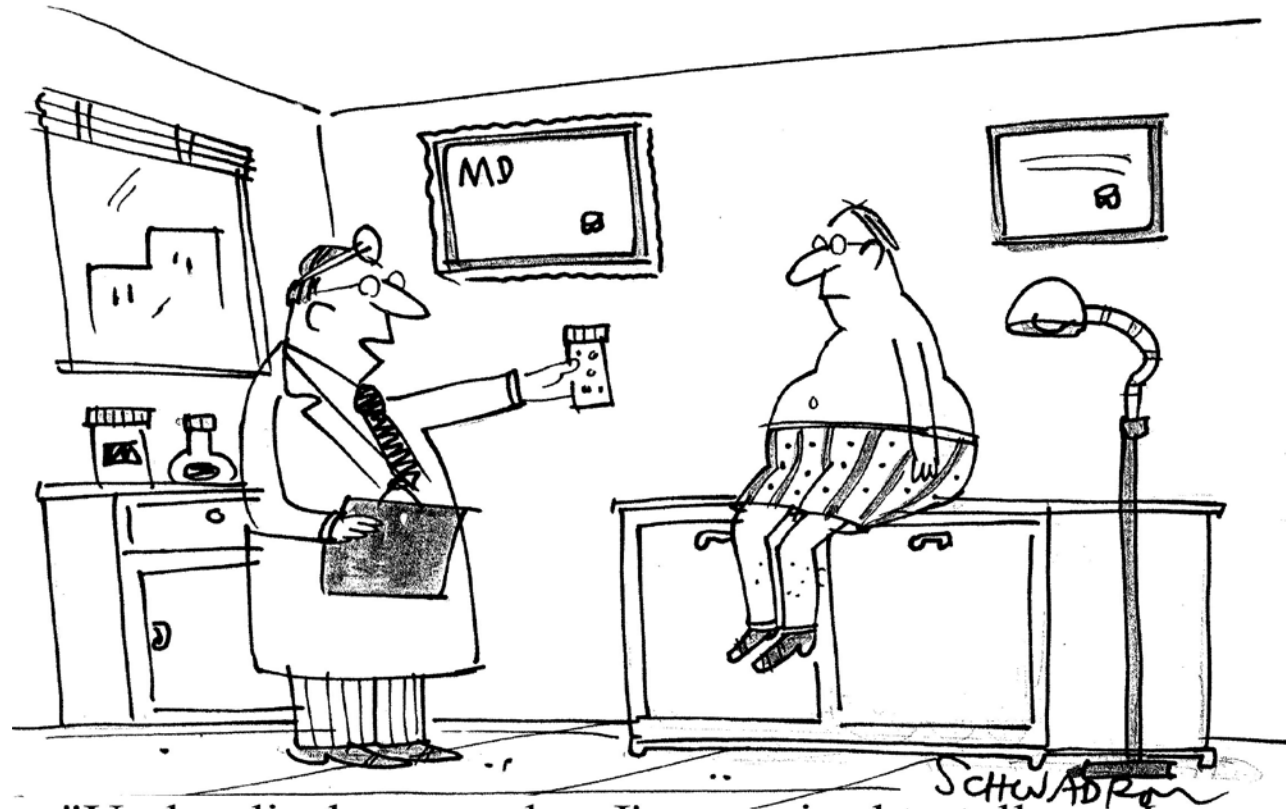


Ensuring Patient Access to Affordable Drug Therapies: **The Medicaid Perspective**

*Jennifer E. Moore, PhD, RN
Executive Director
November 14, 2016*



"Under disclosure rules, I'm required to tell you I own stock in the company whose drug I'm prescribing."

