

Savings generated as result of Additional measures, Cost sharing, and Step therapy

(FY2018 Appropriation Act - Public Act 107 of 2017)

September 30, 2018

Sec. 1621. 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.



Report Authorization

Evaluating Overall Trends

Each year the Department of Health and Human Services (DHHS) monitors and evaluates overall Fee-For-Service (FFS) pharmacy benefit expenditures and rebate invoicing trends. The DHHS 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 DHHS in partnership with its Pharmacy Benefits Manager 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

The DHHS' Fiscal Year (FY) 2018 Boilerplate Section 1858 report titled 'Medicaid Pharmacy Carve-out of Pharmaceutical Products' includes tables summarizing FFS pharmacy expenditures by FY2010 through FY2017.¹ Historically, the majority of overall FFS pharmacy drug expenditure has been attributed to behavioral health medications. 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 Medicaid Health Plan (MHP) benefit. According to the report, Non-Behavioral Health medications in the MHP pharmacy carve-out expenditures increased from 10 percent in FY2010 to 38 percent in FY2017 whereas Behavioral Health medications decreased from 90 percent in FY2010 to 62 percent in FY2017.

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

- **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]

¹ https://www.michigan.gov/mdhhs/0,5885,7-339-73970_5080_24356_83217---,00.html

Evaluating Other State Medicaid Program Cost Savings Methods

The DHHS continues to work closely with staff from other state Medicaid programs to evaluate whether any other initiatives could benefit Michigan's Medicaid's Pharmacy Program. The Medicaid Director receives updates from the National Association of Medicaid Directors (NAMD) on new innovative cost containment initiatives. NAMD website even includes website pages regarding this important topic.² Similar to the collaboration at the Medicaid Director level, the DHHS' Medicaid Medical and Pharmacy Program staff regularly communicate with other state Medicaid colleagues regarding their program experience and lessons learned.

Developing SMART-D Alternative Pricing Model

DHHS' Medicaid staff have been working the last couple years with a team from the Center for Evidence-based Policy at the Oregon Health and Science University on alternative payment models (APMs) that might improve patient access to medications while managing costs. This new program is called State Medicaid Alternative Reimbursement and Purchasing Test for High-Cost Drugs, SMART-D.³

The DHHS is currently in the process of submitting a Michigan Medicaid State Plan Amendment to the Centers for Medicare and Medicaid Services (CMS) requesting approval of an outcomes based supplemental rebate agreement. This type of agreement would allow the DHHS to enter into an agreement with a drug manufacturer who would be required to pay a higher rebate to the DHHS should their medication not result in expected outcomes (e.g. decrease in hospitalizations, decrease in emergency room visits, etc.). Outcomes based contracting requires evaluation of pharmacy and medical claims data over future periods of time, so the savings is not immediate. A recent article in Forbes magazine described Oklahoma Medicaid's pursuit of a value-based/outcome-based contract.⁴ The article also referred to an earlier Michigan initiative for cost containment which leveraged the National Medicaid Pooling Initiative.⁵

Evaluating Hemophilia Use Management Program for other Specialty Products

In 2013, the DHHS in collaboration with its Pharmacy Benefit Manager (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 as 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

² <http://medicaiddirectors.org/key-issues/prescription-drugs/>

³ <http://smart-d.org/about-smart-d-2/>

⁴ <https://www.forbes.com/sites/joshuacohen/2018/09/04/medicaid-to-introduce-value-based-drug-pricing/#731b563f3234>

⁵ <http://www.providersynergies.com/services/medicaid/default.asp?content=NMPI>

important to ensure that prior medication is utilized before dispensing additional medication therefore reducing medication waste. The DHHS is evaluating feasibility and appropriateness of a similar use management program for other high cost specialty drug products.

Evaluating WholehealthRx® Academic Detailing Cost Savings – Antipsychotic Injectables

The DHHS 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.⁶ During FY2018, the DHHS has expanded the use of this model to important education regarding opioid prescribing.

Summary

The DHHS will continue closely monitor and evaluate high cost drugs. Through ongoing monitoring via methods previously identified, the DHHS 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 and Federal matching fund dollars and maintain access to medically necessary medications.

⁶ <https://michigan.fhsc.com/Committees/BHealth.asp>