



Washington Prescription Drug Price and Purchasing Summit – Part 2: An Introduction

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Seattle-Tacoma International Airport
September 22, 2016

Agenda

- Context for today's convening
 - Key points from “Part One” of the series
 - www.hca.wa.gov
 - Healthier WA – driving toward value-based purchasing
- Alternative payment models for pharmaceutical purchasing
 - Risk sharing agreements

WA Prescription Drug Purchasing Summit Series

- The goals of the summit series are to understand the current state of prescription drug prices and purchasing nationally and in WA State. HCA will look at purchasing strategies, cost drivers and impacts on consumers with the goal of identifying potential strategies that can address the high cost of prescription drugs.

WA Prescription Drug Price and Purchasing Summit Series – Part 1

- Prescription drug trends (Y Cho, Consultant GFK)
- Medicaid drug rebate program (J Coster, CMS)
- HCA prescription drug program (R Hanley, HCA)
- State agency round table (K Tomisser; W Hayes; J Mai; D Sullivan)
- Premium development and drug pricing (B Ely, KP Northwest)
- Impact of rx drug costs on the consumer (R Judge, Moda Health)
- Center for evidence based policy: SMART-D initiative (J Beyer, Milbank Memorial Fund/OHSU Center for evidence-based policy)
- The high cost of cancer treatments (S Ramsey, Hutchinson Institute for Cancer Outcomes Research – HICOR)
- Long term outcomes of a value based formulary (K Yeung, School of Pharmacy UW)
- Outcomes based risk sharing agreements (J Carlson, School of Pharmacy UW)

