

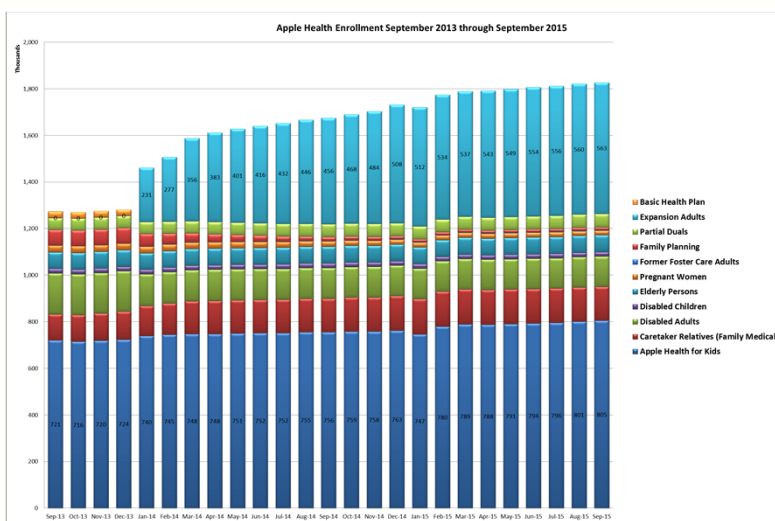
# Washington State Health Care Authority

## Apple Health Update

Senate Ways & Means Committee  
January 20, 2016

**Dorothy Teeter**, Director, Health Care Authority  
**Nathan Johnson**, Chief Policy Officer, Health Care Authority  
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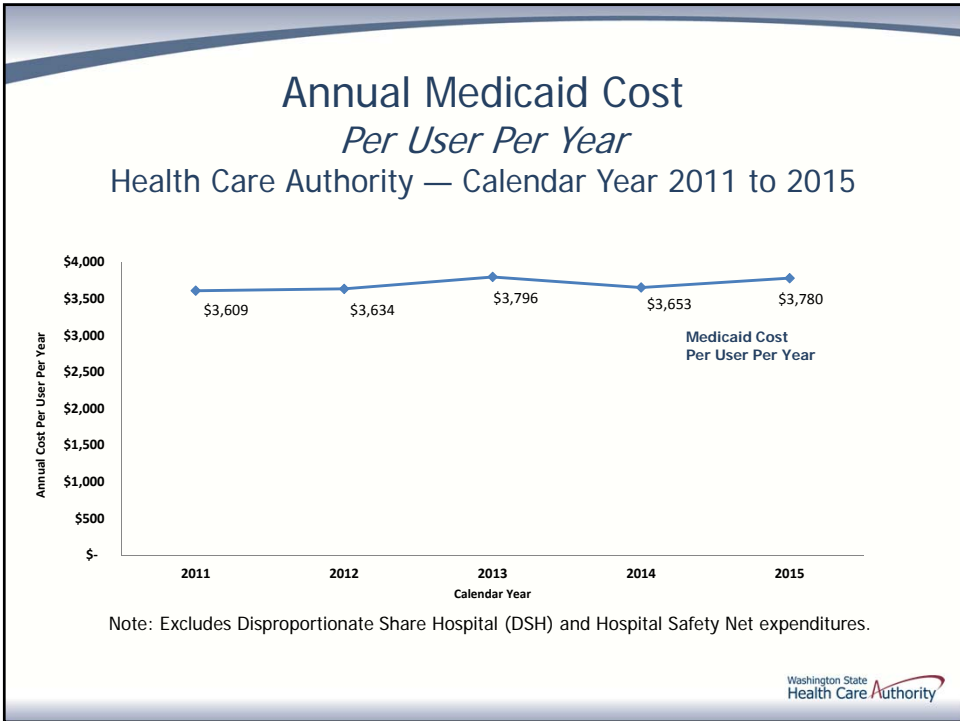
Since 2013, Washington's adult uninsured rate has dropped from **16.8%** to **6.4%.\***

