

# Medicaid Costs and Options with High Cost Drugs



*Strong States, Strong Nation*

**for the Utah State Legislature  
Social Services Appropriations Subcommittee**

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Presented by Richard Cauchi, Program Director  
NCSL Health Program  
National Conference of State Legislatures

NCSL takes no position on state health laws, legislation and programs.



Getting beyond the  
Headlines....  
State Legislative roles

**Forbes** Jun 3, 2017  
**A New Cancer Drug Helped Almost Everyone  
Who Took It. Almost. Here's What It Teaches Us**

15, 2018

**BIO** International  
The Global Event for Biotechnology

**FiercePharma**

CEO says U.S. needs to clear a path to biosim  
-and smash the 'rebate wall'



Novartis CEO Vas Narasimhan (right) took the reins from former CEO Jan Janssen in February. (Novartis)  
It's no secret that biosims have failed to take off in the U.S. like some market watchers had hoped. Now, new Novartis CEO Vas Narasimhan is calling for cooperation from all players in the supply chain to help biosims gain traction.  
In a Forbes [guest post](#), Narasimhan said a tangle of intellectual property rules and rebating strategies have

## States Looking for Cure to High Drug Prices



## High Dollar Dilemma

During his State of the Union speech in February, President Donald Trump declared his intention to address what he called "the injustice of high drug prices." He [repeated the promise](#) last month in New Hampshire during a press conference on opioids, vowing we would "be seeing drug prices falling very substantially in the not-so-distant future, and it's going to be beautiful."  
But the particulars of his plan remain a mystery. Trump has promised those details are soon forthcoming, but states are not waiting around holding their breath. As prescription drug prices have [continued to climb](#), over the last three years all but a handful have adopted their own laws aimed at bringing those costs down.  
According to the [National Conference of State Legislatures](#), 44 states have adopted a total of 135 prescription drug pricing bills since 2015. States have introduced another 361 bills across 47 states this year alone. Those measures cover a wide spectrum of efforts, from requiring drug makers to justify price increases to removing so-called "gag orders" from pharmacy benefits managers (PBMs) that bar druggists from telling consumers about cheaper options for their medications.

**MAKE HISTORY AT BIO 2018**  
BOSTON, MA • JUNE 4-7, 2018

**QW Money**

## How Trump plans to cut prescription drug prices

by Tami Luhby @Luhby

11 minutes 10, 2018 10:02 AM ET



Alex Azar is President Trump's Health & Human Services secretary  
Who is Alex Azar?

President Donald Trump finally explained how he plans to fulfill his promise of lowering prescription drug prices -- at least in part.

On Monday, his administration released its 2019 budget blueprint, which proposed changes to payment policies in Medicare and Medicaid and fast-tracking the development of generic drugs as ways to help accomplish that goal.

"In particular, the budget's efforts to reduce the high cost of prescription drugs, especially for America's seniors, are a reflection of President Trump's deep commitment to addressing this important issue," said Health Secretary Alex Azar.

Retirement Income The budget calls for giving up to five states greater leeway to test drug coverage and payment models in their Medicaid programs. These states would be allowed

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# 1- High Cost Drugs: an Overview

- Lower-cost **generics** = 90% of the prescriptions filled in U.S.
- Nationally 15% of Medicaid spending goes to prescription drugs
  - 2/3 for brand-name; 1/3 for generics
- **“Specialty drugs”** (Brands; often \$600+/month; injected, biologics, infused)  
New focal point of concern. 15.4% average increase for 2018
- Rapid growth of new “innovator” products. Hepatitis C drugs as “miracle cure;” cost \$84k , eventually lowered to \$26,400 for a course of treatment

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- Medicaid programs get “best price” through a fairly complex set of formulas no less than a statutory minimum percentage
- CMS also limits state Medicaid agencies to federal upper limits in their drug pricing methodologies.

