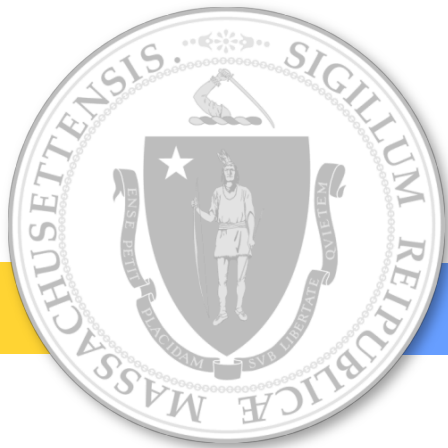




# Panel Discussion: State Innovations in Drug Spending

**Medicaid and CHIP Payment and Access  
Commission**

Chris Park



# **MACPAC**

**Paul L. Jeffrey, Pharm.D.**  
**Director of Pharmacy, MassHealth**  
**Associate Professor, Family Medicine and Community Health**  
**University of Massachusetts Medical School**

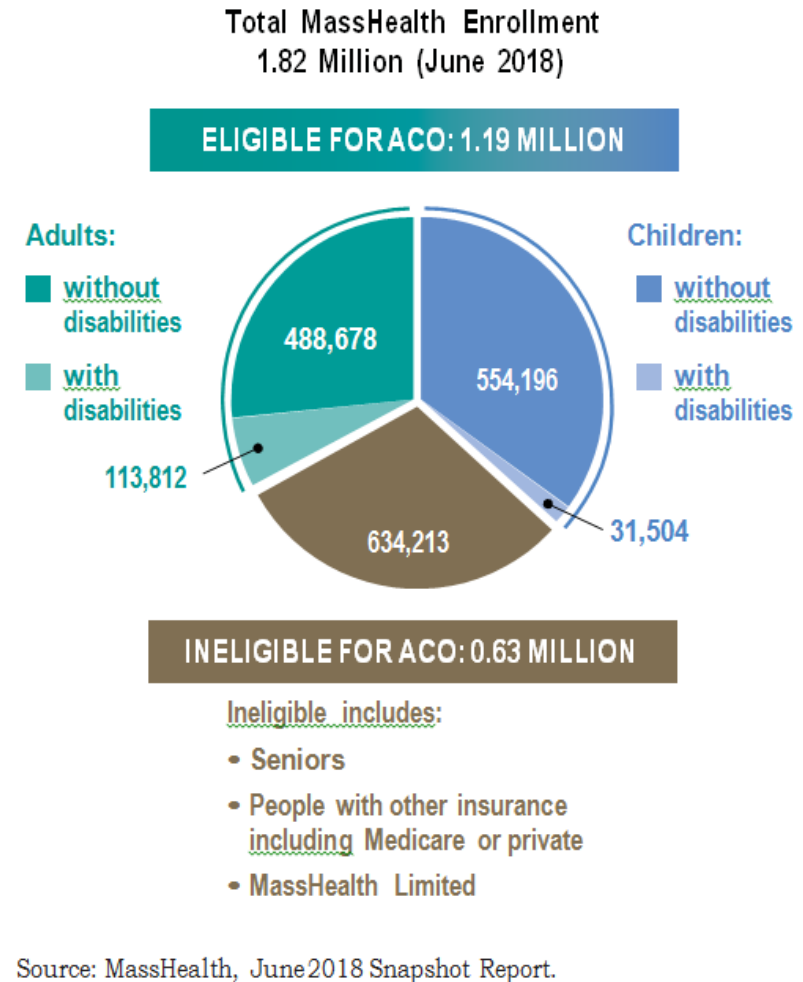
**December 13, 2018**

# MassHealth Facts and Figures

## Massachusetts Medicaid Program Payment and Care Delivery Models

- Accountable Care Organizations
  - Managed Care Organizations
  - Primary Clinician Care Plan
  - Fee-for-Service
- 
- 1.8 million members
    - 1.2 million members are ACO eligible
    - 23% have primary coverage through Medicare or another insurer
- 
- FY19 State Budget - \$41.9
    - Health & Human Services - \$22.6B
    - MassHealth Budget - \$16.5B