MISSION

*The **mission** of the Institute for Medicaid Innovation is to improve the lives of Medicaid enrollees through the development, implementation, and diffusion of innovative and evidence-based models of care that promote quality, value, equity and the engagement of patients, families, and communities.*

VISION

*The **vision** of the Institute for Medicaid Innovation is to provide independent, unbiased, nonpartisan information and analysis that informs Medicaid policy and improves the health of the nation.*

www.MedicaidInnovation.org





Recommended Resources

IssueBrief  **MACPAC**
January 2016 *Advising Congress on Medicaid and CHIP Policy*

Medicaid Spending for Prescription Drugs

MARCH 2016

Express Scripts 2015 Drug Trend Report **Medicaid**

THE EXPRESS SCRIPTS LAB[®]


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July 2016 | Issue Brief

Medicaid's Most Costly Outpatient Drugs

Katherine Young, Robin Rudowitz, Rachel Garfield, and MaryBeth Musumeci

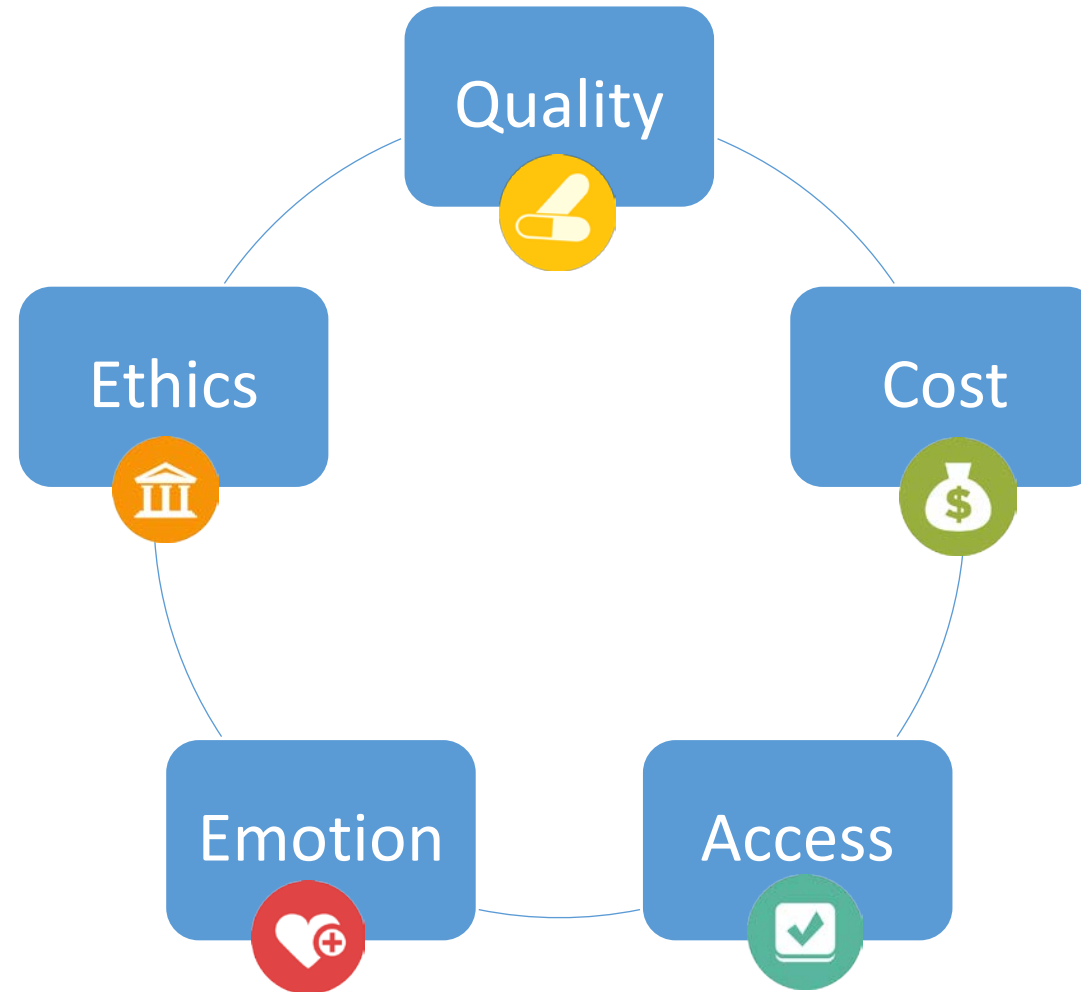
A PUBLICATION OF THE NATIONAL ACADEMY FOR STATE HEALTH POLICY October 2016

