States and the Rising Cost of Pharmaceuticals: A Call to Action

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Call-in: (877) 717-9270

NASHP Working Group on Pharmaceutical Drug Costs
Supported by Kaiser Permanente & The Laura and John Arnold Foundation
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The Case for State Action

- States are purchasers, regulators, policymakers
- Costs
  - Launch prices are unpredictable, and frequently increased
  - High costs to state budgets

$31 Billion
- Cost of coverage for 2.7 million public employees in 2013

$27 Billion
- Cost to Medicaid in 2014 on outpatient drugs

$8 Billion
- Cost to states to provide drug coverage in state corrections departments in 2011
States as Laboratories

CHIP

HIPAA

ACA
# About the Workgroup

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Organizing Principles

▪ Old approaches are no longer sufficient
▪ Ongoing programs to rein in costs
  – Rebates
  – Utilization Management
    ▪ Preferred Drug Lists
    ▪ Cost Sharing
    ▪ Dispensing Limits
    ▪ Benefit Management
  – Promote Better Transparency
  – Pharmacy Benefit Managers
Need approaches that recognize the value of the industry

- Need new approach that recognizes value of industry
  - Impact on quality of life
  - Innovation
  - Job creation
  - Amelioration of disability, disease

- Changing market pressures

  - Rising cost of bringing therapeutic innovations to market
  - Growing speed of scientific advances which create more branded competition
  - Barriers to successful market entry and launch
  - Unprecedented levels of generic competition in most therapeutic classes
Where does the Money Go?

Pharmacy Benefit Manager

- Negotiated Discounts/rebates (volume, market share, formulary placement)

Managed Care Plans

- Share of rebates from manufacturer (0-100%)

Pharmacy

- Federal Rebates
- Negotiated Discounts/rebates (volume, market share, formulary placement)

WAC Based Payment

State Purchaser

- MCO Rebates Accounted for in PMPM Rates
- Federal Rebates
- ASP-, AWP-, WAC-, Negotiated Payment

PEB plans only

Flow of $$$

Flow of Drugs

Member Cost share

Member Premiums

- Medicaid FFS payment to pharmacy

WAC Based Payment

WAC Based Payment

Federal Match

CMS

MCO Rebates Accounted for in PMPM Rates

Directly purchase drugs for mail order and specialty pharmacy

Negotiated reimbursement for claims & admin fees
SMART-D Project

The Center for Evidence-based Policy at Oregon Health & Science University has undertaken a 3-year, 3-phase pilot program funded by the Laura and John Arnold Foundation. The program seeks to:

- strengthen ability of Medicaid programs to manage prescription drugs through alternative payment methodologies, and
- provide Medicaid leaders with opportunities to shape the conversation on prescription drug innovation, access, and affordability

Phase 1:
- Feb to July 2016
- Identify alternative payment options and legal pathways
- Document the landscape

Phase 2:
- Aug 2016 to April 2017
- State readiness assessment and implementation plans
- Stakeholder engagement
- Technical assistance

Phase 3:
- Starts May 2017
- Initial pilots commence
- Ongoing technical assistance
- Diffusion of best practices
SMART-D Website and Phase 1 Reports

- See [www.smart-d.org](http://www.smart-d.org)
- Research and reports tab:
  1. Summary Report
  2. Legal Brief
  3. Economic Analysis
  4. APM Brief
  5. MED Policy Report

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Policy Options

1. Ensure state participation in *Medicare Part D as Employer Group Waiver Plans*

2. State pension funds assume *active shareholder role* to influence pharmaceutical company actions
Policy Options

3. Leverage price transparency laws to create accountability for drug pricing

4. Pursue Medicaid waivers and legislative changes to promote greater purchasing flexibility
Policy Options

5. **Bulk purchase** and distribute high-priced, broadly-indicated, drugs that protect the public’s health

6. Seek the ability to **re-import** drugs from Canada on a state-by-state basis

7. Organize drug benefit managers across state agencies to create **State Pharmacy Benefit Manager**

8. Pursue **return on investment (ROI)** pricing and forward financing
Policy Options

9. Create a **public utility model** for oversight of in-state drug prices

10. Utilize state unfair trade and **consumer protection laws** to address high drug prices

11. Protect consumers against **misleading marketing**
Next Steps

• Identify interested states to pursue policy options. *(Want to work with us? Contact NASHP at calberts@nashp.org)*

• Draft model legislation

• Discussions with Pharmacy Benefit Managers
Questions?

Please type your questions into the box at the lower left of your screen.

Learn more about the workgroup at NASHP.org
Thank you

Questions? Want to get involved? Contact NASHP at calberts@nashp.org

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Thank you to Kaiser Permanente and The Laura and John Arnold Foundation