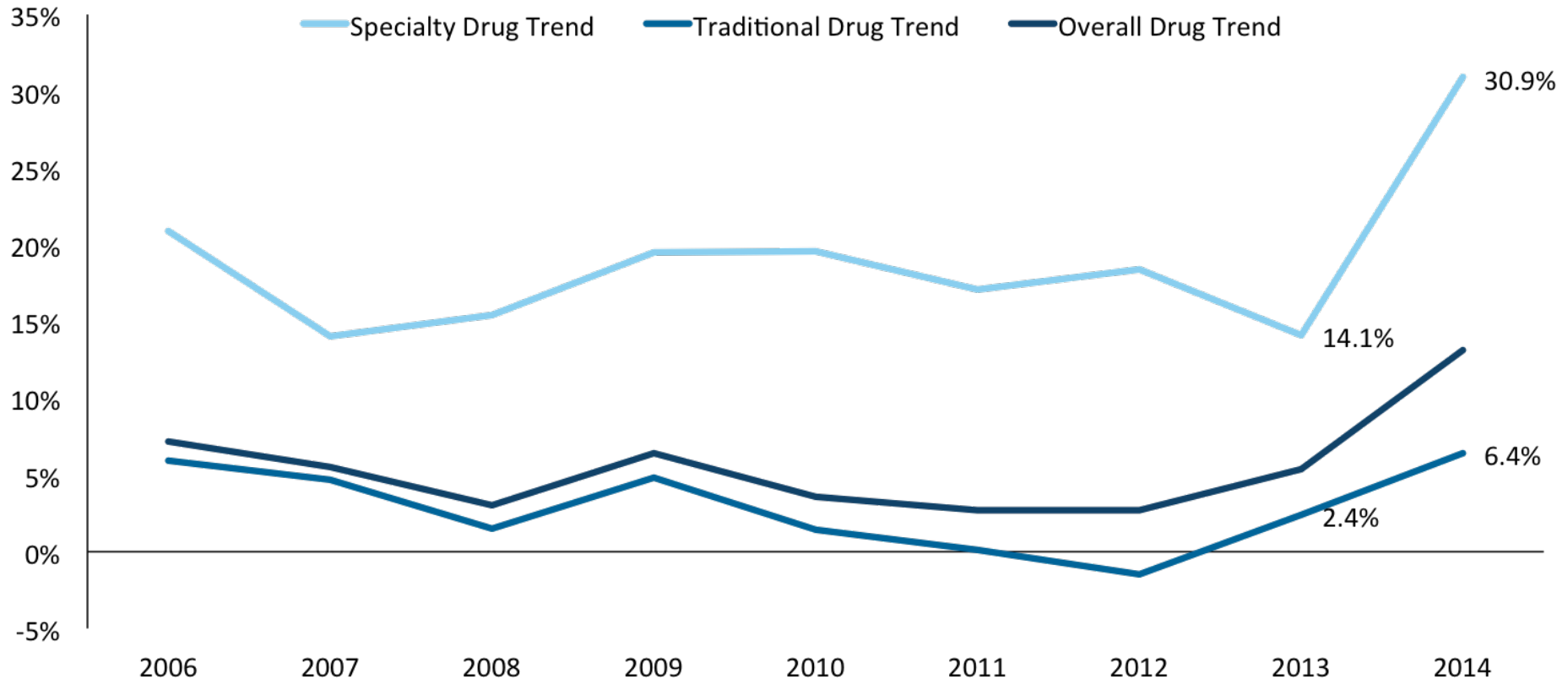
Background

- Between 2013 – 2015, net spending on drugs increased 20% in the U.S.
- Prescription drugs now comprise 17% of total health care costs
- Per capita drug spending in the U.S. exceeds that in all other countries
- Specialty drugs are driving prescription drug cost increases

Specialty Drugs

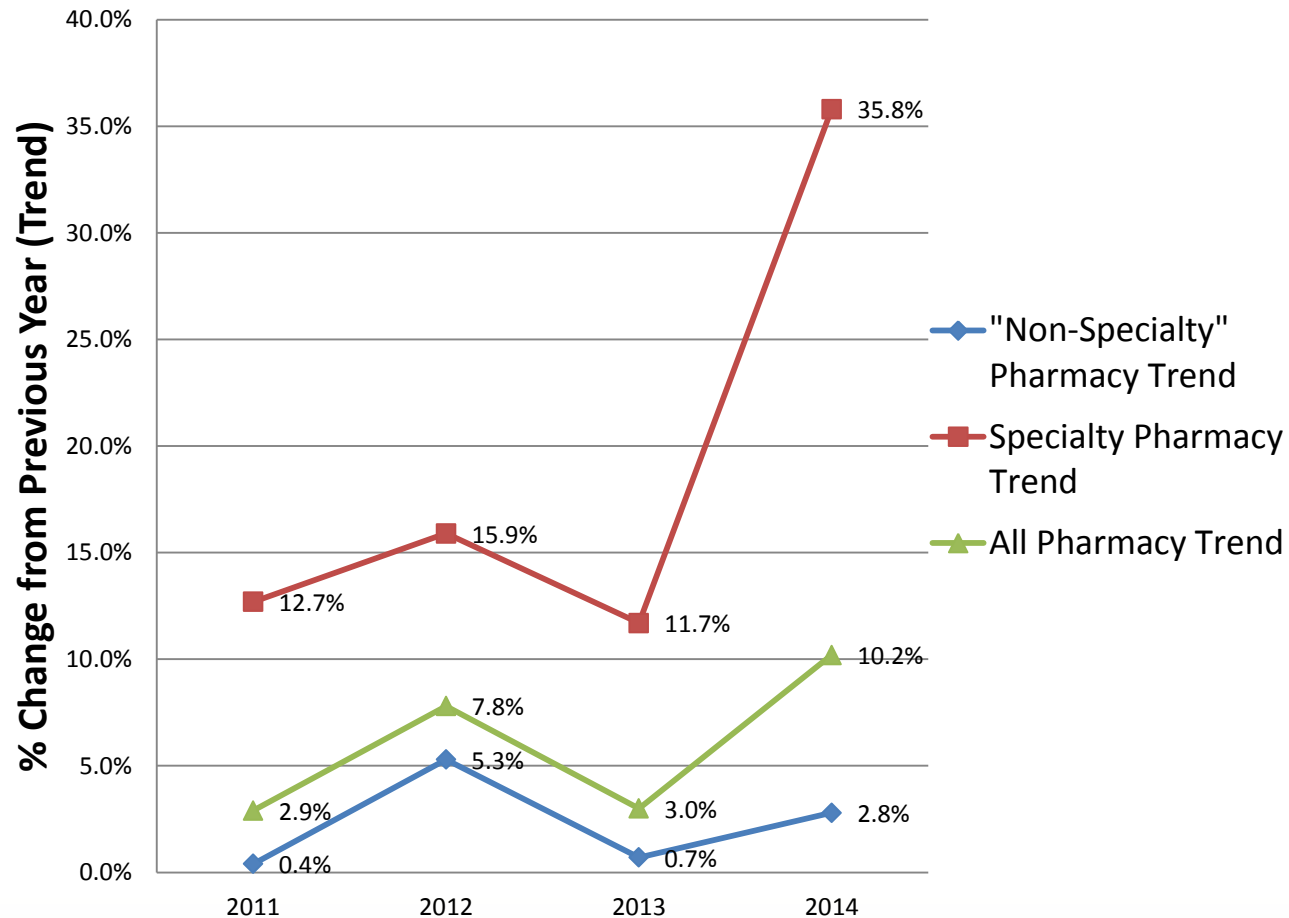
- No widely accepted definition
- Initially included drugs or biologics (derived from living cells) that are complex to manufacture, administer and/or require special monitoring (e.g. Humira, for RA)
- Increasingly defined as exceeding a certain cost threshold (Medicare defines “specialty drug” \geq \$600/month)

