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Report to the New Mexico Interagency Pharmaceutical Purchasing Council
slide 11 revised 3/1/2020 for new Medicaid rebate amount analysis

Policy Recommendations for IPPC Consideration

Revised for new Medicaid rebate data on slide 11

Horvath Health Policy, *Innovations in Healthcare Financing Policy*

Why have drugs become so expensive?

- No serious constraint on manufacturer price setting or price increases
  - **Patent thickets**
  - **Unrelenting pressure on stock price**
  - **Focus on small population treatments (rare diseases)**
  - **Unparalleled political power**
  - **Price increases help competitors**
  - **General market disfunction**
- Misaligned incentives and policies in the market
  - **Rebates instead of on-invoice discounts**
  - **From academic bench science to the supply chain to PBMs –**
    - **Everyone benefits from higher prices because revenue is a percentage of price**
- Who doesn't benefit from high drug prices
  - **Patients**
  - **Health plans**
  - **Government programs**

Context

- Other states share New Mexico's concern about prescription drug spending
- NM SB131 gave the IPPC an agenda consistent with what other states are working on:
  - **Align state (and local) government funded healthcare for more market leverage**
  - **Consolidate drug procurement for state (and local) government purchasers**
  - **Try value-based contracting for high cost drugs**
  - **Understand the role of 340B discount drug program in state healthcare systems**
  - **Evaluate multi-state purchasing strategies**
  - **Bring private and public sectors together for new drug financing or drug procurement strategies**

IPPC Member Distinctions

- Payers/Health Plans
  - **Reimburse pharmacies, physicians, facilities for drugs dispensed or administered (ingredient cost reimbursement)**
  - **Reimbursement pharmacies, physicians, facilities for professional services required to dispense or administer**
- Purchasers
  - **Buy and take ownership of the drug product**
  - **Resale to institutions that dispense or administer the product**
  - **Dispense or administer product to patient**
  - **Bill payer for ingredient cost and professional services**
- Hybrids
  - **Hospitals and other facilities that purchase but also run [employee] health plans**

Traditional Payer Cost Control Tools

- Benefit design tools
  - **Formulary – Open/Closed**
  - **Preferred Drugs/Tiering**
  - **Prior Authorization**
  - **Step Therapy**
  - **Quantity Limits**
- Use benefit design tools to move market share
  - **Basis of manufacturer rebate agreements**

Purchaser Market-Based Cost Control Tools

- Wholesaler purchasing
  - **Volume**
- Manufacturer Negotiations
  - **Prefer the product**
  - **Exclude competitors (move market share for manufacturer)**
  - **Manufacturer agreements are fulfilled by wholesalers**

Initial Payer Data

10 IPPC Payer PBM Contractors

- The 10 health plans represented by IPPC members include 3 Medicaid MCOs and Medicaid Fee for Service
- 5 Express Scripts contracts (ES is owned by the health insurer, Cigna)
  - **All 5 Express Scripts contracts are with New Mexico government employee health plans**
- 1 Optum Rx contract (Optum is owned by the health insurer, UnitedHealth)
  - **Medicaid managed care plan**
- 2 Prime Therapeutics contracts (Prime has been purchased by Express Scripts)
  - **UNM employee health plan**
  - **Medicaid managed care plan**
- 1 Envolve Pharmacy Services contract
  - **Medicaid managed care plan**
- 1 Conduent contract
  - **Medicaid fee for service**

COSTLIEST DISEASE STATES REPORTED BY IPPC PLANS	# OF IPPC PLANS REPORTING DISEASE STATE AS ONE OF 5 MOST COSTLY	HIGHEST SPEND RX ASSOCIATED WITH TOP SPEND DISEASE CONDITIONS	
DIABETES	10	Trulicity (3 plans) Humalog (1 plans) Novolog (2 plans)	Lantus (1 plan) Levemir (1 plan) Basaglar (2 plans)
CANCER	8	Revlimid (4 plans) Imbruvica (2 plans)	Imbrance (1 plan)
INFLAMMATORY	8	Humira Pen (9 plans) Enbrel SureClick (1plan)	Stelara (2 plans)
HIV	7	No HIV Rx was reported in top 5 highest spend Rx for any plan	
MULTIPLE SCLEROSIS	5 (all employer plans)	Gilenya (2 plans) Tecfidera (2 plans)	Aubagio (1 plan)
HEPATITIS C	3 (all Medicaid)	Mavyret (4 plans)	
SUBSTANCE ABUSE TREATMENT	3 (Medicaid)	Suboxone (3 plans)	
ASTHMA	2 (all Medicaid)	No asthma/COPD Rx was reported in top 5 highest spend Rx for any plan	
BLOOD THINNERS	1 (employer)	Xarelto (1 plan) Eliquis (1 plan)	
HEMOPHILIA	1 (employer)	Kovaltry (1 plan) Idelvion (1 plan)	Adynovate (1 plan)
PAIN	1 (Medicaid)	No pain Rx was reported in top 5 highest spend Rx for any plan	
SEIZURES	1 (Medicaid)	No anti-convulsant Rx was reported in top 5 highest spend Rx for any plan	
INFECTIONS	1 (employer)	No anti-infective Rx was reported in the top 5 highest spend Rx for any plan	

