

# Center for Evidence-based Policy: SMART-D Initiative

Washington State Prescription Drug Price and  
Purchasing Summit  
June 14, 2016

Jane Beyer

Program Officer, Milbank Memorial Fund/CEbP



# Project Rationale

State Medicaid programs face specific hurdles when addressing patient access to prescription drugs and costs associated with drug coverage. Unlike private payers, Medicaid programs cannot increase budgets through premium hikes or higher patient cost-sharing. Moreover, the Medicaid Drug Rebate Program\* requires states to provide coverage for all drugs produced by drug manufacturers who have rebate agreements with the federal government. The rebates provide Medicaid programs with lower prices than private payers. However, the MDRP also limits the ability of states to provide prescription drug coverage in a manner that promotes use of the most clinically effective drugs and focuses on improving the health of Medicaid patients, while working to manage prescription drug costs.

\*Social Security Act §1927



# Project Goals

With the support of the Laura and John Arnold Foundation, the Center for Evidence-based Policy at Oregon Health & Science University is undertaking, a three-year, three-phase pilot program to:

1. Strengthen the ability of Medicaid programs to provide access to clinically valuable prescription drugs, improve patients' health outcomes and better manage prescription drug spending through the use of alternative payment models, and
2. Provide Medicaid leaders with opportunities to shape the national conversation on prescription drug innovation, access, and affordability.



# Summary of Project Phases

## **Phase One: Discover**

(February – July 2016)

Complete Situational Analysis: Alternative Payment Model Barriers and Opportunities



## **Phase Two: Disseminate**

(August 2016-April 2017)

