Update on Key Agency Activities

House Health Care and Wellness Committee
January 18, 2019

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Director

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Controlling Prescription Drug Costs
Overview

- Definitions
- 20\textsuperscript{th} 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 widespread chronic disease (e.g., hypertension, diabetes, asthma)
  - Usually self-administered
  - Many have generic equivalents

- 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

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

<table>
<thead>
<tr>
<th>2008</th>
<th>2017</th>
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<tbody>
<tr>
<td>About 10 years ago, specialty medicines accounted for <strong>24.7%</strong> of total pharmacy spending</td>
<td>Today, they contribute to <strong>46.5%</strong> of total pharmacy spending, but only <strong>~2% of prescriptions</strong></td>
</tr>
</tbody>
</table>
Specialty drug pipeline shows no signs of slowing

Specialty drugs bring exciting innovation...

A Cure for Hemophilia within Reach

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?

A life-saving gene drug could hold families hostage with a $4 million price tag
New drug entities in phase III trials have increased almost 40% since 2007

The Pipeline of Late Phase Molecules, 2007–2018

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

Source: IQVIA, ARK R&D Intelligence, Dec 2017; IQVIA Institute, Mar 2018
Copay coupons contribute to increasing premium costs ...

Generic Drug A cost per year: $165
Brand Drug A cost per year: $4,800

<table>
<thead>
<tr>
<th></th>
<th>Generic drug ($15 copay)</th>
<th>Brand drug (50% coinsurance)</th>
<th>Brand drug + Copay Coupon</th>
</tr>
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<tbody>
<tr>
<td>Member pays</td>
<td>$15</td>
<td>$2,400</td>
<td>$0</td>
</tr>
<tr>
<td>Plan pays</td>
<td>$150</td>
<td>$2,400</td>
<td>$2,400</td>
</tr>
</tbody>
</table>

...and the impact can be significant

**Copay coupons are common**

- Around 50% of drugs with coupons have generic equivalents at a lower price\(^1\)
- Coupons are used in 42% of all specialty prescriptions and 18% of all non-specialty brand prescriptions filled through commercial plans\(^2\)

**...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 years\(^3\)

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**SOURCES:**

Use of copay coupons is increasing

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

- **2013**: Average Traditional - 11%, All Brands - 12%, Average Specialty - 29%
- **2014**: Average Traditional - 13%, All Brands - 14%, Average Specialty - 33%
- **2015**: Average Traditional - 15%, All Brands - 16%, Average Specialty - 37%
- **2016**: Average Traditional - 17%, All Brands - 18%, Average Specialty - 41%
- **2017**: Average Traditional - 17%, All Brands - 18%, Average Specialty - 42%

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

<table>
<thead>
<tr>
<th>Project Description</th>
<th>Better Health Together</th>
<th>Cascade Pacific Action Alliance</th>
<th>Greater Columbia</th>
<th>Healthier Here</th>
<th>North Central</th>
<th>North Sound</th>
<th>Olympic</th>
<th>Pierce County</th>
<th>SWACH</th>
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<tr>
<td>3B: Reproductive and Maternal and Child Health</td>
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<td>3C: Access to Oral Health Services</td>
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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

Comparison of Dyads/Individuals

- Chart reflects the number of dyads vs individuals over the last 3 months.

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

- **Dyads (MAC & TSOA)** = caregiver and care receiver
- **Individual (TSOA)** = care receiver w/o caregiver

**Notes:**
- Oct '18: 395 Dyads, 1100 TSOA Individual
- Nov '18: 413 Dyads, 1236 TSOA Individual
- Dec '18: 445 Dyads, 1183 TSOA Individual
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**

- **SUD**
  - Services Received in Last 12 Months: 21%
  - Treatment Need Indicated in Last 24 Months: 49%

- **MH**
  - Services Received in Last 12 Months: 79%
  - Treatment Need Indicated in Last 24 Months: 95%

### Supportive housing

**Treatment Need and Service Use of those Enrolled in October 2018**

- **SUD**
  - Services Received in Last 12 Months: 32%
  - Treatment Need Indicated in Last 24 Months: 72%

- **MH**
  - Services Received in Last 12 Months: 78%
  - Treatment Need Indicated in Last 24 Months: 96%
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
Update on implementation dates
### Managed Care Organizations per region

<table>
<thead>
<tr>
<th>Managed care region</th>
<th>Amerigroup</th>
<th>Community Health Plan</th>
<th>Coordinated Care</th>
<th>Molina Healthcare</th>
<th>United Healthcare</th>
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<td><strong>As of January 2019</strong></td>
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<td>Greater Columbia</td>
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<td>King</td>
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<td>North Central</td>
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<td>Southwest</td>
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<td><strong>As of July 2019</strong></td>
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<td>North Sound</td>
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<td><strong>Coming January 2020</strong></td>
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<td>Thurston-Mason</td>
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<td>Great Rivers</td>
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<td>Salish</td>
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Behavioral health administrative services organization, per region

<table>
<thead>
<tr>
<th>Region</th>
<th>BH-ASO</th>
<th>Start Date</th>
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<tr>
<td>SWWA</td>
<td>Beacon</td>
<td>April 2016</td>
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<tr>
<td>North Central</td>
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<td>King County</td>
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<td>Spokane</td>
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<tr>
<td>Greater Columbia</td>
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<table>
<thead>
<tr>
<th>Region</th>
<th>BH-ASO</th>
<th>Start Date</th>
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<tr>
<td>North Sound</td>
<td>North Sound</td>
<td>July 2019</td>
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<td>Great Rivers</td>
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<td>Thurston-Mason</td>
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<td>January 2020</td>
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<tr>
<td>Salish</td>
<td>Salish</td>
<td>January 2020</td>
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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

**Abbreviations**
- **WISE** = Wraparound with Intensive Services
- **CLIP** = Children’s Long-term treatment Program
- **FYSPRT** = Family, Youth, System Partner Round Tables

**Note:** The above information is a summary of services not typically covered under MCO contracts. Details may vary by state and specific MCO plans.
Contracting structure of Administrative Service Organization

Health Care Authority

Integrated MCO

HCA Contract with BH-ASO (Non-Medicaid)

Integrated MCO

Required Medicaid sub-contract

BH-ASO

Required Medicaid sub-contract

PROVIDERS

Individual Client
Medicaid integration timeline

2018

May
- Announce Apparently Successful MCO Bidders

June - Aug
- Knowledge Transfer Begins
- Transition readiness between providers & MCOs Begins
- HCA conducts Readiness Review

Sep - Dec
- HCA/MCO & ASO Sign Contracts
- Client Notifications for 2019
- Continuing provider readiness and knowledge transfer
- Client enrollment processes

2019

Jan - May
- Enrollment in mid-adopter regions begins
- Daily calls with MCOs, BH-ASOs, and providers (January)
- Early Warning System webinars begin in February
- Readiness review for North Sound region

June - Aug
- July 1: North Sound go live
- Knowledge Transfer for 2020 regions
- Transition readiness between providers & MCOs begins
- HCA conducts Readiness Review

Sep – Dec
- HCA/MCO & ASO Sign Contracts
- Client Notifications for 2020
- Continuing provider readiness and knowledge transfer
- Client enrollment processes

Jan 2020
- Integrated coverage is statewide

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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