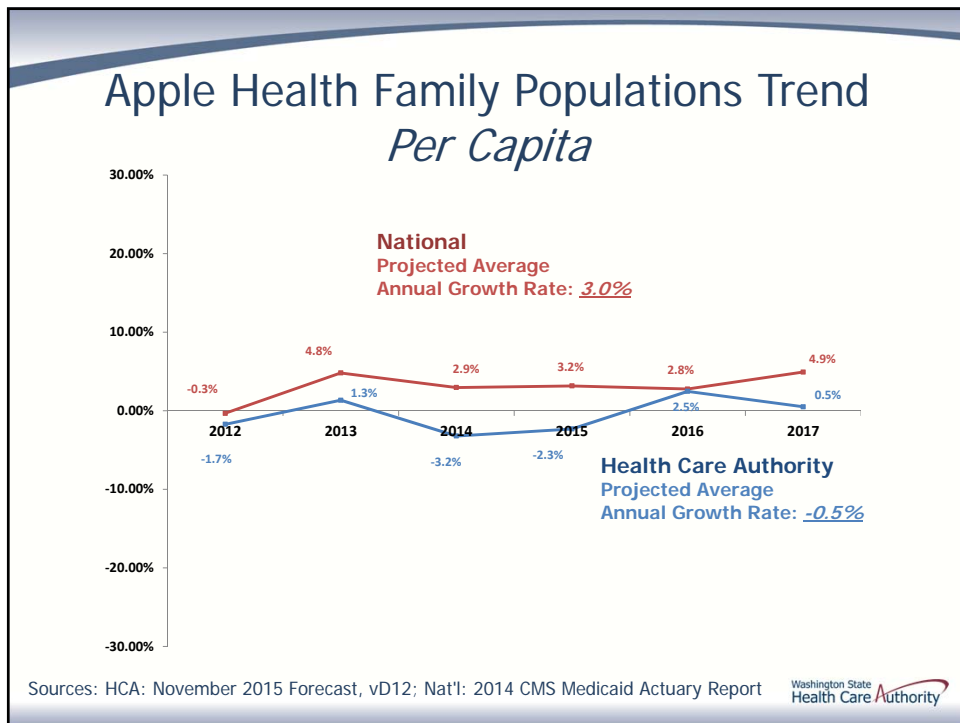
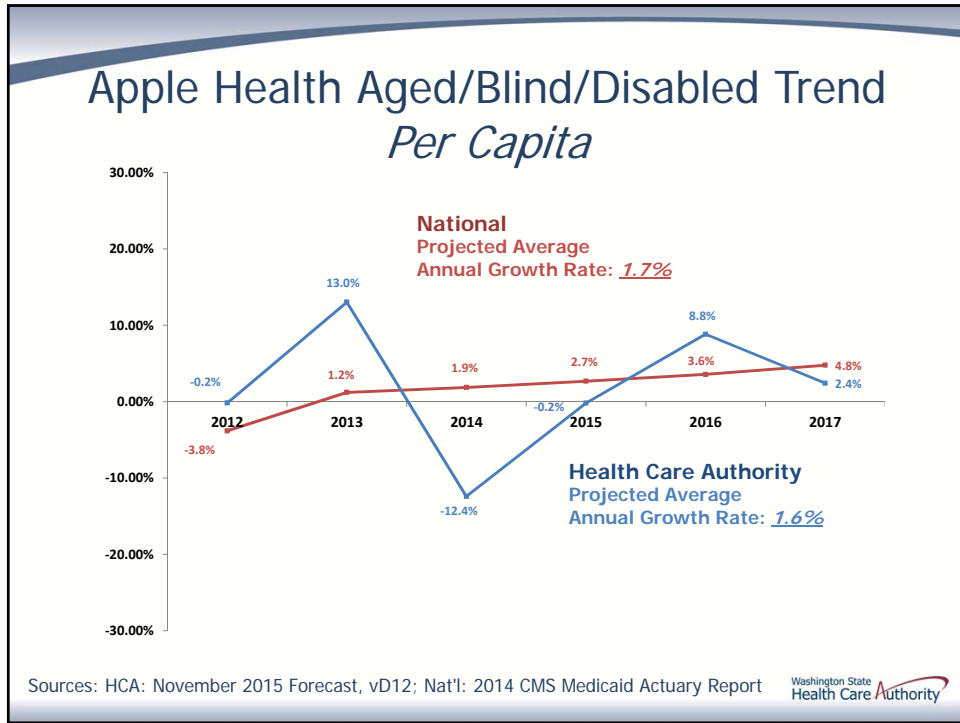


