

Speciality Drugs – Minimization of Costs

(FY2019 Appropriation Act - Public Act 207 of 2018)

March 1, 2019

Sec. 1621. By March 1 of the current fiscal year, the department shall report to the house and senate appropriations subcommittees on the department budget, the house and senate fiscal agencies, and the state budget office on strategies the department is using to minimize the state cost of specialty drugs. Also, the department may take additional measures in order to further reduce state costs, while also ensuring that appropriate clinical care is being utilized. The report shall also include information on savings generated as a result of these additional measures that may include additional cost sharing, step therapy, and prior authorization.



Evaluating Overall Trends

Each year the Michigan Department of Health and Human Services (MDHHS) monitors and evaluates overall Fee-For-Service (FFS) pharmacy benefit expenditures and rebate invoicing trends. The MDHHS compares overall pharmacy expenditure trends to specialty pharmacy expenditure trends and other drug class trends.

Most recently, the most notable causes impacting pharmacy expenditure trends identified by the MDHHS in partnership with its Pharmacy Benefits Manager (PBM) Services vendor, Magellan Medicaid Administration, Inc., include the following:

- Fewer generic/manufacturer competitors
- New and innovative biological treatments
- More specialty products being utilized at a higher cost per script than historically

Historically, the majority of overall FFS pharmacy drug expenditure has been attributed to behavioral health medications that were carved-out of the Medicaid Health Plans (MHP) nearly two decades ago. However, in recent years, there has been significant growth in non-behavioral health high cost specialty drugs. These high cost specialty products are commonly carved-out of the MHP benefit. According to the 2017 Boilerplate Section 1858 report, non-Behavioral Health medications in the MHP pharmacy carve-out expenditures increased from 10% in Fiscal Year (FY) 2010 to 38% in FY 2017 whereas Behavioral Health medications decreased from 90% in FY 2010 to 62% in FY 2017. Notably, although the specialty product expenditures are expected to grow, overall FFS pharmacy drug expenditures in FY 2018 were nearly the same as FY 2017.

Five examples of high cost specialty drugs that recently entered the market include:

- Voretigene neparvovec (Luxturna): one-time cost of \$425,000 per eye [Inherited Retinal Disease]
- Nusinersen (Spinraza): \$750,000/1st year treatment [Spinal Muscle Atrophy]
- Eteplirsen (Exondys 51): \$300,000-1,000,000/year based on weight [Duchenne's Muscular Dystrophy]
- Tezacaftor/Ivacaftor (Symdeko): \$290,000/year [Cystic Fibrosis]
- Tisagenlecleucel (Kymriah): \$475,000/treatment (one time) [refractory B cell precursor ALL]

Outcomes-Based Pricing for High-Cost Drugs

MDHHS will be testing a new payment model to hold drug manufacturers accountable for the prices they set. Michigan recently became the second state to receive Federal approval to enter into value-based contracts with drug manufacturers.^{1,2} Under this arrangement, the manufacturer must pay higher supplemental rebates if certain predetermined health outcome measures were not met after receiving the drug therapy. MDHHS has not entered into any outcomes-based contract arrangements to date but plans to propose this arrangement to manufacturers of high-cost drugs that enter the market in the coming months. The MDHHS has had considerable success historically with containing pharmacy drug costs through its innovative National Medicaid Pool Initiative for Preferred Drug List (PDL) Supplemental Rebate Program. The MDHHS will certainly continue this Program to secure supplemental rebates on products the manufacturers do not wish to entertain value-based contracts on.

Evaluating Other State Medicaid Program Cost Savings Methods

The MDHHS continues to work closely with staff from other state Medicaid Programs to evaluate whether any other initiatives could benefit Michigan Medicaid's Pharmacy Program. The Medicaid Director receives updates from the National Association of Medicaid Directors (NAMD) on new innovative cost containment initiatives. The NAMD website even includes a website page regarding this important topic.³ Similar to the collaboration at the Medicaid Director level, the MDHHS' Medicaid Medical and Pharmacy Program staff regularly communicate with other state Medicaid colleagues regarding their program experience and lessons learned.

Evaluating Hemophilia Use Management Program for other Specialty Products

In 2013, the MDHHS in collaboration with its PBM vendor, implemented a Hemophilia Use Management Program. The purpose of that program was to more closely monitor all requests for hemophilia clotting factor medications dispensed under the Medicaid FFS pharmacy benefit. These medications have a very high cost. Close monitoring of requests for coverage through a prior authorization process ensures the medication dispensed aligns as close a possible to the prescribed amount. Furthermore, at the time of the request, an evaluation of the amount of medication the program beneficiary has on hand takes place. This is important to ensure that prior medication is utilized before dispensing additional medication therefore reducing medication waste. The MDHHS is evaluating feasibility and appropriateness of a similar use management program for other high cost specialty drug products.

¹ https://www.michigan.gov/mdhhs/0,5885,7-339-73970_71692-483121--,00.html

² <https://www.cms.gov/newsroom/press-releases/remarks-administrator-seema-verma-biopharma-congress>

³ <http://medicaiddirectors.org/key-issues/prescription-drugs/>

Evaluating WholehealthRx® Academic Detailing Cost Savings – Antipsychotic Injectables

The MDHHS has utilized a program called WholehealthRx® since August of 2015 to work with providers to identify and resolve inappropriate behavioral health medication prescribing, gaps in care and potential drug interactions to drive member safety and cost savings. The program is a clinical quality management program that uses medical diagnosis, behavioral, pharmacy claims and lab data, when available, to identify patients taking behavioral health medications who also have common co-morbid conditions such as heart disease, diabetes, asthma, etc. It then works with providers to identify and resolve inappropriate prescribing, gaps in care and potential drug interactions to drive member safety and cost savings.⁴ During FY 2018, the MDHHS expanded the use of this model to important education regarding opioid prescribing.

Summary

Although the specialty product expenditures are expected to grow, overall FFS pharmacy drug expenditures in FY 2018 were nearly the same as FY 2017. The MDHHS will continue to closely monitor and evaluate high cost drugs. Through ongoing monitoring and cost containment via the aforementioned methods, the MDHHS has established a strong foundation to ensure it can provide the State legislature timely and valuable information about current pharmacy drug cost trends and best methods for cost containment strategies to maximize use of State general funds and Federal matching fund dollars and maintain access to medically necessary medications.

⁴ <https://michigan.fhsc.com/Committees/BHealth.asp>