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STATE MEDICAID ALTERNATIVE REIMBURSEMENT AND PURCHASING TEST FOR HIGH-COST DRUGS (SMART-D)

Center for Evidence-based Policy
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National Conference of State Legislatures
Phoenix, AZ  December 11, 2019
Addressing policy challenges with evidence and collaboration

- Established in 2003 at Oregon Health & Science University
- Our work is driven by states, 90% in Medicaid
- We are not funded by industry or associations
- We have one foundation grant (Arnold Ventures)
- Worked with 25 states in the past two years
- We do not lobby
- We are nonpartisan
- Not academic publishing focused (or interested)
State Medicaid Alternative Reimbursement and Purchasing Test for High-cost Drugs (SMART-D)

State Situation and Needs

• New high-cost therapies are increasing

• State budgets are finite – 49 states have balanced budget requirements

• States need better tools to provide access while managing costs
Medicaid Pharmacy Program Dynamics

- State management tools are limited
  - States are required to cover if a federal rebate agreement exists
  - States cannot use closed formularies, although preferred drug lists (PDL) are allowed;
  - States can use prior authorization criteria with the PDL
  - States can negotiate supplemental state rebates;

...but in the end, the states will have to pay – regardless of efficacy
Medicaid Collaboratives

- **DERP** - The Drug Effectiveness Review Project is a collaborative of 16 state Medicaid and public pharmacy programs producing comparative, evidence-based products to assist decision-makers grappling with difficult drug coverage decisions.

- **MED** - The Medicaid Evidence-based Decisions Project is a collaborative of 21 state Medicaid programs producing reliable, high-quality evidence to aid in the design of benefits and coverage policy.

- **SMART-D** - The State Medicaid Alternative Reimbursement and Purchasing Test for High-Cost Drugs Project is a collaborative of 13 Medicaid programs working to strengthen the ability of Medicaid programs to manage prescription drugs through alternative payment methodologies and shape the national conversation on prescription drug innovation, access and affordability.
MED, DERP, SMART-D Collaborative States
### State Opportunities: Pathways Currently Under Exploration by SMART-D States

<table>
<thead>
<tr>
<th>Pathway One:</th>
<th>Supplemental Rebate Arrangements</th>
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<tbody>
<tr>
<td>Pathway Two:</td>
<td>Managed Care Organization (MCO) Contracting</td>
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<td>Pathway Three:</td>
<td>MCO/340B Covered Entity Partnerships</td>
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<td>Pathway Four:</td>
<td>Hospital-Dispensed Covered Outpatient Drugs</td>
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<td>Pathway Five:</td>
<td>Physician-Administered Drugs That Fall Outside “Covered Outpatient Drug Definition</td>
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<td>Pathway Six:</td>
<td>Alternative Benefit Plan</td>
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<td>Pathway Seven:</td>
<td>Section 1115 Waiver</td>
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<td>Pathway Eight:</td>
<td>340B with Innovative Care Delivery Models</td>
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SMART-D Website and Reports

www.smart-d.org

- Outcomes-Based Supplemental Rebate Contract Template
  - OK, MI, CO
- RFP Development for Purchasing -
  - Washington - Hep C
- Tool-Kits and Issue Briefs
  - Alternate payment methodologies
- Multi-agency purchasing (forthcoming)
- Medicaid single PDL (forthcoming)
- Economic and legal analysis
In the midst of incredible scientific progress, medicine cost growth is declining

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<thead>
<tr>
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<th>2015</th>
<th>2018</th>
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<tbody>
<tr>
<td>5.3%</td>
<td>5.0%</td>
<td>8.5%</td>
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<tr>
<td>0.4%</td>
<td>3.3%</td>
<td>4.5%</td>
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Note: IQVIA data is reflective of retail and physician-administered medicine spending.
In fact, after discounts and rebates, brand medicine prices grew just 0.3% in 2018


*Includes protected brand medicines only (ie, brand medicines without generic versions available in the year indicated).

**Net price growth reflects impact of off-invoice rebates and discounts provided by manufacturers.
Lack of competition in the supply chain

- Highly concentrated supply chain with few key players controlling large market shares

- Top 3 PBMs account for roughly 75% of covered lives
- Wholesale, pharmacy and insurer markets are also highly concentrated
- Of $100 spent on drugs, $42 goes to PBMs, wholesalers, pharmacies, and insurers.

Source: Neeraj Sood, PhD USC Schaeffer Center for Health Policy & Economics presentation during August 2019 NAIC Webinar
State Policy Solutions to Address Affordability Challenges

PROMOTE VALUE-DRIVEN HEALTH CARE

• Encourage states to explore innovative value-based arrangements that are voluntary
• Better use of all payer claims databases (APCDs) to reduce spending on low value care

ENSURE PATIENTS WITH STATE-REGULATED INSURANCE DIRECTLY BENEFIT FROM REBATES

• Support legislation at the state-level that could potentially reduce patients’ out-of-pocket costs by requiring insurers to share manufacturer discounts and rebates with patients at the pharmacy counter

SUPPORT FIRST DOLLAR COVERAGE OF CERTAIN PRESCRIPTION DRUGS

• Support policy that requires health insurers to provide coverage of certain medicines prior to the deductible

SUPPORT POLICIES COUNTING PAYMENTS OUTSIDE OF INSURANCE TOWARD OUT-OF-POCKET COSTS

• Change health insurance rules to require health plans to count the cost of prescriptions purchased through third-party programs, like Blink Health and GoodRx, toward patient out-of-pocket costs limits