(source: S. Fitton, MI Medicaid)

## 2- Medicaid Drug Structure (a 50-state perspective)

- **Federal Rebates laws** established a formal, industry-wide price rebate system, “OBRA 1990” modified by ACA 2010
  - **Brand** “Innovator” Rx receive 23.1% below **Average Manufacturer Price (AMP)**
  - **Generic** or “Non-innovator” **Drugs** – 13 % below the AMP per unit
  - All “medically necessary” drugs must be available (exceptions, exclusions)
- **Preferred Drug Lists** – designed by states (using 2-columns)

Preferred Drug	Non-preferred Drug
<b>G</b>   celecoxib	<b>B</b>   Celebrex

[G=Generic; B= Brand](#) [Utah Medicaid PDL \(08-01-18\).pdf](#) 36 pages

- **Prior Authorization** – physician/prescriber request to use a more costly drug. Approval granted in 90% +/- of cases
- **Individual Patient Appeals**
- **Utilization Review Board**
- **“P & T” Committees** (Pharmaceutical & Therapeutics)



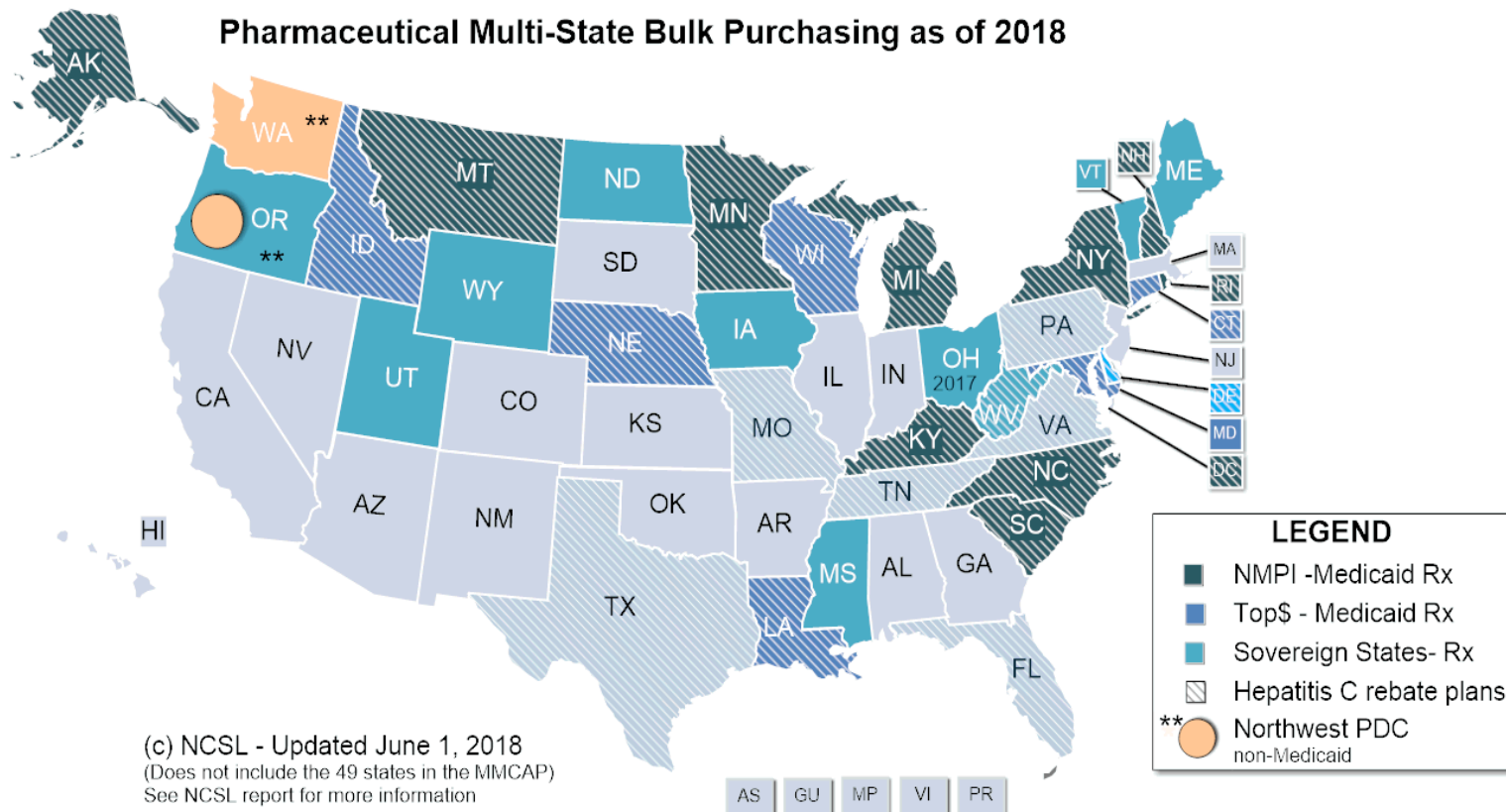
# 3- State-Initiated Supplemental Rebates + Negotiations

