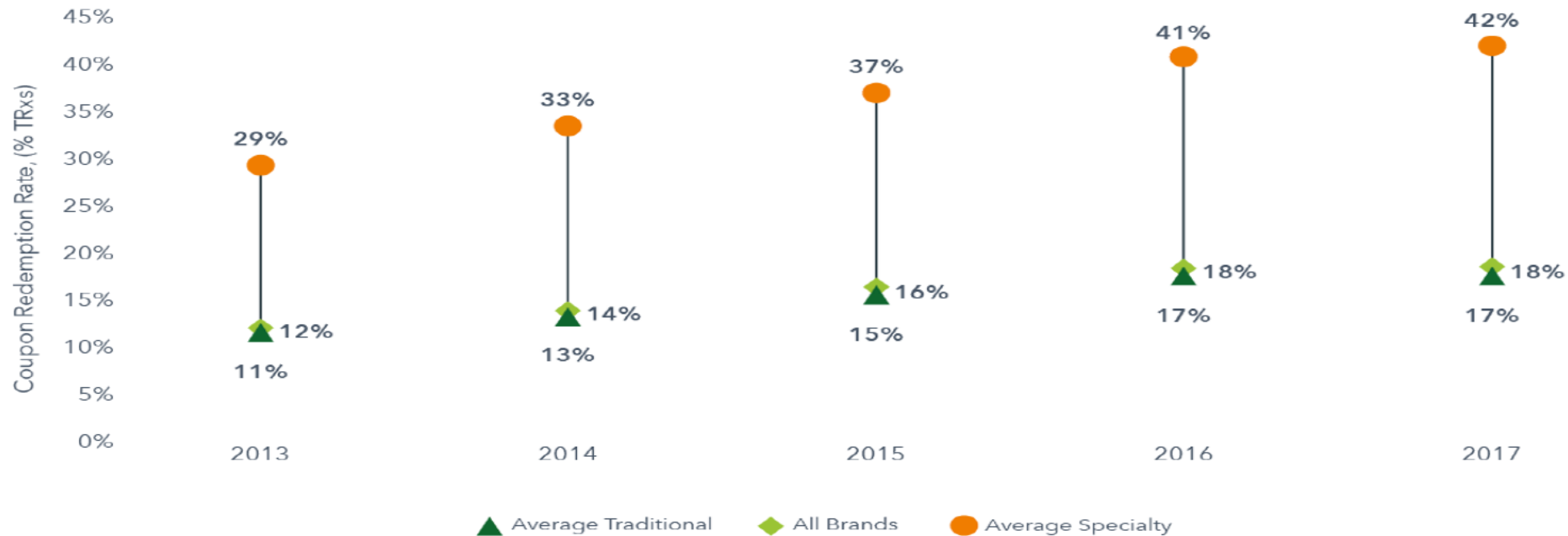
1. Karen Van Nuys, Geoffrey Joyce, Rocio Ribero, and Dana Goldman. USC Schaeffer. February 7, 2018. "Prescription Drug Copayment Coupon Landscape."

2. IQVIA Institute for Human Data Science. "Medicine Use and Spending in the U.S.: Review of 2017 and Outlook to 2022"

3. Leemore Dafny, Christopher Ody and Matt Schmitt. UCLA Anderson School of Management. October 4, 2016. "When Discounts Raise Costs: The Effect of Copay Coupons on Generic Utilization."

Use of copay coupons is increasing

Coupon Redemption Rate in Commercial Plans for Branded Products by Product Type



Source: IQVIA Formulary Impact Analyzer (FIA), Jan 2018

Chart notes: Coupon penetration rate is based on commercially insured patients only, cash patients are excluded and Medicare/Medicaid are precluded by law from the use of coupons. Specialty therapy areas have significant volume through mail-order pharmacies, which are not included in this analysis.