Costly new specialty drugs are a major driver of increased health spending



Source: Express Scripts 2014 Drug Trend Report and Year in Review. Available at <http://lab.express-scripts.com/drug-trend-report/> and <http://lab.express-scripts.com/drug-trend-report/introduction/year-in-review>

Overall National Medicaid Trend by Pharmacy Class from 2011 to 2014¹⁻⁴



1. The Express Scripts Lab. The 2014 Drug Trend Report Medicaid. Express Scripts. Mar 2015.
2. The Express Scripts Lab. The 2013 Drug Trend Report. Express Scripts. Apr 2014.
3. The Research and New Solutions Lab. Drug Trend Report Medicaid. Express Scripts. Oct 2013.
4. The Express Scripts Research & New Solutions Lab. 2011 Drug Trend Report. Express Scripts. Apr 2012.

National Association of Medicaid Directors: Policy Suggestions

- Direct price controls for public payers
- Federal purchasing (negotiated discount) and distribution to public programs (vaccines)
- Modify “best price” to include selling price in other countries (reference pricing)
- Allow Medicaid programs to exclude products that are found not cost-effective
- *Allow innovative payment arrangements; e.g. allow states to enter into outcome-based contracts with manufacturers, where payment is made per successful course of treatment rather than per pill*

Market Failure

“The current market for drugs in the U.S. is broken. It’s time for a new drug pricing model that rewards needed biomedical innovation at prices patients can afford.”

Bill Ely

VP Actuarial Services

Kaiser Permanente Northwest

Looking for Solutions

- Payers are seeking ways to manage the growing cost of specialty drugs
- Traditional means of influencing drug pricing, such as tiered formularies and drug rebates, are not available for specialty pharmaceuticals b/c many do not have close therapeutic alternatives



New Approaches

- Value based formularies
 - CEA determines co-payment tiers
- Alternative purchasing models (APMs)
 - “Performance-Based Risk Sharing” (PBRS)



Performance Based Risk Contracting

- Consistent with other health care purchasing trends (i.e. “pay for value”)
- Aligns incentives
- Appears to be a viable option, but
 - Applies only to selected products
 - Faces barriers to implementation



Pharmacy Summit 2

- Deep dive into risk sharing agreements as a means of pharmaceutical purchasing
- To date, primarily discussed and implemented in the private sector
- Opportunity to explore this approach for Medicaid as well

Questions?

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