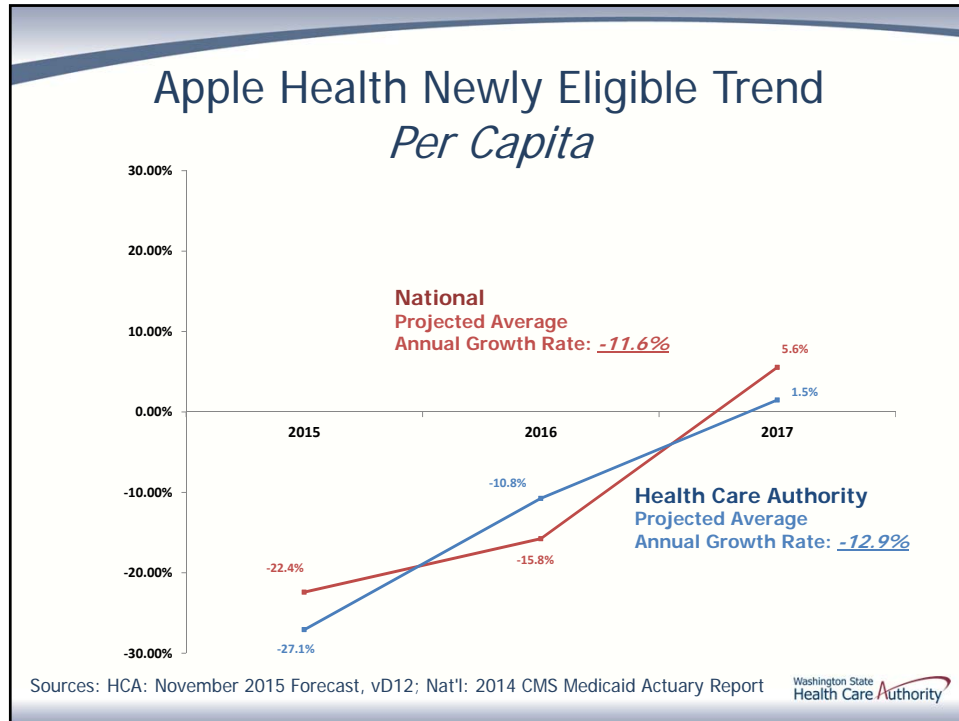
\* Source: Gallup-Healthways Well-Being Index/Gallup State of the States series.

# BUDGET/FORECAST DISCUSSION

3







## Rate Setting

- **State works with an actuary** to ensure that capitated rates reflect the population characteristics, benefits and service delivery expectations placed on health plans
- **CMS requires actuarial soundness & must approve the rates**
- **State process** for building rates:
  - Historical snapshot of utilization and experience
  - Approved policy, benefit and eligibility
  - Examine and support trends
  - Rates adjusted to control for demographic differences and health risk characteristics of enrollees served. Adjustment is cost-neutral to state.
  - Communication with stakeholders

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## How are managed care plans held accountable?

- **Plans have the full financial risk** for 1.4M managed care clients – they must deliver the care on-time and within their capitation.
- **State controls the plans' margins for administration and profit.** "Medical Loss Ratio:" Proportion of premium applied to delivery of services set in contract.
- **Administrative performance measures:** HCA monitors plans' customer service, benefit management, network adequacy.
- **Quality monitoring:** TeaMonitor, federal EQRO requirement, plans measured annually on basis of HEDIS scores, NCQA accreditation, enrollment based on performance.
- **Encounter Data:** Plans share data with HCA , providing info on each medical encounter (allows comparison of plan performance, etc.).