 **NASHP**
NATIONAL ACADEMY
FOR STATE HEALTH POLICY

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

NASHP's Pharmacy Costs Work Group

Five Elements Influencing Medicaid Prescription Drug Access & Coverage

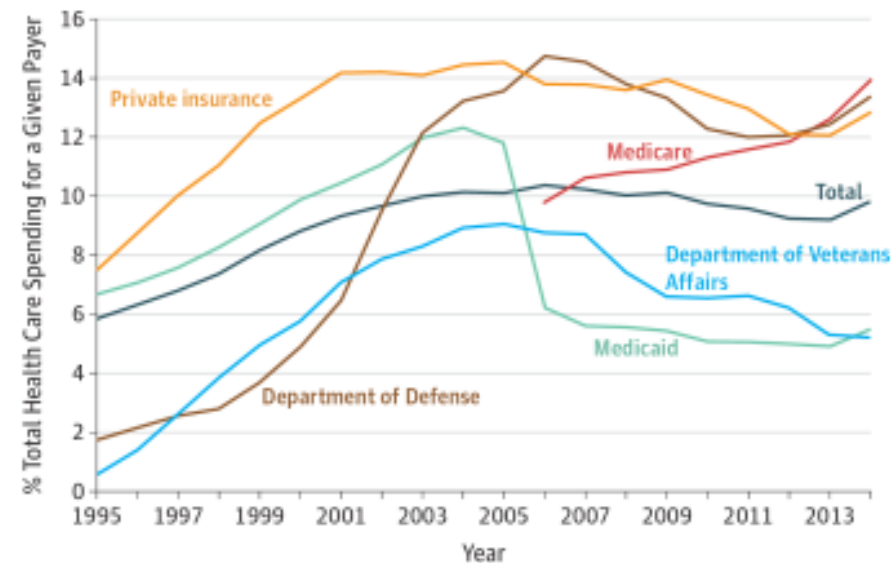


Medicaid and Prescription Drugs

- ✔ Costs to Medicaid Consumer
- ✔ 340B Program
- ✔ Medicare Part D

Medicare Part D & Relationship with Medicaid

Figure 2. Payer-Specific Retail Spending on Prescription Drugs Over Time in the United States



Data are derived from the Henry J. Kaiser Family Foundation and National Health Expenditure Accounts, official estimates of payer- and category-specific health care expenditures in the United States, published annually by the Centers for Medicare & Medicaid Services. Values incorporate estimated rebates. The reduction for Medicaid in 2006 reflects the adoption of much of these costs by the Medicare drug benefit program.

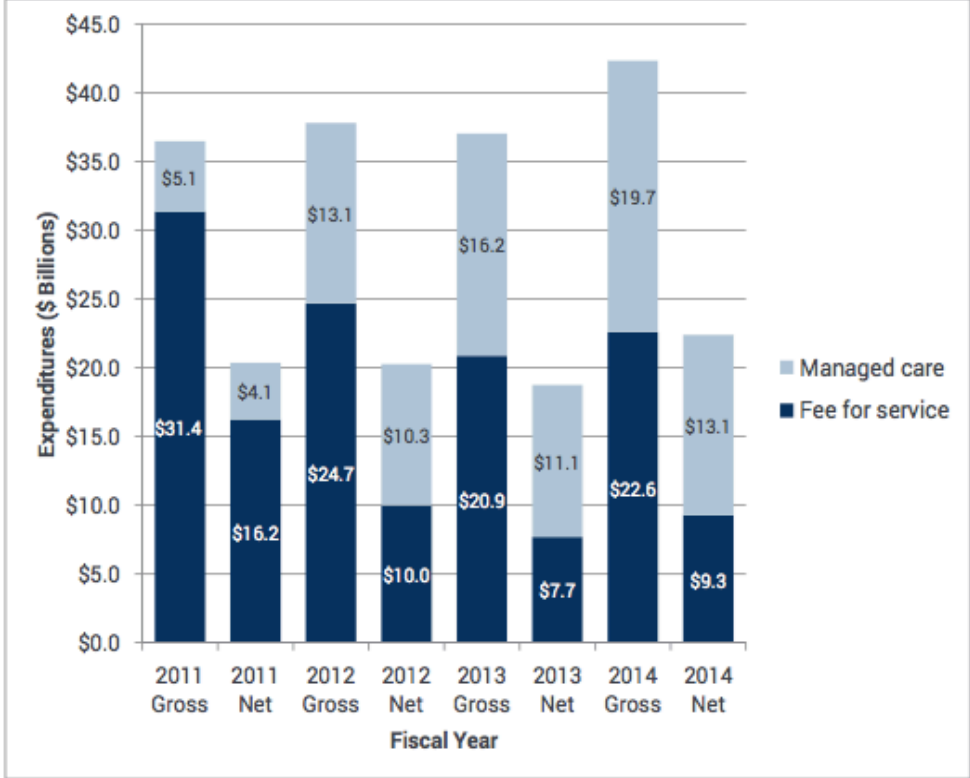
Source: Kesselheim et al. (2016). High Cost of Prescription Drugs in United States: Origins and Prospects for Reform. JAMA, 316(8): 858-871.

