Washington State Health Care Authority

Hepatitis C Update

Joint Select Committee – Health Care Oversight
July 27, 2016

Annette Schuffenhauer, *Chief Legal Officer*
Daniel Lessler, MD, *Chief Medical Officer*
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Active Litigation Overview

B.E. and A.R. v. Teeter

- U.S. District Court – Western District – Judge Coughenour
- Injunction granted 05/27/16
- Class certified 07/21/16
- Status report filed 07/26/16

On the horizon:

- Continued compliance with injunction order
- Status Conference 9/13/16

N.C. and L.J. v. HCA, et al.

- King County Superior Court – Judge Parisien
- Pending rulings on:
  - State's Motion to Dismiss
  - Plaintiffs' Motion for Class Certification
  - Plaintiffs' Motion for Preliminary Injunction

Medicaid Hepatitis C Policy

Medicaid policy for Hepatitis C treatment originally adopted January 1, 2015.

- Required documentation of clinical impact:
  - Stage 3 liver fibrosis (scarring) or higher; ***or***
  - Documentation of comorbid condition associated with Hepatitis C.
- Original policy criteria were consistent with Medicaid and commercial health plans policies across the United States.

Medicaid Hepatitis C Policy

New Medicaid policy provides treatment regardless of fibrosis stage and is in compliance with federal court order.

- Policy change has been broadly communicated to providers whose patients were denied treatment under the old policy via listserv.
- HCA is developing a notice to patients who were denied treatment under the old policy.

PEBB Hepatitis C Policy

- Group Health modified its policy to include all levels of fibrosis in response to a lawsuit.
- Uniform Medical Plan (UMP) and Kaiser Northwest continue to provide hepatitis C treatment based on the original, more restrictive policy.
- PEBB is currently in rate setting season. The Board will be presented with two sets of rates—one with and one without use of fibrosis scores. The rates implemented will depend on the date and content of judicial rulings.

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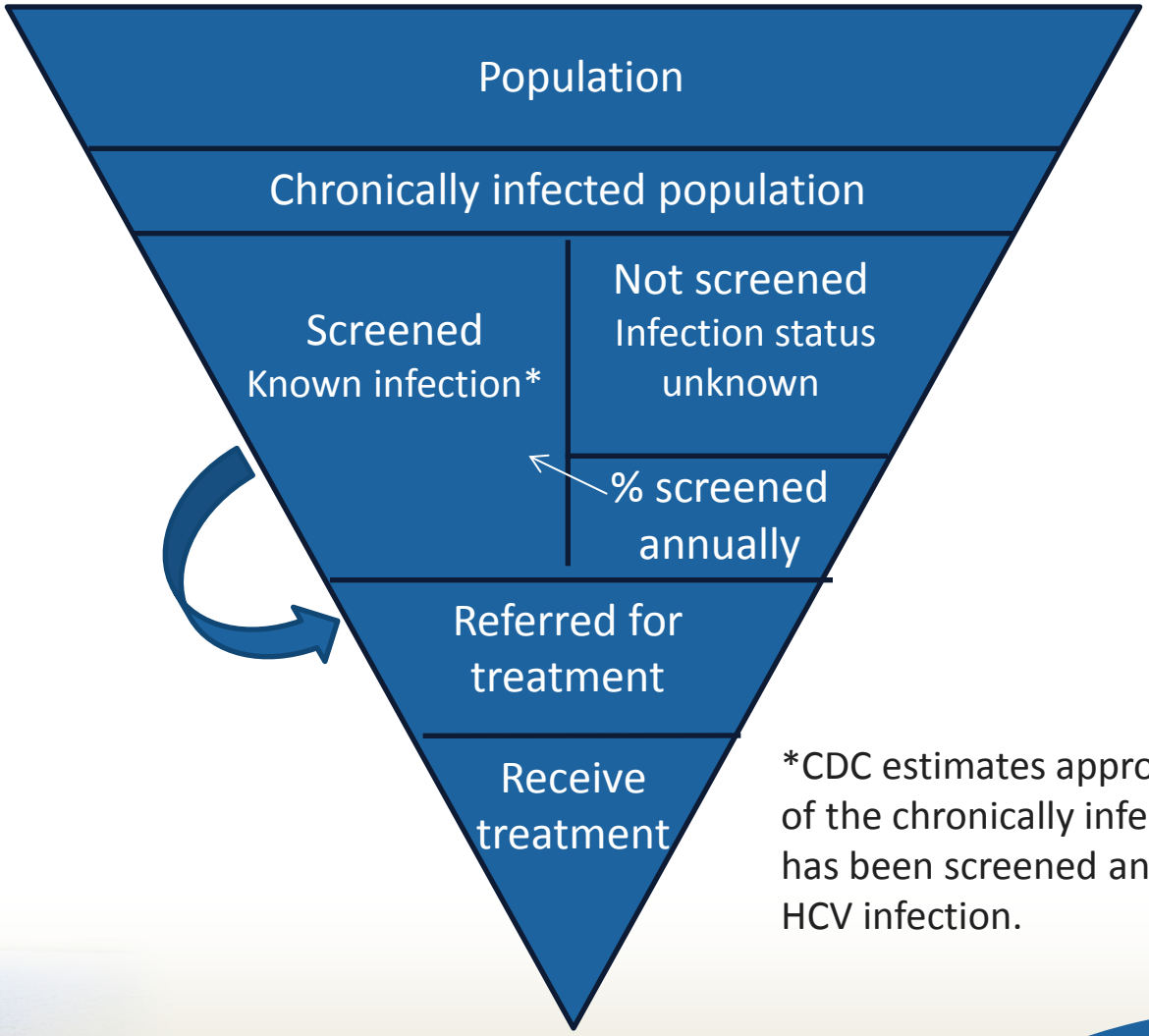
Path to Treatment