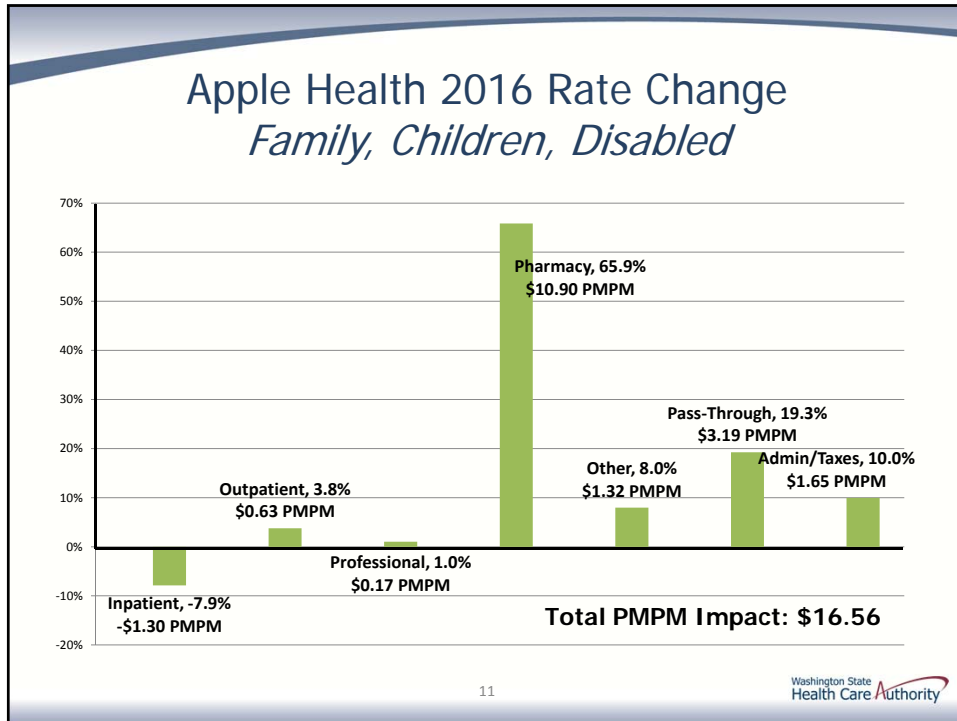
9

## Funding Change Between February 2015 and November 2015 forecasts (\$ in millions)

	Caseload Adjustment	Caseload Dollar Impact	Rates and Utilization	Total
Population	Clients	\$ GF-State	\$ GF-State	\$ GF-State
Families	(8,909)	-\$45	\$16	-\$29
Children	39,434	\$65	\$8	\$73
Aged, Blind & Disabled	(4,214)	-\$15	\$155	\$140
Newly Eligible	55,562	\$11	-\$1	\$10
Other*	(2,114)	\$0	-\$10	-\$10
Total	79,760	\$16	\$168	\$184

\*Other includes Family Planning Only programs, the Kidney Disease Program, the Service Limited Medicare Beneficiary Program and the Qualified Individuals Program.

10



### Managed Care Rate Setting and Forecast 2016 Improvements

- Monitor utilization and cost on a monthly basis for early warnings
- Provide monthly reports for discussion with OFM/Legislature
- Move rate setting process earlier to better synchronize with forecast timeline

Actuarially sound rates are used for contracts with plans.