Develop Implementation Plan for Alternative Payment Models

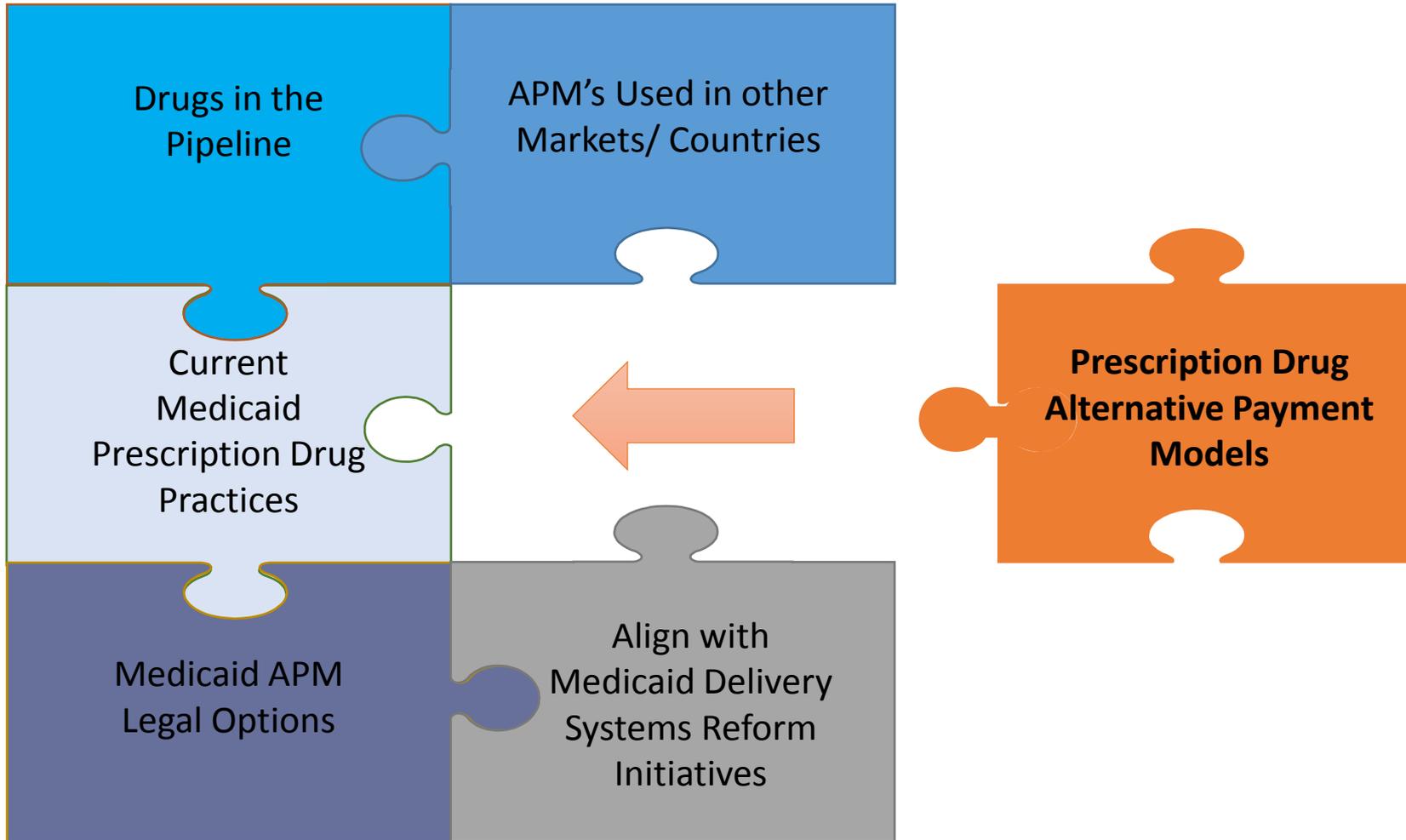


## **Phase Three: Implement**

(timing to be determined)

Three to Five States Implement Alternative Payment Models  
*(scope pending definition of implementation plan)*

# Medicaid Prescription Drug APM's – Putting the Pieces Together



Phase One:  
February to July  
2016

**Situational Analysis:  
APM Barriers and  
Opportunities**

1. Pipeline Analysis

2. Current Practices for  
Alternative Payment  
Models

3. Current Practices for  
Medicaid Pharmacy

4. Legal and  
Compliance Analysis

5. Thought Leader and  
State Insights

6. Engagement Strategy

# 1. Pipeline Analysis

- Assess new drugs in approval pipeline
- Develop projected estimates for Medicaid program utilization and cost



## 2. Current Practices for Alternative Payment Models

- Review current use of alternative payment models for prescription drugs outside of Medicaid that promote access to the most clinically effective drugs



# 3. Current Practices for Medicaid Pharmacy: CEBP/MED Report - State Policy Options to Manage High-Cost Specialty Drugs

Tools currently used by states:

- Preferred drug lists
- Prior Authorization
  - Related to both drug status on PDL and clinical medical necessity criteria
- Care management as a “whole person” approach to improve health outcomes, via FFS and managed care
- Specialty pharmacy networks for high cost specialty drugs, via FFS and managed care
- Participation in multi-state purchasing pools



# 3. Current Practices for Medicaid Pharmacy: CEbP MED Report - Policy Options to Manage High-Cost Specialty Drugs

Tools currently used by states (continued):

- 340B program:
  - Increasing provider participation in 340B program
  - Sharing in 340B provider discount savings
  - Pairing 340B and “center of excellence concept” to improve health outcomes, e.g. hemophilia
- Clinician-administered medications:
  - Moving these medications into pharmacy benefit
  - Applying state PA policies to these medications
- Oversight of managed care plans’ (and their PBM’s) formularies and prior authorization criteria
- Participation, where allowable under federal law, in MCO PBM’s multi-payer initiatives



## 4. Legal and Compliance Analysis – Framework

- Understand current legal framework for Medicaid prescription drug coverage and payment through Medicaid drug rebate program (MDRP)
- Explore potential options within and outside MDRP to use APM's to drive use of clinically valuable drugs and manage prescription drug costs
- Accommodate different state Medicaid delivery system models, e.g. FFS or managed care
- Support value-based payment approaches with pharmacies and health care providers, in addition to agreements negotiated directly with prescription drug manufacturers
- Align with state Medicaid value-based payment delivery system transformation efforts



## 5. Thought Leader and State Insights

- Actively seeking insights from states and other thought leaders to inform the work of the project:
  - SMART-D Advisory Committee: National thought leaders from a range of perspectives, including clinicians, consumers, pharmaceutical manufacturers, payers, foundations and researchers, supported by the Milbank Memorial Fund.
  - State Medicaid programs
  - Medicaid managed care organizations
  - Pharmacy benefit managers



Phase Two:  
August 2016 to April  
2017

Implementation Plan  
for Alternative Payment  
Models

Develop Alternative  
Payment Models

APM Readiness  
Assessment Tool

Business Case/  
Analytical Framework

Legal Tools for States

Selection of Phase 3  
Implementation States

# LJAF Prescription Drug Portfolio Strategy

- Other Grantees in LJAF Portfolio Strategy:
  - Institute for Clinical and Economic Review
  - Initiative for Medicines, Access and Knowledge
  - Harvard Medical School
  - Memorial Sloan Kettering Cancer Center
  - Johns Hopkins/Bloomberg School of Public Health
  - Institute of Medicine
  - Kaiser Health News



