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

Annual Medicaid Cost
Per User Per Year
Health Care Authority — Calendar Year 2011 to 2015

Note: Excludes Disproportionate Share Hospital (DSH) and Hospital Safety Net expenditures.
Apple Health Aged/Blind/Disabled Trend
Per Capita

National
Projected Average
Annual Growth Rate: 1.7%

Health Care Authority
Projected Average
Annual Growth Rate: 1.6%


Apple Health Family Populations Trend
Per Capita

National
Projected Average
Annual Growth Rate: 3.0%

Health Care Authority
Projected Average
Annual Growth Rate: -0.5%

Apple Health Newly Eligible Trend

Per Capita

National
Projected Average
Annual Growth Rate: **-11.6%**

Health Care Authority
Projected Average
Annual Growth Rate: **-12.9%**


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
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.).

---

### Funding Change Between February 2015 and November 2015 forecasts

**($ in millions)**

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

*Other includes Family Planning Only programs, the Kidney Disease Program, the Service Limited Medicare Beneficiary Program and the Qualified Individuals Program.
Apple Health 2016 Rate Change
*Family, Children, Disabled*

<table>
<thead>
<tr>
<th>Category</th>
<th>Change</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inpatient</td>
<td>-7.9%</td>
<td>$1.30 PMPM</td>
</tr>
<tr>
<td>Outpatient</td>
<td>3.8%</td>
<td>$0.63 PMPM</td>
</tr>
<tr>
<td>Professional</td>
<td>1.0%</td>
<td>$0.17 PMPM</td>
</tr>
<tr>
<td>Pharmacy</td>
<td>65.9%</td>
<td>$10.90 PMPM</td>
</tr>
<tr>
<td>Pass-Through</td>
<td>19.3%</td>
<td>$3.19 PMPM</td>
</tr>
<tr>
<td>Other</td>
<td>8.0%</td>
<td>$1.32 PMPM</td>
</tr>
<tr>
<td>Admin/Taxes</td>
<td>10.0%</td>
<td>$1.65 PMPM</td>
</tr>
</tbody>
</table>

Total PMPM Impact: $16.56

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.
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)

Overall National Medicaid Trend by Pharmacy Class from 2011 to 2014\(^1\)\(^-\)\(^4\)

# Top Ten Specialty Drugs by Cost

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

<table>
<thead>
<tr>
<th>THERAPY CLASS</th>
<th>TOTAL CLAIMS</th>
<th>TOTAL PAID</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hepatitis C</td>
<td>2,721</td>
<td>$48,433,541</td>
</tr>
<tr>
<td>Inflammatory Condition</td>
<td>11,734</td>
<td>$54,033,215</td>
</tr>
<tr>
<td>Multiple Sclerosis</td>
<td>5,039</td>
<td>$23,854,945</td>
</tr>
<tr>
<td>Oncology</td>
<td>4,596</td>
<td>$23,044,521</td>
</tr>
<tr>
<td>Antipsychotic</td>
<td>32,553</td>
<td>$34,341,903</td>
</tr>
<tr>
<td>Pulmonary Arterial Hypertension</td>
<td>998</td>
<td>$7,354,108</td>
</tr>
<tr>
<td>Growth Deficiency</td>
<td>2,728</td>
<td>$6,606,350</td>
</tr>
<tr>
<td>Cystic Fibrosis</td>
<td>1,821</td>
<td>$6,447,694</td>
</tr>
<tr>
<td>Anticoagulants</td>
<td>10,300</td>
<td>$6,255,755</td>
</tr>
<tr>
<td>Hereditary Angioedema</td>
<td>120</td>
<td>$5,767,862</td>
</tr>
</tbody>
</table>

**Top 10 Washington Medicaid Specialty Drugs Ranked by Total Amount Paid**

<table>
<thead>
<tr>
<th>LABEL NAME</th>
<th>THERAPY CLASS</th>
<th>TOTAL CLAIMS</th>
<th>TOTAL PAID</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sovaldi</td>
<td>Hepatitis C</td>
<td>1,549</td>
<td>$40,048,046</td>
</tr>
<tr>
<td>Humira Pen</td>
<td>Inflammatory Condition</td>
<td>3,972</td>
<td>$11,375,739</td>
</tr>
<tr>
<td>Invega Sustenna</td>
<td>Antipsychotic</td>
<td>5,749</td>
<td>$8,721,488</td>
</tr>
<tr>
<td>Copaxone</td>
<td>Multiple Sclerosis</td>
<td>1,502</td>
<td>$5,518,476</td>
</tr>
<tr>
<td>Enbrel Sureclick</td>
<td>Inflammatory Condition</td>
<td>2,748</td>
<td>$7,482,685</td>
</tr>
<tr>
<td>Tecfidera</td>
<td>Multiple Sclerosis</td>
<td>1,122</td>
<td>$5,528,699</td>
</tr>
<tr>
<td>Enoxaparin Sodium</td>
<td>Anticoagulants</td>
<td>9,717</td>
<td>$5,240,144</td>
</tr>
<tr>
<td>Olysio</td>
<td>Hepatitis C</td>
<td>214</td>
<td>$4,635,526</td>
</tr>
<tr>
<td>Risperdal Consta</td>
<td>Antipsychotic</td>
<td>5,622</td>
<td>$4,010,546</td>
</tr>
<tr>
<td>Enbrel</td>
<td>Inflammatory Condition</td>
<td>1,590</td>
<td>$3,834,856</td>
</tr>
</tbody>
</table>

## 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

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, daraumumab
- 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

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
2572 SAVINGS

Savings from Fully Integrated Managed Care 2015-17 Biennium

- Total: $101.7M
  - Pierce: $29.5M
  - King: $55.9M
  - Southwest Washington: $16.2M
  - Estimated Savings: $120M
  - Actual Savings: $100M
  - Savings: $80M
  - Savings: $60M
  - Savings: $40M
  - Savings: $20M
  - Savings: $0

- Estimated Savings: $4.7M
- Actual Savings: $0
"What If" Savings from Fully Integrated Managed Care — 2015-17 Biennium

- **King/Pierce, combined**: $29.5M
- **$16.2M** Estimated Savings
- **$4.7M** Actual Savings
- **$55.9M** "What If" Savings
- **$31.0M** Total: $101.7M
- **$10.2M** Total: $35.7M

**MEDICAID TRANSFORMATION WAIVER**
**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

**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.*
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
For More Information

- **Nathan Johnson**
  nathan.johnson@hca.wa.gov
  (360) 725-1880

- **Daniel S. Lessler, MD**
  daniel.lessler@hca.wa.gov
  (360) 725-1612

- **Thuy Hua-Ly**
  thuy.hua-ly@hca.wa.gov
  (360) 725-1855