Report: Medicine Use and Spending in the U.S.: A Review of 2017 and Outlook to 2022, Apr 2018

Other prescription drug cost drivers

▶ Market factors

- ▶ Utilization: Changes in number of members using Rx drugs
- ▶ Cost/Rx: Driven by unit cost of drug and units per Rx
- ▶ New generic entries
- ▶ New brand entries
- ▶ New specialty drugs

▶ Behavioral factors

- ▶ Intensity: Changes in member adherence to drug therapy
- ▶ Drug Mix: Change to lower or higher cost drugs within each drug class

What we are doing to control costs

- ▶ Participating in State Medicaid Alternative Reimbursement and Purchasing Test for High-Cost Drugs (**SMART-D**)
 - ▶ Hepatitis C Elimination Strategy – **Hep C Free WA**
- ▶ **Smart formulary management**, providing access to high-value medications through step therapy and prior authorization to ensure proper utilization and to reduce waste, fraud, and abuse
 - ▶ Single Preferred Drug List for Washington Apple Health
 - ▶ Exploring value-formulary for PEB/SEB
- ▶ **Expand prior authorization criteria** to ensure medically necessary utilization of high-cost drugs
- ▶ **Monitor prescription drug pipeline** and estimate impacts prior to market entry

What we are doing to control costs

▶ NW Prescription Drug Consortium

- ▶ Employee and Retiree Benefits
 - Fully-transparent pharmacy benefit management program for self-funded employee and retiree benefit plans (PEB/SEB)
- ▶ Department of Corrections
 - Group purchasing organization
 - Voucher program for emergency prescriptions
- ▶ Labor and Industries
 - Rebates
 - Mail-order pharmacy

Barriers to controlling costs

- ▶ Cannot control **market entry** of new generics, brands, biologics, and biosimilars
- ▶ Cannot control **escalating prescription drug prices**
- ▶ Cannot control **use of copay coupons**

Healthier Washington Medicaid Transformation Waiver

Healthier Washington Medicaid Transformation (1115 Waiver)

▶ Key inter-connected initiatives:

- ▶ Transformation through Accountable Communities of Health includes behavioral health integration as a required focus
 - ▶ *Achieving integration by 2020 is a key milestone with CMS for continued receipt of federal funds*
- ▶ Long Term Services and Supports
- ▶ Foundational Community Supports (housing and employment supports)
- ▶ SUD services in institutions for mental disease (IMDs)

Accountable Communities of Health (Initiative 1)

Project Focus: Accountable Communities of Health

Project	Better Health Together	Cascade Pacific Action Alliance	Greater Columbia	Healthier Here	North Central	North Sound	Olympic	Pierce County	SWACH
2A: Bi-directional Integration of Care	✓	✓	✓	✓	✓	✓	✓	✓	✓
2B: Community-based Care Coordination	✓	✓			✓	✓		✓	✓
2C: Transitional Care		✓	✓	✓	✓	✓			
2D: Diversions Interventions					✓	✓	✓		
3A: Addressing Opioid Use	✓	✓	✓	✓	✓	✓	✓	✓	✓
3B: Reproductive and Maternal and Child Health		✓				✓	✓		
3C: Access to Oral Health Services						✓	✓		
3D: Chronic Disease Prevention and Control	✓	✓	✓	✓	✓	✓	✓	✓	✓

Indian Health Care Provider-specific projects

Distinct funding for IHCP projects; recognizing unique, complex purchasing and delivery system:

- ▶ Behavioral health integration* (12)
- ▶ Tribal Federally-qualified health centers (7)
- ▶ Care coordination (5)
- ▶ Public health (2)
- ▶ Start/expand a tribally-run clinic (2)
- ▶ Traditional healing (2)
- ▶ Workforce development/Community Health Aide Program board (2)
- ▶ Falls prevention (1)
- ▶ Community outreach (1)
- ▶ Telemedicine (1)
- ▶ Integrate behavioral health and law enforcement (1)
- ▶ Quality childcare (1)
- ▶ Dental Integration (1)

*Includes clinical and systems-level integration

Long-Term Services and Supports (Initiative 2)

Status: Long-Term Services and Supports

▶ Medicaid Alternative Care (MAC)