*CDC estimates approximately 50% of the chronically infected population has been screened and is aware of the HCV infection.

Financial Model Methodology

Total Cost to Treat Hepatitis C

- Population
- Prevalence of Hepatitis C
- Identification of chronic infection and treatment referral
- Treatment Regimen Cost (Based on genotype and severity of disease)

Next Steps

- Continue to monitor utilization patterns.
- Work with OFM and Legislative staff on the estimates for the budget impact model of the new policy.
- Submit decision package to OFM in mid-September.
- October forecast will have a revised estimate of fiscal impact.
- PEBB vote on rates and plan design.

Questions?

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Medicaid Managed Care Capitation Rates – Budget Proviso

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Nathan Johnson
Chief Policy Officer

2nd Engrossed Substitute House Bill 2376, Section (1)(b)

"$121,599,000 of the general fund-state appropriation for FY 2017 is provided solely for holding Medicaid managed care capitation rates flat at CY 2016 levels in state FY and CY 2017.

To achieve this target the authority shall engage with a group composed of the office of financial management, the Medicaid forecast work group, and the managed care plans on a range of strategies…The authority shall obtain actuarial analysis, support, and recommendations during this process, and the state actuary shall obtain independent actuarial analysis."

Progress Update

- Two workgroup meetings held with named entities in proviso (July 13 and July 20)
  - Discussions on trend drivers and trend mitigation opportunities
- New rate development cycle established
  - Direct Legislative, OFM, and State actuary engagement in rate development
- Report on track for October 1 delivery date

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Opportunity Analysis

Ideas brought forward by workgroup members for mitigating managed care trend

- Revisit mental health drug formulary and utilization management restrictions
- Review new hospital readmissions policy
- Implement “accurate coding” initiative
- Improve access to primary care through rate increase
- Eliminate hospital facility fee for outpatient clinics
- Single plan administration of COPES or CHIP – or changes to risk pooling arrangement
- Management of new-to-market drugs
- Address impact of regionalization on provider contracting