12

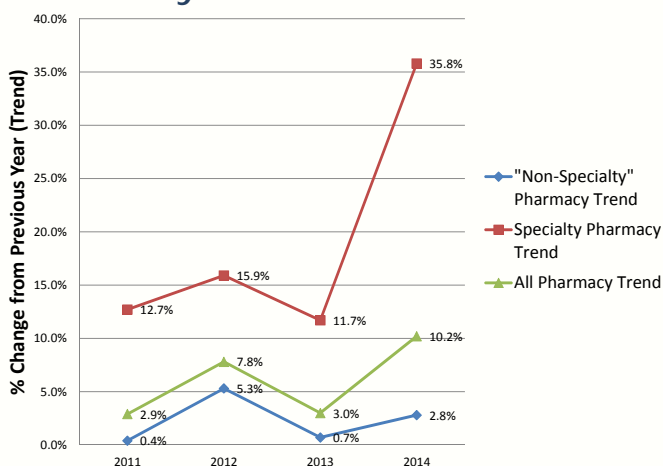
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## Changing Prescription Drug Landscape

- 2000's saw increase in introduction of generics and moderation in drug cost increases
- More recently, explosive growth in "specialty medications"
  - Category lacks clear definition
  - "Specialty pharmaceuticals" generally include biologics or medications with novel mechanisms of action and are high cost (>\$600/PMPM)

13

## Overall National Medicaid Trend by Pharmacy Class from 2011 to 2014<sup>1-4</sup>



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.

## Top Ten Specialty Drugs by Cost

Top 10 WA Medicaid Specialty Therapy Classes, Ranked Total Amount Paid

THERAPY CLASS	TOTAL CLAIMS	TOTAL PAID
Hepatitis C	2,721	\$ 48,433,341
Inflammatory Condition	11,734	\$ 34,043,215
Multiple Sclerosis	5,039	\$ 23,854,045
Oncology	4,036	\$ 21,056,531
Antipsychotic	12,535	\$ 14,341,501
Pulmonary Arterial Hypertension	998	\$ 7,354,108
Growth Deficiency	2,726	\$ 6,606,150
Cystic Fibrosis	1,821	\$ 6,447,694
Anticoagulants	10,300	\$ 6,256,755
Hereditary Angioedema	120	\$ 5,767,882

Top 10 Washington Medicaid Specialty Drugs Ranked by Total Amount Paid

LABEL NAME	THERAPY CLASS	TOTAL CLAIMS	TOTAL PAID
Sovaldi	Hepatitis C	1,549	\$ 40,048,046
Humira Pen	Inflammatory Condition	3,972	\$ 11,127,739
Invega Sustenna	Antipsychotic	5,749	\$ 8,721,488
Copaxone	Multiple Sclerosis	1,502	\$ 7,518,476
Enbrel Sureclick	Inflammatory Condition	2,748	\$ 7,462,685
Tecfidera	Multiple Sclerosis	1,122	\$ 5,528,699
Enoxaparin Sodium	Anticoagulants	9,717	\$ 5,240,144
Olysio	Hepatitis C	214	\$ 4,635,526
Risperdal Consta	Antipsychotic	5,622	\$ 4,010,546
Enbrel	Inflammatory Condition	1,590	\$ 3,834,856

15

## Reasons for the High Cost of Specialty Medications\*

- Aging population
- Complexity of development and production
- High launch prices
- Price escalation once on the market
- Complex reimbursement schema
- Shifts in sites of service
- Legal considerations

\*Lotvin et al. Health Affairs. 2014;33(10):1736-1744

16



## Anticipating Future Trends

New high cost drugs in the pipeline  
*~80 drugs in the pipeline within one year of approval  
 (20 biologics and 61 traditional drugs)*

- HIV
- Oncology:
  - Lung Cancer — alectinib, rociletinib
  - Multiple myeloma — ixazomib, elotuzumab, daratumumab
- Biologics to treat asthma — Reslizumab
- Hepatitis C — grazoprevir/elbasvir
- Parkinson's Disease — safinamide
- Type 2 Diabetes

### Uncertainties

- Timing of market entry: generic, brand and interchangeable bio-similars
- Pricing

17

## Managing Pharmacy Costs & Quality: Key Strategies

### Current strategies used by Apple Health Medicaid

- Supplemental Manufacturer Rebates
- Prior authorization
- Step therapy
- Medication management