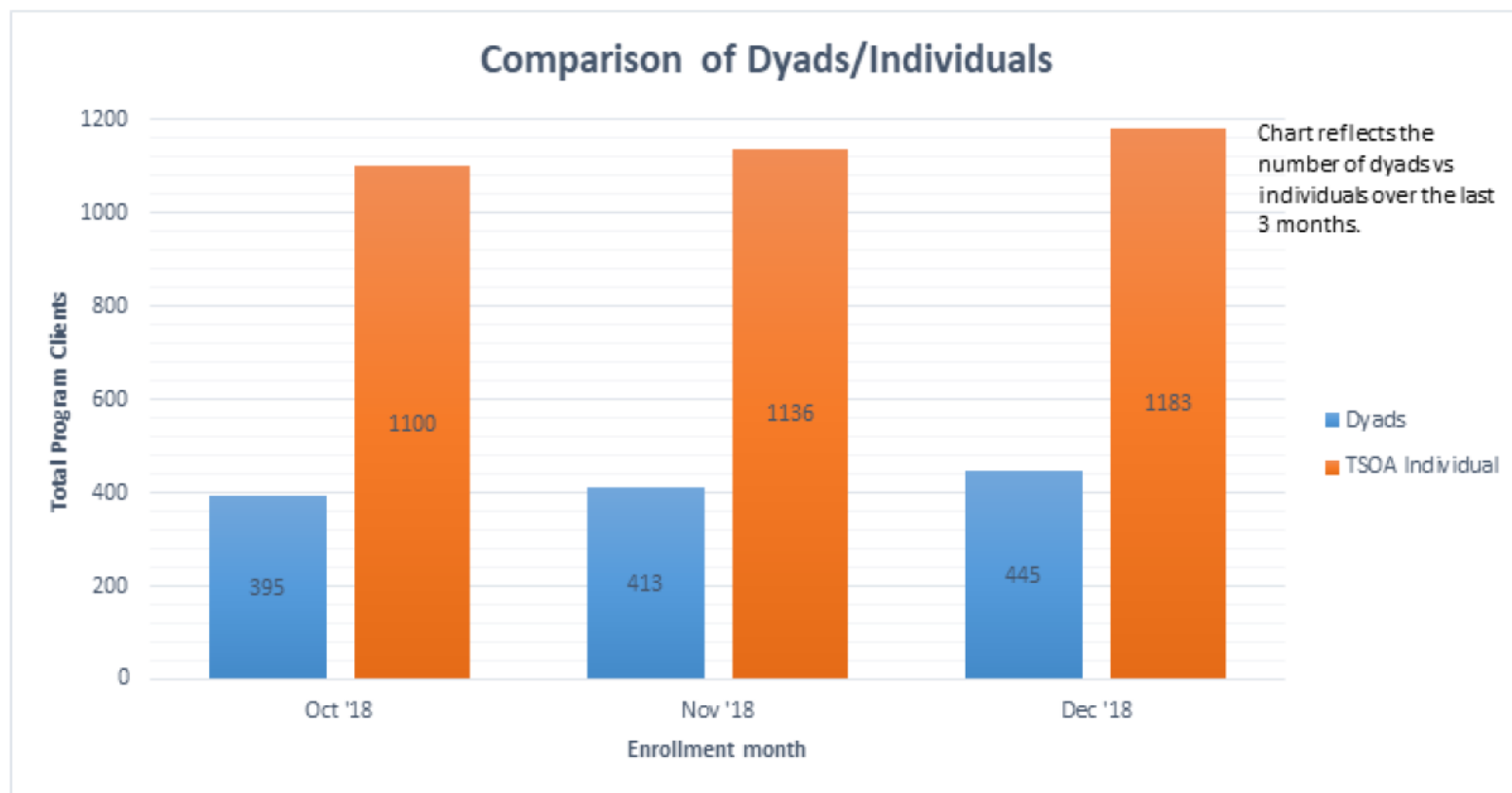
- ▶ A new choice designed to support unpaid family caregivers in continuing to provide quality care to their loved ones

▶ Tailored Supports for Older Adults (TSOA)

- ▶ A new eligibility group to support individuals who need Long-Term Services and Supports, and are at risk of spending down to impoverishment



Status: Long-Term Services and Supports



Enrolled as of
12/21/18:
Total = 1628

Dyads (MAC & TSOA) = caregiver and care receiver

Individual (TSOA) = care receiver w/o caregiver

Foundational Community Supports (Initiative 3)

Foundational Community Supports success*

▶ **Total enrolled: 2535**

- ▶ Enrolled in supportive housing: 879
- ▶ Enrolled in supported employment: 1512
- ▶ Enrolled in both: 144