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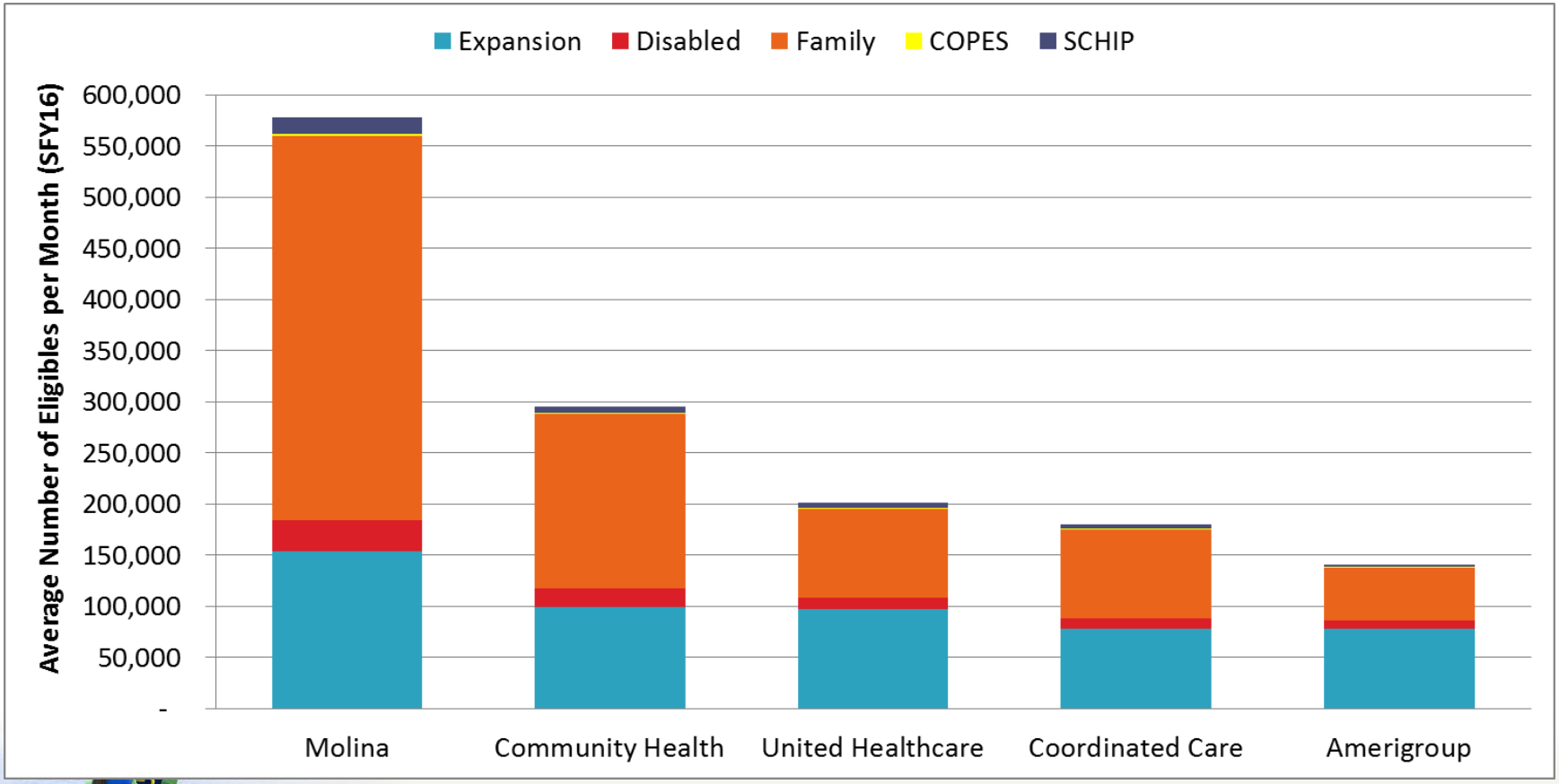
Recommendations

- Explore near-term changes to restrictions on how mental health drugs are managed.
- Review readmissions policy with plans and HCA.
- Improve primary care access through rate increase (consider phased approach with potential offsetting changes like facility fee reductions).
- Continue and broaden stakeholder vetting

Group will reconvene by late August to zero in on these recommendations for inclusion in rate development and the final report.