IPPC Payer Average Rebates as % of Pharmacy Spend

- Express Scripts Plans (employer plans) -- 23.7% to 32.6%
- Prime Therapeutics (employer plan) – 10.7%
- Average rebate percentage is not correlated to size of plan/number of covered lives
- All 6 Employer plans all had the following diseases in their 5 most costly medical conditions
  - **Diabetes**
  - **Autoimmune**
  - **Cancer**
- 5 Employer plans reported these diseases in their top 5 most costly medical conditions:
  - **Multiple Sclerosis**
- Common PBM contractor, common highest spend diseases, but diverse average rebate percentages

Medicaid Average Rebate Percentages

- Medicaid managed care plans have low average rebates amounts
  - **MCO Rx utilization is submitted to State and used to bill for federal law rebates.**
  - **Manufacturers are not inclined to provide significant price concessions for the same drugs twice**
- Medicaid Fee for Service (FFS)
  - **Average rebate is 54% of total pharmacy spend**
  - **Nationally, rebates offset ~50% of the pharmacy spend**
  - State data is consistent with federal rebate data

Purchaser Data

Department of Health

- Purchaser
  - For outpatient health clinics
    - Accesses federal deep discount 340B program
      - 340B pricing are probably the lowest prices in the country
    - Operates a warehouse
    - Cardinal Health wholesaler supplier via MMCAP
  - Residential facilities (veterans, behavioral health, substance abuse treatment)
    - In-house pharmacy services
    - Cardinal health is wholesaler via MMCAP
  - Additional notes:
    - Veterans facility can access US VA pricing
    - Sequoyah facility uses Pharmerica for prescriptions/billing residents with health coverage, and Diamond pharmacy for in-house Rx stocking
    - Turquoise Lodge stocks about 300 drugs for common conditions. No HIV or specialty meds
    - Los Lunas community facility contracts for pharmacy services – Rx Innovations based in NM

Children Youth and Families Department

- Juvenile Justice residential facilities
  - In-house pharmacy services
  - Sapphire Pharmacy via MMCAP
  - Off-patent drugs are the major expense
    - Skin conditions, infections, asthma

Department of Corrections

- Wexford Health contracted for all medical care
  - Boswell Pharmacy is Wexford subcontractor
  - Boswell stocks some on-site medicines
  - Boswell does prescription fulfillment for medicines not stocked on site
- Hepatitis C, diabetes and inflammatory conditions are highest spend drugs.

Recommendations

Payers

Pharmacy Benefit Manager Contract

1. Independent review existing PBM contracts
    1. Formulary and formulary structure
    2. Contract provisions that may disadvantage a payer
    3. Contract termination provisions
    4. Pharmacy network participation requirements and reimbursement methodology
2. Independent review of financial performance of each contract
3. Review/compare procurement rules of different departments/agencies
4. Evaluate feasibility and benefits of consolidated PBM contracting
    1. Consider a 'reverse auction'
    2. Consider Northwest Consortium
5. Ensure that PBM provisions do not punish lower cost drug offerings

340B Implications for Public Payers

1. Understand which facilities and commercial pharmacies participate in 340B program
2. Understand how much of payer outpatient pharmacy spend is the result of a medical service at a 340B entity
3. Determine if the there is an opportunity for government payers to share in the savings of government 340B providers
    1. 300 hospital 340B outpatient specialty medicine clinics in New Mexico
    2. 366 community health centers in New Mexico

Pharmacy Reimbursement

- Do payers reimburse national chain pharmacies and independent pharmacies the same for brand and/or generic drugs?
- Can government payers create differential payments based on actual acquisition costs?
- Independent pharmacies and regional chains have higher drug acquisition costs than national chains.
- If national chains were reimbursed less and independents reimbursed more, there could be a savings
  - Even if the reimbursement change is budget neutral, there would be greater fairness in the reimbursement system.