Four Types of Medicaid Rebates

- ✔ Average Manufacturer Price (AMP)
- ✔ Best Price
- ✔ Inflation Penalty Add-On
- ✔ State Supplemental Rebates

Overall Medicaid Prescription Drug Spending

Gross and Net Medicaid Prescription Drug Expenditures, FYs 2011–2014 (billions)



Source: MACPAC analysis of FYs 2011–2014 data as reported by the states. Spending amounts comes from Medicaid drug rebate utilization data, as of September 2015, and rebate amounts come from CMS-64 data, as of February 2015.

Increased Spending for Drugs in Medicaid Managed Care

Gross Prescription Drug Expenditures in Medicaid Expansion vs. Non-Expansion States,

State grouping	CY 2013 gross drug spending (billions)	CY 2014 gross drug spending (billions)	Percent change
Expansion	\$19.4	\$24.2	24.6%
Non-expansion	18.3	20.8	14.1

Source: MACPAC analysis of CYs 2011–2014 Medicaid drug rebate utilization data reported by the states as of September 2015.

Brand vs. Generic Drug Spending in Medicaid Managed Care

Gross Prescription Drug Expenditures, by Brand vs. Generic Status, CYs 2011–2014

Year	Gross brand drug spending per claim	Gross generic drug spending per claim	Annual percent change for brand drugs	Annual percent change for generic drugs
2011	\$216.53	\$18.74	–	–
2012	234.87	18.98	8.5%	1.3%
2013	259.61	19.81	10.5	4.4
2014	304.52	21.20	17.3	7.0

Source: MACPAC analysis of CYs 2011–2014 Medicaid drug rebate utilization data as reported by states as of September 2015.

Low Cost

High Cost

Figure 1

Medicaid's 50 Most Costly Outpatient Drugs by Prescription Level and Cost at the Prescription Level

Of the 50 most costly Medicaid outpatient drugs in terms of total spending

Top 10 th Percentile by Prescriptions	28 drugs <i>Includes ADHD drugs and Hydrocodone-Acetaminophen</i>	17 drugs <i>Includes antiretrovirals, Humira Pen, and Abilify</i>	45 drugs in top 10 th percentile by prescriptions
	Bottom 90 th Percentile by Prescriptions	0 drugs	
	Bottom 90 th Percentile by Spending Per Prescription	Top 10 th Percentile by Spending Per Prescription	

NOTE: Due to data reliability, does not include data from Kansas 2014Q2 or Virginia 2014Q2. Determination of the most costly drugs does not include rebate adjustments.

SOURCE: CMS Drug Utilization Data, 2014-2015Q2; Wolters Kluwer Clinical Drug Information, Inc., February 2016.