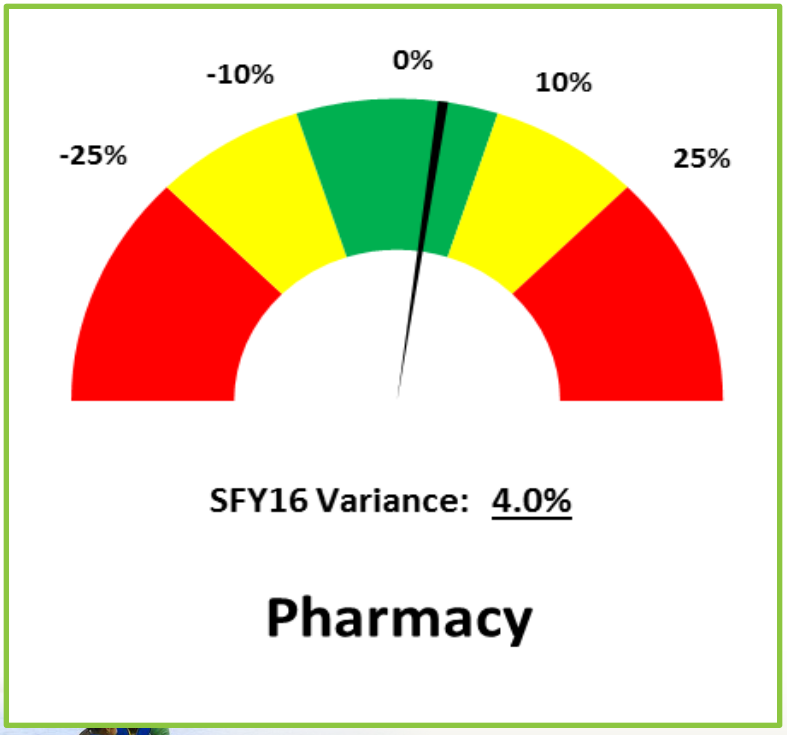
MCO Financial and Utilization Monitoring

Eligibility by Plan: SFY 16 YTD Average Enrollment



Pharmacy expenditures are “normal”, but *slightly* above PMPM assumptions

Pharmacy
(Managed Care Only)



Observations

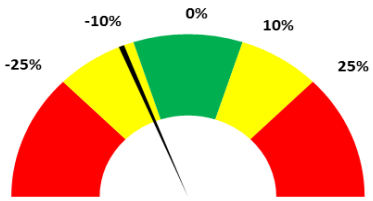
- ✓ Pharmacy expenditures are *slightly* above PMPM assumptions due to cost per script and utilization.
  - ⚠ First quarter 2016 Expansion population’s overall drug cost has increased 10 percent ($10M total funds) as compared to Q4 2015, while overall claims are up 4 percent.
  - ⚠ SCHIP drug costs are increasing as of July 2015.
  - ⚠ In Q1 2016, Specialty Drugs represented 2% of Claims but 43.6% of payments.

The gauge shows *current* SFY16 expenditures or utilization relative to base. The base for utilization is CY15 average; the base for expenditures is the corresponding PMPM base rate component.

When the needle points to the right, spending or utilization is above the base, while the needle pointing to the left means that spending or utilization is below the base.