Multistate Rx Purchasing – 4 groups

## Sovereign States Drug Consortium ([SSDC](#))

non-profit structure, started 2005 for Medicaid purchases.

**12 states:** **Utah** , Delaware, Iowa, Maine, Mississippi, North Dakota, Ohio (joined 2017), Oklahoma, Oregon, Vermont, West Virginia and Wyoming are **operational members** as of 2018.



### Advantages:

- Achieve larger discounts on specific large-volume or newly-marketed drugs
- Negotiation “strength in numbers”
- Compare state agency results

### Drawbacks/Limits

- Most prices are confidential
- Legislatures often express concern at what role they can play
- Managed care (1/3 of states)

## 4- State Use of Drug Price & Cost Transparency

- New/expanded HHS/CMS “Medicaid Dashboard”
  - Provides Rx by brand name: annual increase rate by percent & dollars  
(Example: Lantus 18.7% annual; \$13 to \$25 in 4 years) – *Details in NCSL Memo*
- State law initiatives 2016 -2018
  - 6 states: laws to require price transparency and disclosure, including research, manufacturing and marketing costs. CT, LA, ME, NV, OR, VT.
  - NY: Establishes a Medicaid drug spend cap, “a limit on annual growth.”
  - AR: Prior Authorization Transparency Act, “do not hinder patient care” ([S 318](#))
  - “Step Therapy” and consumer rights (cost vs. consumer access)
  - Drug importation- extensive state history; state-based wholesale (VT)

# 5 – Rx Effectiveness or Value-Based Purchasing



## A) Drug Effectiveness Review Project (DERP)

DERP initiated in 2003 in response to dramatic increases in the cost of pharmaceuticals to **state Medicaid budgets**. A collaborative state Medicaid agencies and other organizations. Comparative effectiveness reviews to inform evidence-based decisions for Medicaid recipients. Coordinated by the Center for Evidence-based Policy (CEbP) at Oregon Health & Science University (OHSU). 12 states pool funds for research.

## B) State Medicaid Alternative Reimbursement and Purchasing Test For High-cost Drugs (SMART-D)

- Oregon-based project: Value-based industry collaboration plan
- “... help bring clarity to the complicated landscape of drug purchasing for state Medicaid programs and provide alternative payment models (APMs) to help improve patient access to evidence-based therapies while allowing states to predict and manage prescription drug costs. SMART-D project includes:
  - Mapping the landscape of Medicaid drug purchasing; Identifying alternative payment options for states
  - Working to increase patient access and improve outcomes; Identifying specific opportunities to collaborate with drug manufacturers; Providing implementation, technical assistance and support to states

<http://smart-d.org/research-and-reports/>

## C) CMS Approves 1<sup>st</sup> value –based Medicaid rebate plan for Oklahoma

New State Plan amendment allows new supplemental rebates for state “if clinical outcomes are not achieved.” Uses benchmarks based on health outcomes. (June 27, 2018) **States are watching...**

## 6- What's Next for States?

- Trump Administration announced  
“Blueprint to Lower Prices and Reduce Out-of-Pocket Costs.”  
More than 25 strategies in 4 categories: improved competition, better negotiation, incentives to lower list prices and lower out-of-pocket costs
- Federal action will affect multiple Medicare transactions;
- So far, Medicaid is mostly not directly affected. (see KFF memo)
- Medicaid Demonstration Waivers –voluntary for up to 5 states- could create an in-state formulary
- Accelerated FDA approval of interchangeable biosimilars? None yet.

2019 State Legislation or Budget Changes? ? ?