### Additional Strategies for Future

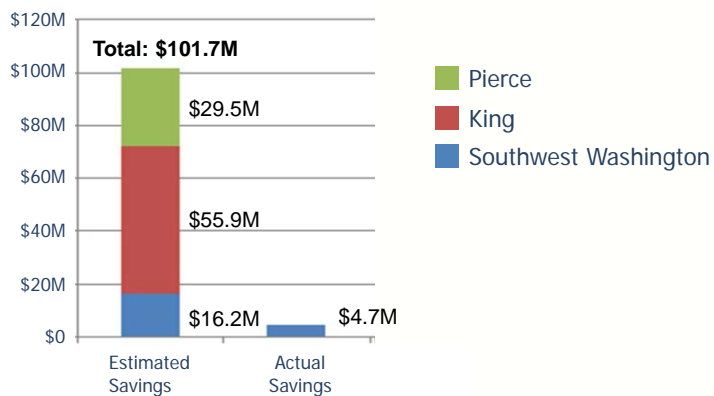
- Interchangeable Bio-similars
- Clinical criteria (e.g., Hep C)
- Lowest cost site of care
- Value-based purchasing
  - Pay for outcomes, not volume
  - Total cost of care; bundling

18

# 2572 SAVINGS

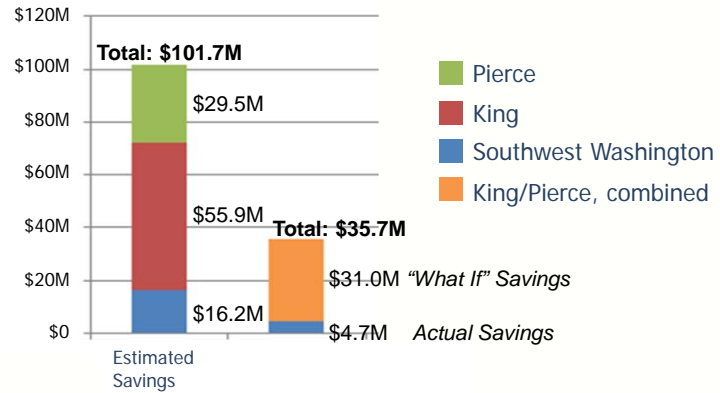
19

## Savings from Fully Integrated Managed Care 2015-17 Biennium



20

## “What If” Savings from Fully Integrated Managed Care — 2015-17 Biennium



21

## MEDICAID TRANSFORMATION WAIVER

22

**Purpose:** Leverage federal savings to invest in delivery system transformation *to bring the Healthier Washington vision to scale for Apple Health.*

**Goals:**

- Reduce avoidable use of intensive services and settings
- Improve population health
- Accelerate the transition to value-based payment
- Ensure that Medicaid per-capita cost growth is two percentage points below national trends

**Federal Requirements:**

- Five-year demonstration
- Budget neutrality for federal government
- Transformation must be sustainable post-waiver
- Comprehensive evaluation

23

## Medicaid Transformation Waiver

### **Initiative 1** Transformation through Accountable Communities of Health

*Each region, through its Accountable Community of Health, will be able to pursue transformation projects focused on health systems capacity building, care delivery redesign, and population health improvement.*

### **Initiative 2** Service Options that Enable Individuals to Stay at Home and Delay or Avoid the Need for More Intensive Care

*A broadened array of Long Term Services and Supports (LTSS).*

### **Initiative 3** Targeted Foundational Community Supports

*Targeted supportive housing and supported employment services will be offered to Medicaid beneficiaries most likely to benefit from these services.*

24

## Fiscal Implications for Waiver

- Significant investment from federal partners for Medicaid delivery system transformation over 5 years
- Not a grant program – performance initiative tied to key measures of quality
- Expenditure authority will be required

25

## Medicaid Transformation Waiver

### Medicaid Transformation Waiver Development Process 2015 - 2016



26

## For More Information

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