▶ **Total contracted providers: 85**

▶ **Total service locations: 258**

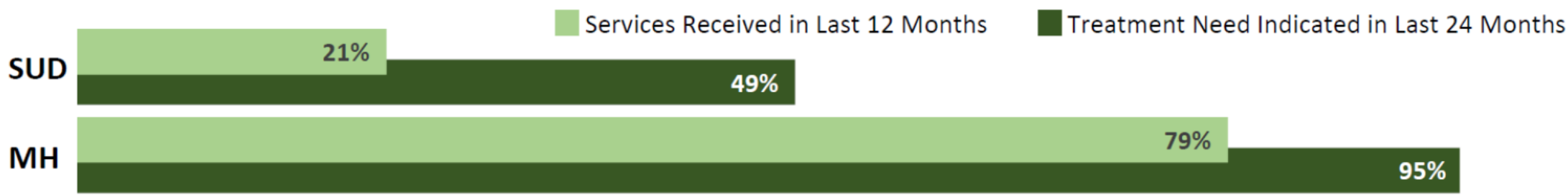
- ▶ Supportive housing service locations: 30
- ▶ Supported employment service locations: 83
- ▶ Both supportive housing and supported employment service locations: 145

* As of January 1, 2019

Complexity of population receiving Foundational Community Supports services

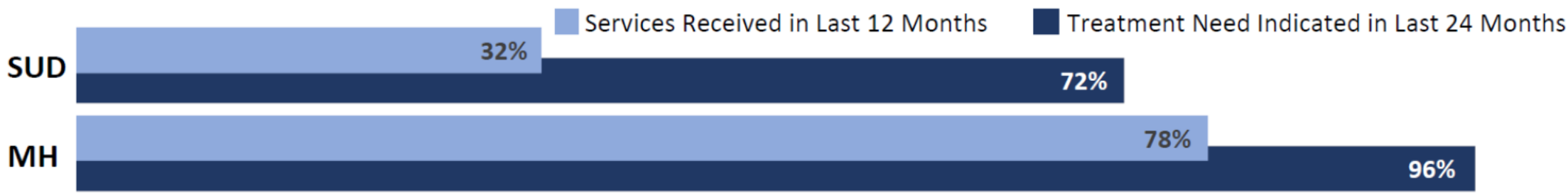
▶ Supported employment

Treatment Need and Service Use for those Enrolled in October 2018



▶ Supportive housing

Treatment Need and Service Use of those Enrolled in October 2018



Early success: James' story



Early success: Tina's story



Foundational Community Supports: Where are we going?

Access

2018: Establish comprehensive provider network to serve participants statewide

Quality

2019: Institute continuous quality improvement standards

Sustainability

2021: Evaluate effectiveness, with the goal of continuing FCS as a permanent Medicaid benefit

Substance Use Disorder (SUD) Waiver Amendment

SUD waiver

- ▶ 2018: Centers for Medicare & Medicaid Services (CMS) approved HCA's request to receive federal Medicaid funding for:
 - ▶ Services provided to Apple Health (Medicaid) clients to treat opioid addiction and other substance use disorders
 - ▶ When those services offered in facilities called institutions for mental disease

1115 SUD/IMD Waiver Amendment

- ▶ Washington received approval for 1115 Substance Use Disorder (SUD)/Institute for Mental Disease (IMD) waiver amendment July 17, 2018
- ▶ Approval included updated Special Terms and Conditions (STCs) with a number of new implementation and ongoing reporting requirements
- ▶ Monitoring protocol development underway
 - ▶ However, expenditures are approved through December 31, 2021

Integrated Managed Care

Whole-person care for Apple Health clients

- ▶ One managed care plan, integrating physical and mental health, and SUD services
- ▶ One MCO coordinating care for physical and behavioral health services
- ▶ Access to Care standards no longer apply; whole-person “level of care” guidelines respond to patient needs
- ▶ MCOs have an adequate network that can support whole-person care
- ▶ Same payers (MCOs) for medical and behavioral care enables integrated clinical models support value-based and other payment innovations



Managed Care Organizations per region

Managed care region	Amerigroup	Community Health Plan	Coordinated Care	Molina Healthcare	United Healthcare
As of January 2019					
Greater Columbia	●	●	●	●	
King	●	●	●	●	●
North Central	●		●	●	
Pierce	●		●	●	●
Spokane	●	●		●	
Southwest	●	●		●	
As of July 2019					
North Sound	●	●	●	●	●
Coming January 2020					
Thurston-Mason	●			●	●
Great Rivers	●			●	●
Salish	●			●	●

Behavioral health administrative services organization, per region

Region	BH-ASO	Start Date
SWWA	Beacon	April 2016
North Central	Beacon	January 2018
King County	King County	January 2019
Pierce County	Beacon	January 2019
Spokane	Spokane	January 2019
Greater Columbia	Greater Columbia	January 2019

