



Medicaid Prescription Drugs Spending

Approaches to Cost Containment

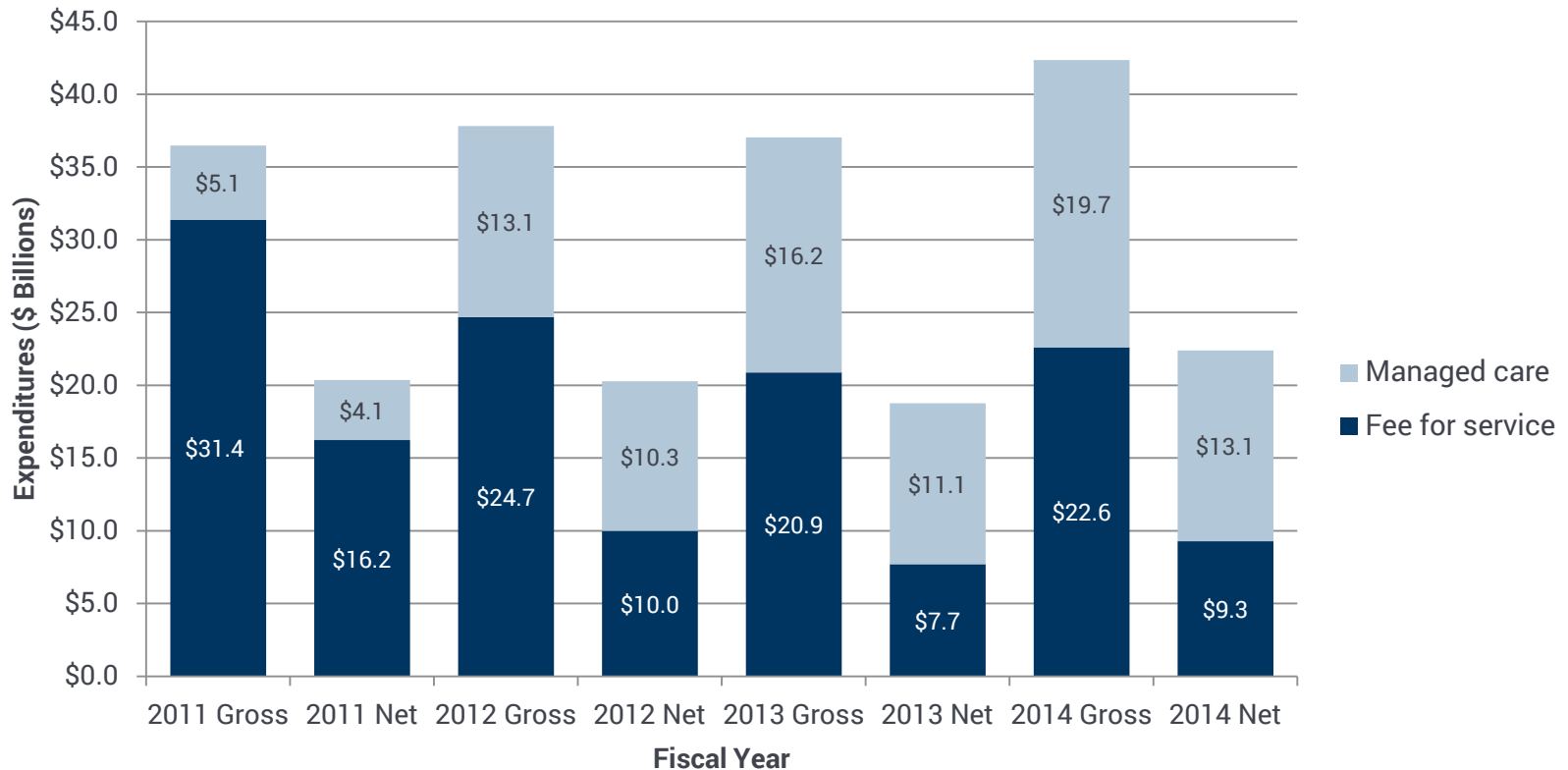


Medicaid and CHIP Payment and Access Commission
Jane Horvath

Background

- Prescription drug prices are in the news
- Medicaid agencies have expressed concern about price and affordability of new drugs and older drugs
- Today,
 - review cost containment ability of the Medicaid program
 - compare Medicaid with commercial cost containment
 - solicit Commission feedback on future work in this area

Total Medicaid Prescription Drug Expenditures for 588,000 Prescriptions FYs 2011–2014