Selected Providers for Administration of Specialty Drugs

- Explore whether government payers could/should collectively establish 'centers of excellence' for the administration of certain drug treatments?
- Centers of excellence would be 340B participating facilities
  - Centers of excellence would share in the savings of the 340B drug products
  - Centers of excellence would benefit from service volume
- Payers may make other concessions to centers of excellence such as increased procedure reimbursement, fewer utilization management protocols applied to the treatment

Track Development of Non-Profit Drug Manufacturing

- CivicaRX
  - Private label distributor
  - Intent to become a manufacturer
  - Generic drugs important for inpatient care that are in recurring shortage
- 18 Blue Cross Blue Shield plans will support retail generic drugs
  - Affiliated with CivicaRx
  - Retail generic drug manufacture
  - Private label distribution
  - New Mexico BCBS?
- State of California, Office of Pharmaceutical Acquisition Services

Recommendations

Medicaid

Medicaid Considerations

- Establish supplemental rebate agreements
- Participate in a consolidated IPPC PBM procurement structured as a supplemental rebate agreement for Medicaid
- Participate in any Centers of Excellence program established by the IPPC
- Determine compliance with federal 340B billing rules
- Assess financial implications of generic dispensing
- Evaluate whether to carve out pharmacy from managed care contracts

Recommendations

Facilities

Off-Site Pharmacy Services

- IPPC purchasers use 3 different pharmacy services
  - Boswell Pharmacy (Corrections)
    - Supply on-site stock and individual prescription fulfillment
    - Hep C treatments, Humira, Lantus
  - Innovations Rx (Dept of Health Los Lunas residential facility)
    - Prescription fulfillment
    - Top spend Rx?
  - Sapphire Pharmacy (CYFD Juvenile Justice)
    - Supply on-site stock
    - Symbicort, generics for asthma and skin disorders
- Compare contracts, dispensing fees/stocking fees, ingredient costs
- Compare with Cardinal Health wholesaler contract with current pharmacy services contracts
  - Can DoC stock high spend medicines on-site if Cardinal represents savings?

340B Drug Discount Program

- Are State purchasers maximizing 340B participation?
  - Review 340B eligibility
  - Check status of all Department of Health clinics
- Can residential facilities have residents treated at any of the 366 health clinics or 300 hospital outpatient specialty clinics in New Mexico?
  - "Regular" patients of a 340B clinic can be treated with 340B discount drugs

Recommendations

Broad-based Ideas

Multi-Agency Ideas

- Create Statewide office of prescription drug procurement and negotiations
  - Unified multi-agency contracting for off-site pharmacy services
  - Unified PBM contracting
  - Negotiate with 340B providers on behalf of state payers and residential facilities
  - Could include commercial plans and ERISA plans
- Washington State Healthcare Authority – unified formulary
  - Medicaid, state employee and retirees, school employees, workers comp
- Massachusetts State Office of Pharmacy Services
- California General Services Office of Pharmaceutical Services

Multi-Agency Ideas

- High Risk Insurance Pool for Rare Disease Treatments
  - Coverage of high cost, rare condition treatments
  - Express Scripts/Cigna offering to ERISA plans
  - Could include commercial plans and ERISA plans
- Incentivize enrollees to purchase from Canada or Mexico
  - Utah
  - CanaRx

Create a Prescription Drug Affordability Board

- Analogous to state oversight of public services
- Focus on drugs with costs that impede patient access and payer ability to finance
- Statewide upper payments limits for certain drugs
- 2 states enacted, 12 state bills this year, MN Governor's Healthcare Task Force recommendation

States have been here before

- MMCAP (renamed infuse-mn), 1985
- 1980's manufacturer refusal to negotiate with Medicaid lead to the Medicaid drug rebate program, 1990
- State supplemental Medicaid rebate contract pools 2003, 2005, 2005
- Northwest Consortium, 2006
- State interagency collaboration
  - **MA State Office of Pharmacy Services 1992**
  - **Washington Health Care Authority (unified formulary Medicaid, state employees, school employees and workers comp)**
  - **CA Pharmaceutical Collaborative/Office of Pharmaceutical Acquisition Services**

States Then and Now

- Many state efforts in early 2000's faded
  - PBM offerings started to fill the need states had
  - PBM consolidation created the market strength states were trying create
- State efforts that persist today address both purchasers and payers
- States and others are innovating in this space again

Thank You!

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