Region	BH-ASO	Start Date
North Sound	North Sound	July 2019
Great Rivers	Great Rivers	January 2020
Thurston-Mason	Thurston-Mason	January 2020
Salish	Salish	January 2020

Services not included in MCO contracts

Crisis services for all members of the community

- Includes Designated Crisis Responders

State-funded services for Non-Medicaid beneficiaries

Block- Grant Funded services

Criminal justice related services

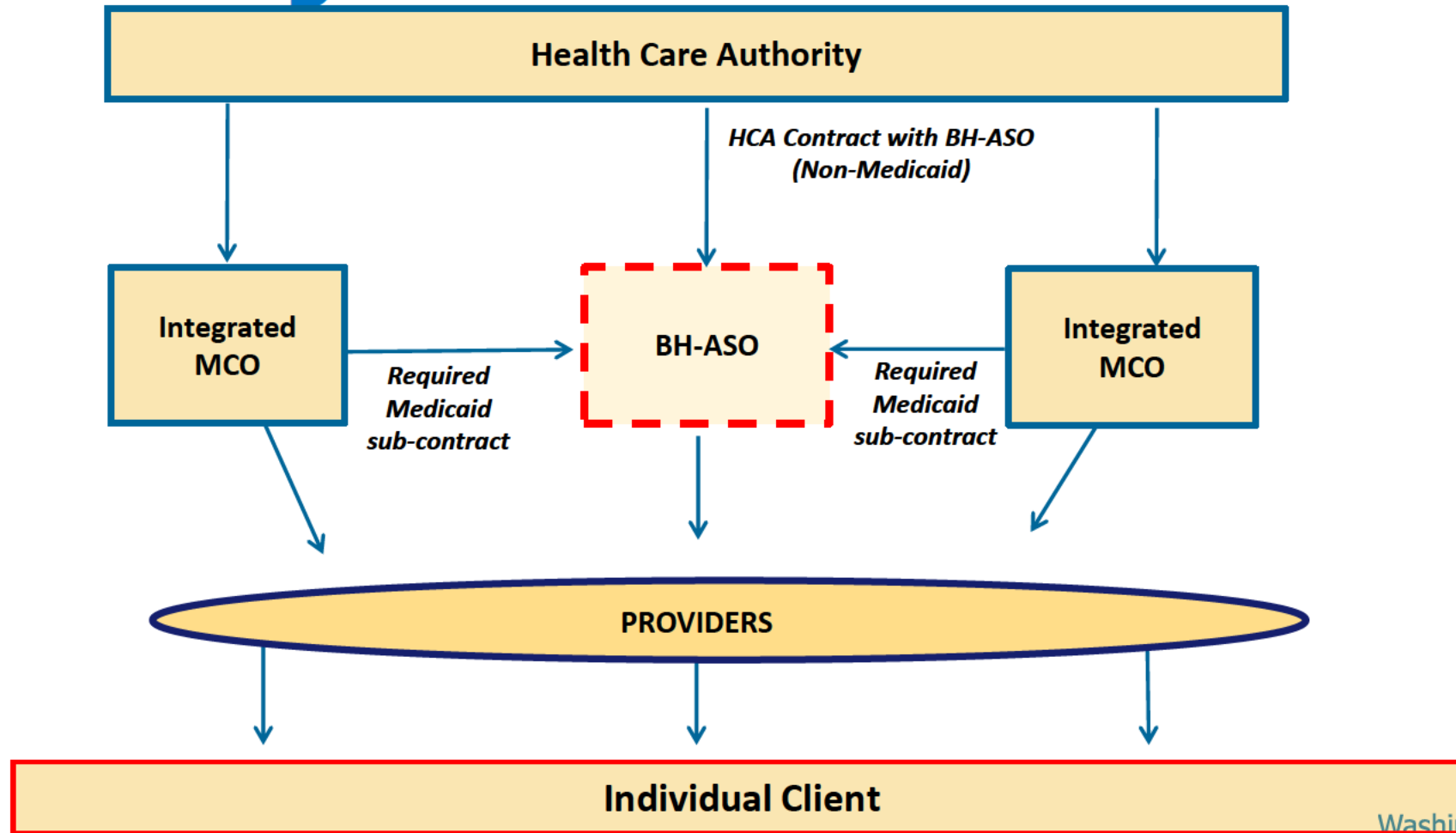
County-funded services for Medicaid and Non-Medicaid