High Frequency

Low Frequency

Top Three Most Costly Non-Specialty Drugs in Medicaid Managed Care

COMPONENTS OF TREND FOR THE TOP 10 MEDICAID TRADITIONAL THERAPY CLASSES

RANKED BY 2015 PMPY SPEND

RANK	THERAPY CLASS	PMPY SPEND	TREND		
			UTILIZATION	UNIT COST	TOTAL
1	Diabetes	\$97.03	4.1%	17.6%	21.7%
2	Mental/neurological disorders	\$71.97	-1.5%	-4.8%	-6.4%
3	Asthma	\$62.73	-2.0%	4.6%	2.6%
4	Attention disorders	\$52.00	1.1%	7.0%	8.0%
5	Pain/inflammation	\$51.18	-0.1%	0.1%	0.0%
6	Seizures	\$20.57	-0.1%	-0.6%	-0.7%
7	Infections	\$20.47	-1.9%	-2.2%	-4.1%
8	Depression	\$15.38	7.3%	-31.3%	-24.0%
9	Chemical dependence	\$15.21	10.7%	-6.2%	4.5%
10	High blood pressure/heart disease	\$14.19	3.5%	-6.9%	-3.4%
TOTAL TRADITIONAL		\$615.36	2.1%	1.3%	3.3%

Source: Express Scripts (2016). 2015 Drug Trend Report

Forecasts for Non-Specialty Drugs

TREND FORECAST FOR KEY TRADITIONAL THERAPY CLASSES

2016 - 2018

THERAPY CLASS	TREND FORECAST		
	2016	2017	2018
Diabetes	23.9%	22.4%	21.8%
Mental/neurological disorders	-2.0%	-3.6%	-2.6%
Asthma	2.0%	2.0%	2.0%
Attention disorders	7.1%	6.1%	4.0%
Pain/inflammation	1.5%	6.1%	5.0%
Seizures	3.0%	3.0%	3.0%
Infections	-1.1%	0.9%	0.9%
Depression	-14.2%	-8.1%	-4.8%
Chemical dependence	4.5%	1.3%	1.3%
High blood pressure/heart disease	-5.2%	-4.2%	-5.1%
Other traditional classes	3.3%	2.4%	2.4%
TOTAL TRADITIONAL	5.1%	5.8%	6.3%

Source: Express Scripts (2016). 2015 Drug Trend Report

Top Three Most Costly Specialty Drugs in Medicaid Managed Care

COMPONENTS OF TREND FOR THE TOP 10 MEDICAID SPECIALTY THERAPY CLASSES

RANKED BY 2015 PMPY SPEND

RANK	THERAPY CLASS	PMPY SPEND	TREND		
			UTILIZATION	UNIT COST	TOTAL
1	HIV	\$131.80	-5.9%	10.8%	4.9%
2	Hepatitis C	\$62.96	-39.9%	30.2%	-9.7%
3	Inflammatory conditions	\$41.30	24.5%	21.1%	45.6%
4	Oncology	\$27.50	12.1%	17.3%	29.4%
5	Multiple sclerosis	\$24.36	6.4%	9.7%	16.0%
6	Growth deficiency	\$9.55	9.1%	14.7%	23.7%
7	Cystic fibrosis	\$7.89	-2.1%	21.3%	19.2%
8	Pulmonary hypertension	\$5.32	11.4%	-1.7%	9.8%
9	Anticoagulants	\$4.78	0.7%	-6.8%	-6.1%
10	Hemophilia	\$4.12	54.8%	40.0%	94.8%
TOTAL SPECIALTY		\$354.20	-2.2%	12.3%	10.1%