Urgent care utilization down 13%, despite *minimal* changes in primary care and emergency room

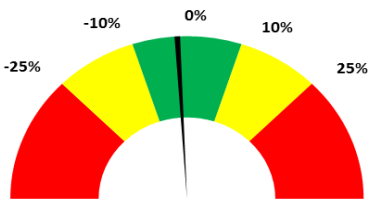
Urgent Care (Visits)



SFY16 Variance: -12.8%

Urgent Care

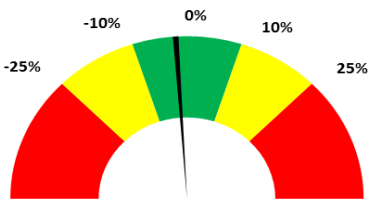
Primary Care (Visits)



SFY16 Variance: -2.2%

Primary Care

Emergency Room (Visits)

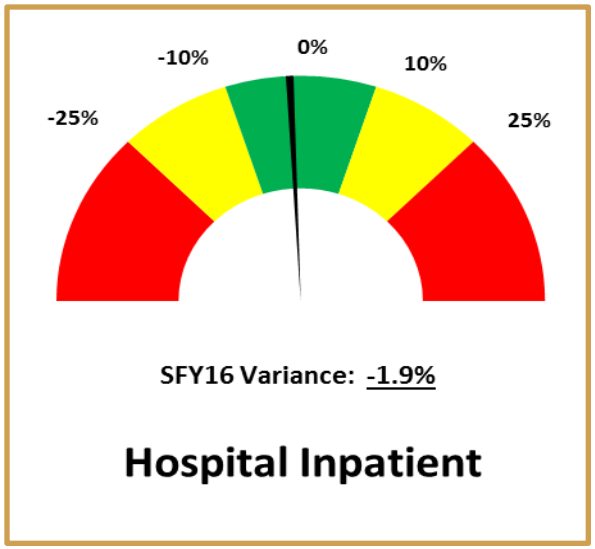


SFY16 Variance: -2.5%

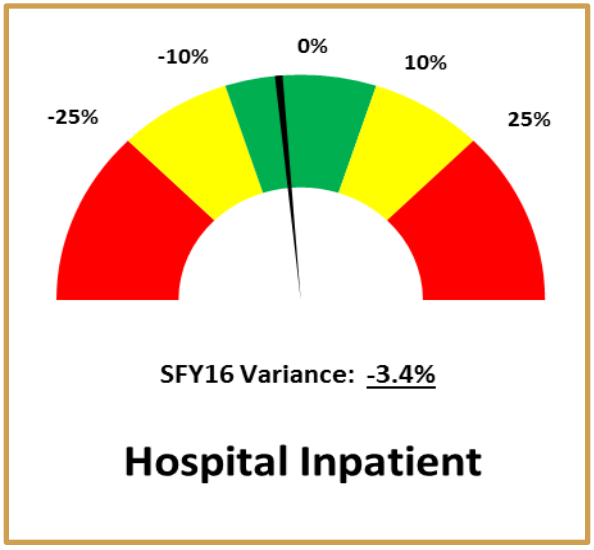
Emergency Room

Hospital inpatient utilization is in a "normal" zone

Hospital Inpatient (Admits)



Hospital Inpatient (Days)



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Questions?

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Medicaid Transformation Waiver Update

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CMS Negotiations

- Goal: Principled agreement this summer
  - Final agreement to follow, including Special Terms & Conditions
- Budget neutrality remains central focus
  - Trend assumptions
    - Baseline period
    - Populations included
    - Safeguards against unforeseen events
- State share
  - Designated State Health Programs (DSHP)
  - Intergovernmental Transfers (IGT)

Transformation Projects

- Build-out of project “toolkit”
  - Health systems capacity building
  - Care delivery redesign
    - Bi-directional integration of care
    - Care coordination
    - Care transitions
  - Prevention and health promotion
    - Chronic disease prevention, management
    - Maternal and child health

Value-Based Payment

- Roadmap aligns waiver objectives with Healthier Washington (and federal) VBP goals
  - Consistent with Apple Health MCO contracts
  - Waiver provides incentives for MCOs and providers to meet or exceed VBP and quality targets
- ACHs as essential partners
  - Overseeing performance of transformation projects
  - Identifying systemic barriers to VBP arrangements
  - Rewarding providers undertaking new VBP arrangements

Questions?

More information:
http://www.hca.wa.gov/hw

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