Miscellaneous

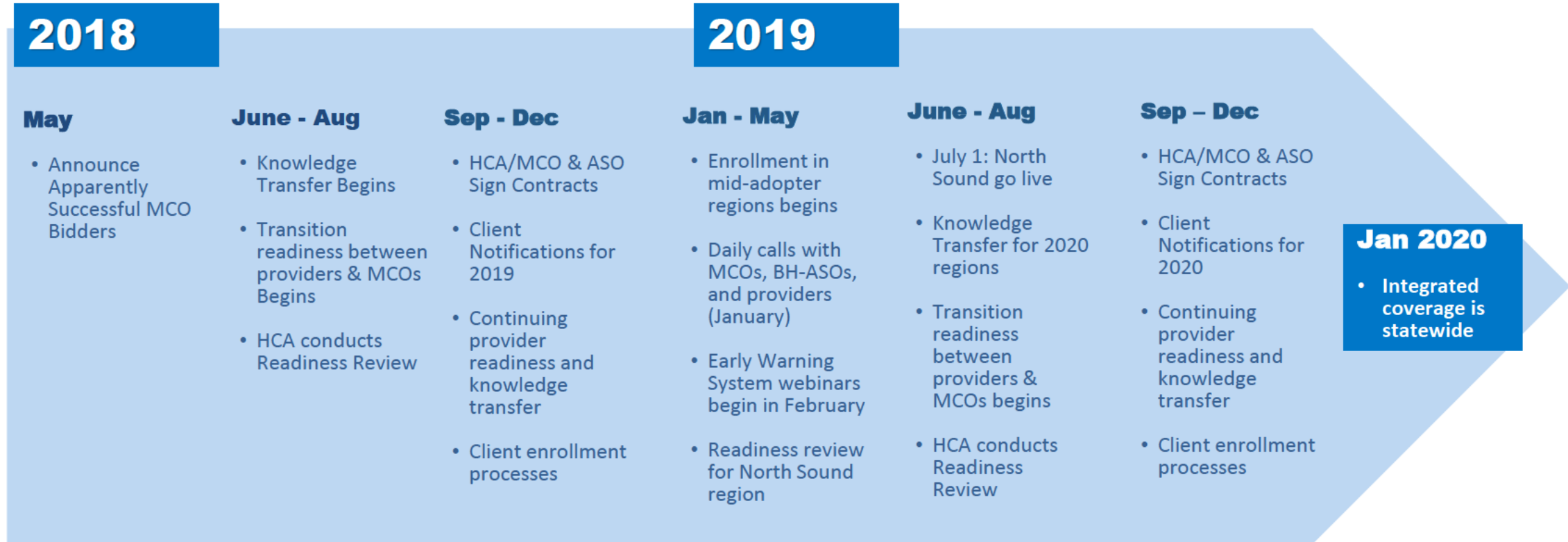
- BH Ombuds
- Committees formerly led by BHO – WISe, CLIP, BH Advisory Board, FYSPRT, etc.
- Writing block grant project plans

WISe = Wraparound with Intensive Services -
CLIP = Children's Long-term treatment Program
FYSPRT = Family, Youth, System Partner Round Tables

Contracting structure of Administrative Service Organization



Medicaid integration timeline



Key Acronyms

RSA – Regional Service Areas

MCO – Managed Care Organization

BHO – Behavioral Health Organization

AH – Apple Health (medical managed care)

FIMC – Fully-Integrated Managed Care

HCA – Health Care Authority

NC – North Central

ACH – Accountable Community of Health

BH-ASO – Behavioral Health Administrative Services Organization

Mid-Adopter Regions: Regions pursuing fully-integrated managed care before 2020

Interlocal leadership structure

2ESHB 1388, Sec. 4062 (2018) included language on Interlocal leadership structures

- ▶ When requested by a county/regional service area, HCA shall collaborate with counties to create Interlocal leadership structure
- ▶ Structure must
 - ▶ Include physical and behavioral health care providers, tribes, and others
 - ▶ Be chaired by counties and jointly administered by HCA, managed healthcare systems, and counties
 - ▶ Design and implement manage care model to ensure client-centered care
 - ▶ Support physical and behavioral health integration

Regions that have a structure include:

- ▶ Southwest Washington
- ▶ Pierce
- ▶ King
- ▶ North Sound
- ▶ Spokane



Questions?

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