Source: Express Scripts (2016). 2015 Drug Trend Report

Forecasts for Specialty Drugs

TREND FORECAST FOR KEY SPECIALTY THERAPY CLASSES

2016 - 2018

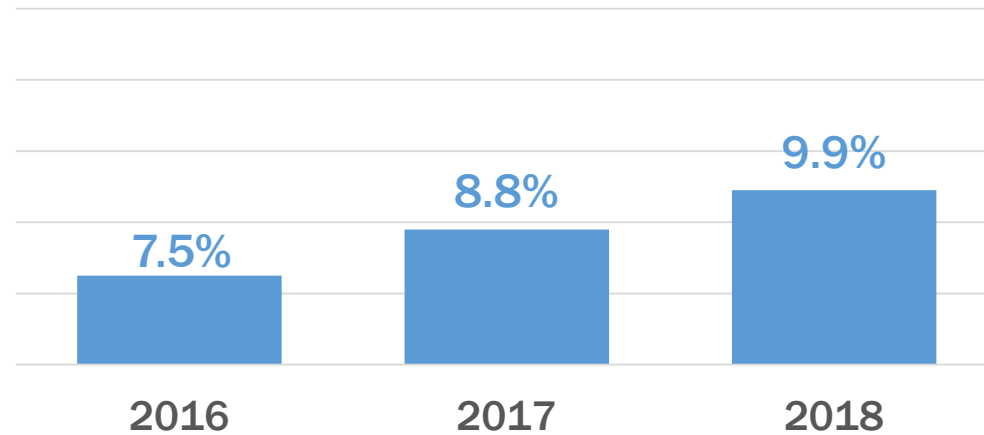
THERAPY CLASS	TREND FORECAST*		
	2016	2017	2018
HIV	7.7%	7.8%	10.0%
Hepatitis C	-5.0%	0.0%	0.0%
Inflammatory conditions	40.0%	36.2%	32.7%
Oncology	27.8%	25.7%	26.6%
Multiple sclerosis	12.3%	10.2%	10.2%
Growth deficiency	15.5%	15.5%	13.0%
Cystic fibrosis	30.0%	27.8%	26.6%
Pulmonary hypertension	16.6%	6.9%	6.9%
Anticoagulants	-3.0%	-1.0%	1.0%
Hemophilia	30.0%	24.4%	27.5%
Other specialty classes	3.3%	3.4%	3.4%
TOTAL SPECIALTY	11.8%	13.7%	15.4%

*Trend is forecast only for specialty medications billed through the pharmacy benefit

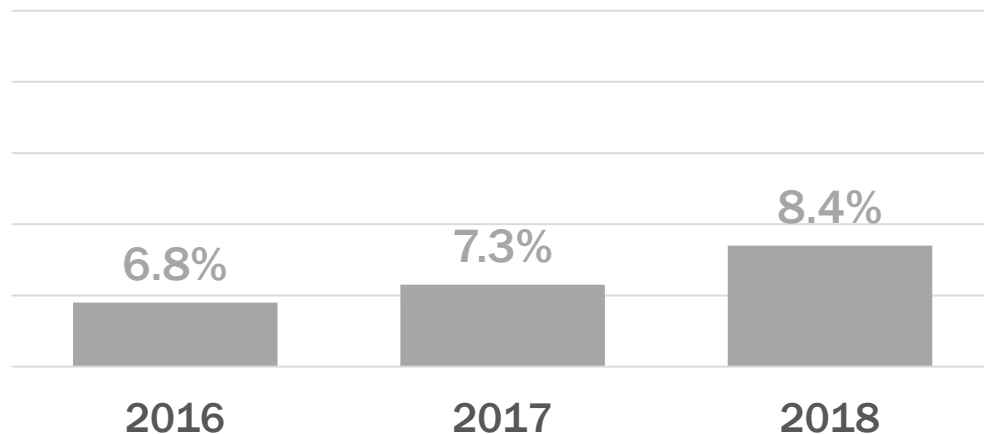
Source: Express Scripts (2016). 2015 Drug Trend Report