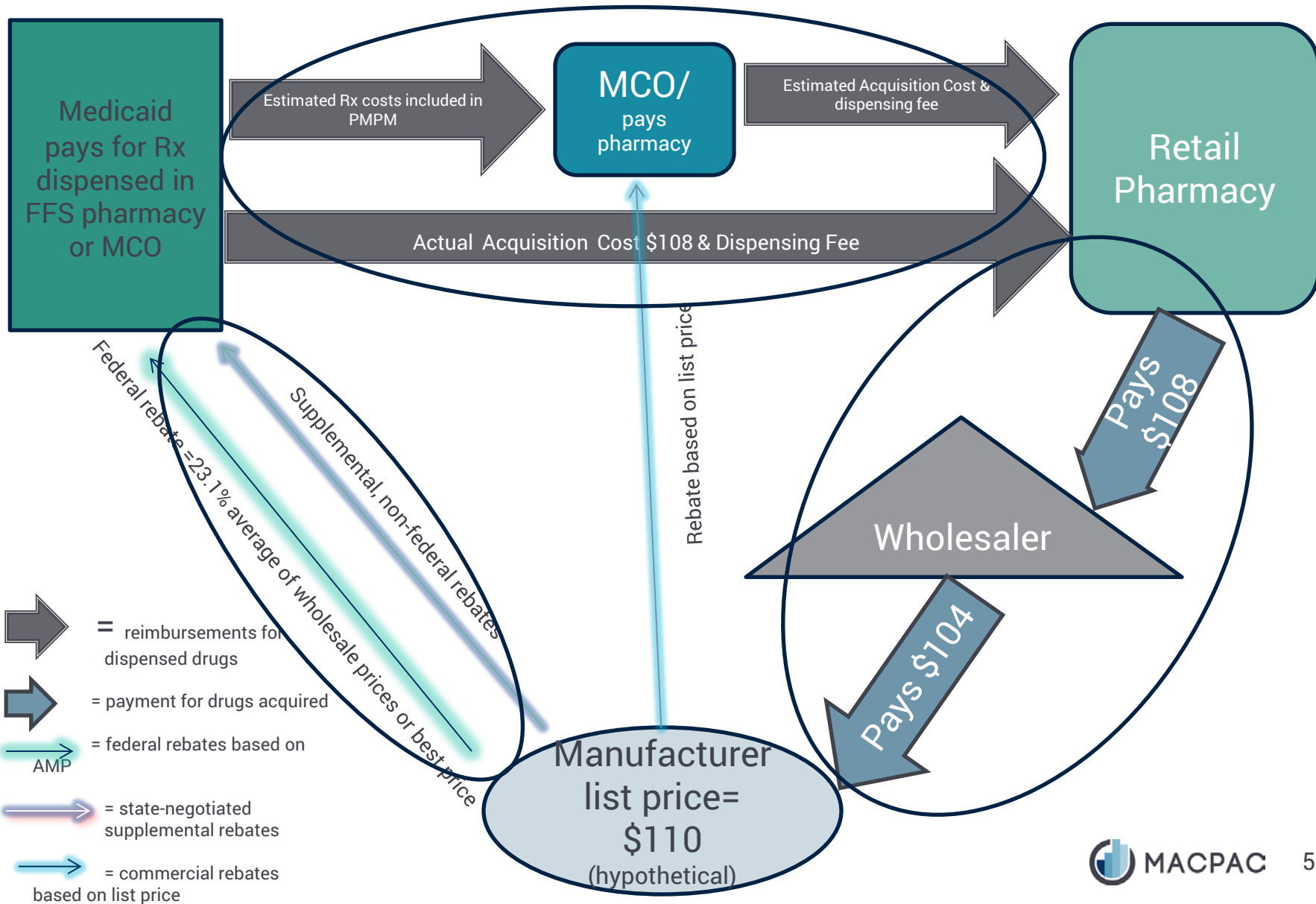
Note: Includes federal and state funds. Rebates are excluded from Gross expenditures. Hawaii is excluded due to anomalous data. FY 2011 managed care expenditures may be underreported as states began to collect utilization data from managed care plans. Virginia data were corrected for an apparent error in fee-for-service spending in the second quarter of 2014. Does not include Medicare Part D clawback payments.

Source: MACPAC analysis of FYs 2011–2014 data as reported by the states. Spending amounts comes from Medicaid drug rebate utilization data, as of September 2015, and rebate amounts come from CMS-64 data, as of February 2015.

Four Medicaid Rebate Types

- **Average Manufacturer Price (AMP)**
 - 23.1% of average price in part of market
- **Best Price**
 - The best price across the market when better than the AMP rebate
- **Inflation Penalty Add-On**
 - When price growth exceeds growth of CPI-U in a quarter
- **State Supplemental Rebates**
 - On top of federal rebates often used to create Preferred Drug List (PDL)

Simplified Brand Name Drug Payment Flows in Medicaid with Hypothetical Pricing



Cost Containment Tools: Commercial and Medicaid

Tool		
	Commercial	Medicaid
Market Share/ Covered Lives	✓✓✓	✓✓ (for supplemental contracts)
Tiers/ Cost Sharing	✓✓✓	✓ (limited ability and limited use)
Restricted Formulary	✓✓	✓ (Preferred Drug Lists)
Utilization Management	✓✓✓	✓✓✓
Performance Based Contracting	✓	?

Note: checkmarks denote ability to use the tool and strength of tool in the market segment.

Options for Possible Further Exploration

- Encourage Medicaid value based contracting.
 - Investigate state interest, savings potential above current rebates
- Discourage large price increases
 - Graduate CPI penalty
- Uncap rebate limit
 - Allow rebates >100% AMP
- Incentivize lower launch prices
 - Reduce AMP rebate for launch prices lower than therapeutic competition
- Require Medicare to share in Rx costs that benefit Medicare in the future
 - Contributions for costs of cures, vaccines

Next Steps

- Commissioner feedback on options that merit further investigation
- Commissioner feedback on additional analysis that is needed



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