Comparison of Trends Between Medicaid & Commercial Coverage

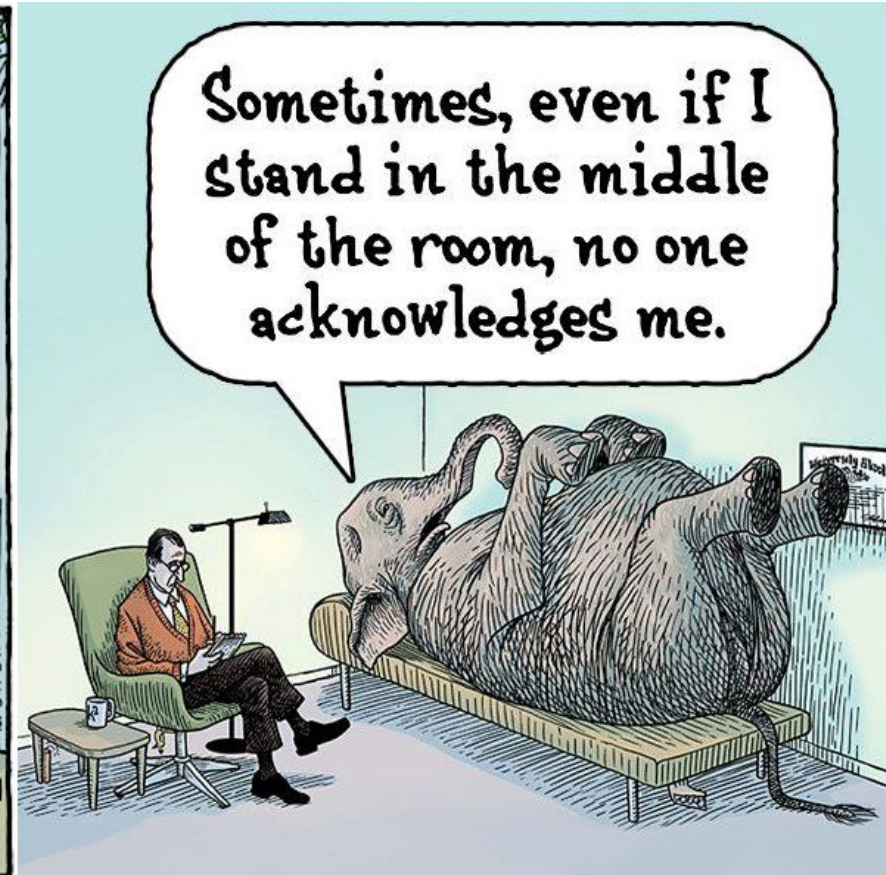
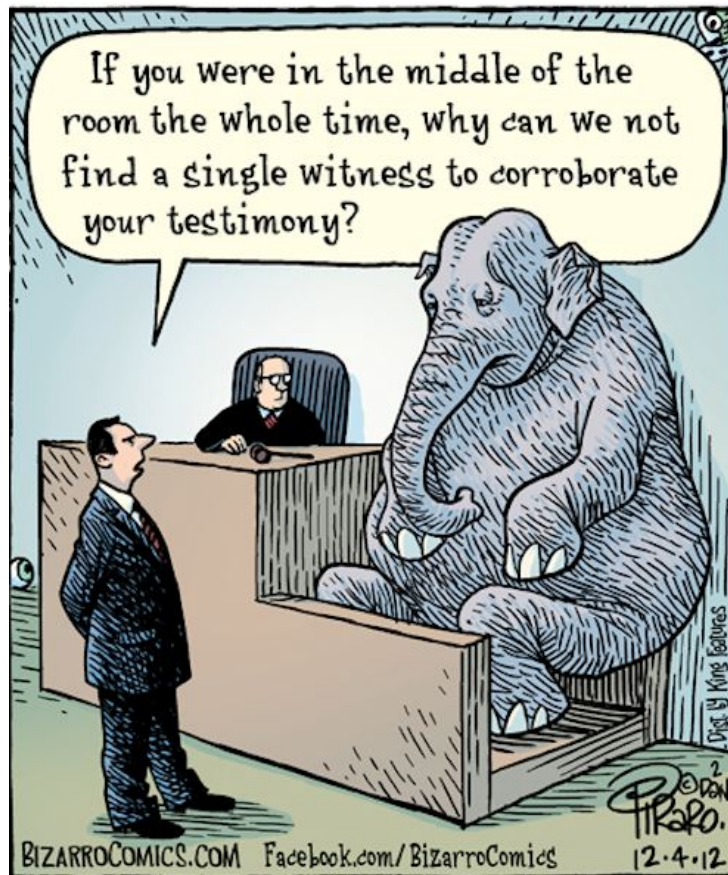
2016 – 2018 Medicaid Prescription Drug Trend Forecast



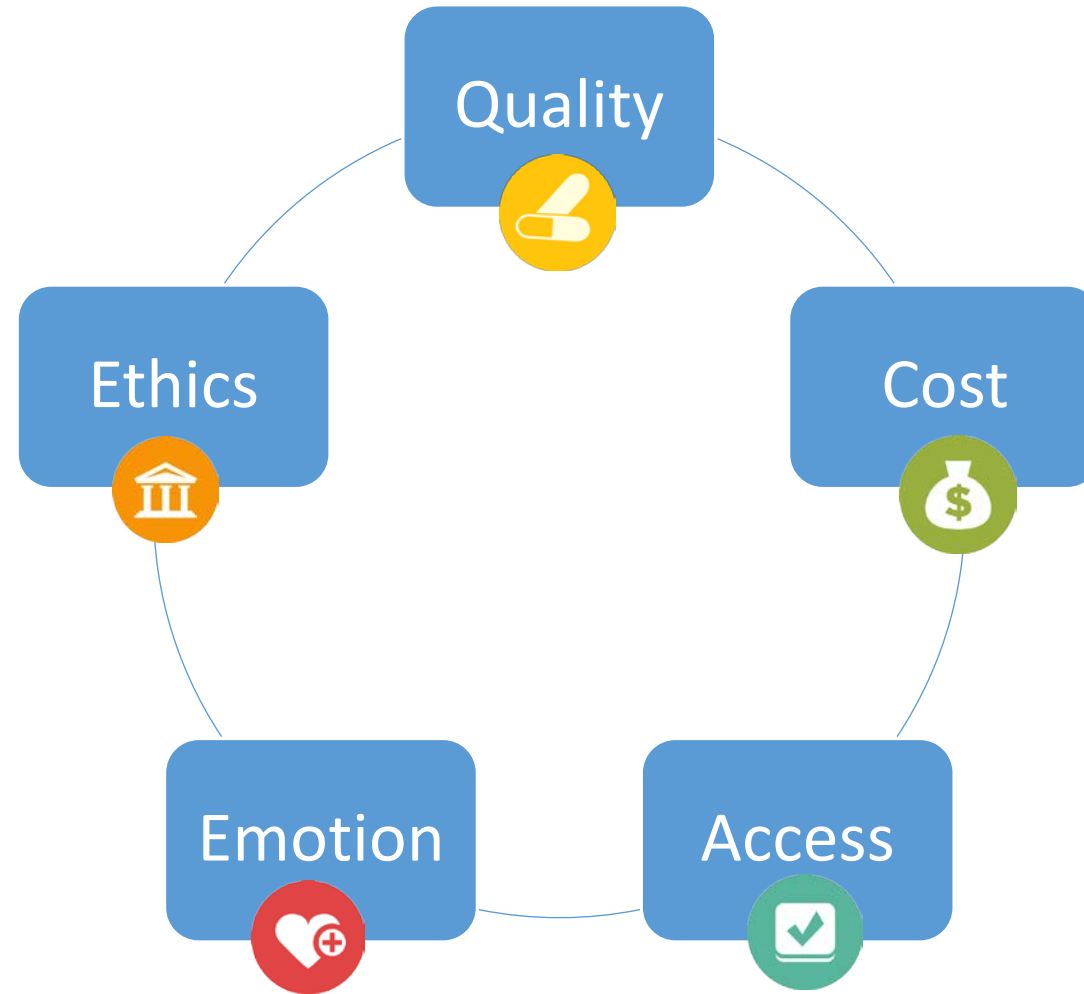
2016 – 2018 Commercial Prescription Drug Trend Forecast



The Elephant in the Room: Affordability of Medications



Five Elements Influencing Medicaid Prescription Drug Access & Coverage



Current Managed Care & State Practices Addressing Access & Cost Issues



Carve-Out Drug Costs/Pay Fee-For-Service for the Drug



Stop-Loss Provision to Cap the Health Plan's Cost for the Drug



Capitation Rate Adjustments Made Off the Normal Rate Cycle










Capitation Rate Adjustment as Part of Regular Rate Adjustments



Bulk-Purchase of Drugs

Potential Options Identified in Literature for Addressing Access & Cost

Need to consider value proposition of quality, cost and access:

-  Value-Based Contracting
-  Actuarially Sound Reimbursement
-  Address Complexity of Pharmaceutical Pricing & Rebates
-  Address Large Price Increases
-  Increase Flexibility in Purchasing Power
-  Remove Rebate Limit
-  Incentivize Lower Launch Prices