**FIGURE 1. MASSHEALTH MEMBERS ELIGIBLE FOR ACO ENROLLMENT**

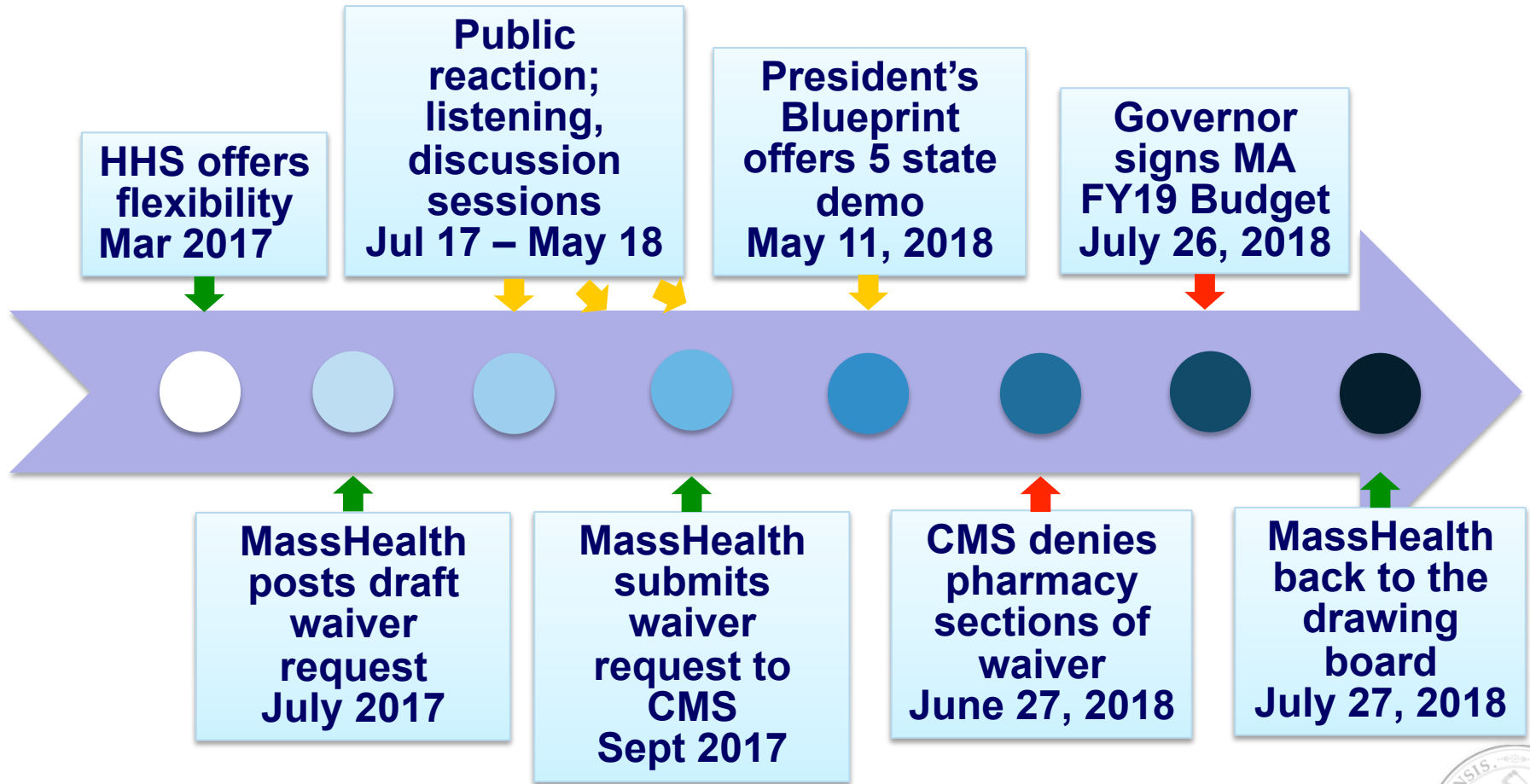


[https://bluecrossmafoundation.org/sites/default/files/download/publication/ACO\\_Primer\\_July2018\\_Final.pdf](https://bluecrossmafoundation.org/sites/default/files/download/publication/ACO_Primer_July2018_Final.pdf)



# 1115 Waiver Request: Timeline

- Waiver was multifunctional, including 2 Rx Provisions
  - Formulary and Specialty Pharmacy Network



# Value-based Purchasing Proposal

## Background

- **MassHealth Pharmacy Spend doubled from \$1B to \$2B over prior 5 years**
  - Trend expected to continue
  - 19 drugs in pipeline projected @ >\$80Mm annually
  - Top 30 drugs account for ~30% of spend (>\$600Mm per year)
  - Many new drugs first in class – i.e., no competition
- **MassHealth has maximized rebate opportunity and management controls to maximum extent under current conditions**
  - State procurement rules
  - If manufacturers refuse to bid – no recourse



# Value-based Purchasing Proposal

## Step 1 and 2

- 1 Direct negotiation with manufacturers**
  - MassHealth establishes a cost-effective target price
    - 3<sup>rd</sup> party independent analysis
    - Cost of existing therapies
  - May include outcome-based arrangement
- 2 Transparency and public hearing**
  - If no agreement – require disclosures
  - May require manufacturer to testify at public hearing
  - May impose sanctions/reasonable penalties



# Value-based Purchasing Proposal

## Step 3

- **Formulary Exclusion only if**
  - No agreement after Steps 1 & 2
  - Drug has no proven efficacy
- **AND, drug is excluded by the Massachusetts employees PBM or at least one large national PBM**
- **Additional robust guardrails**
  - DUR Board consultation (add consumer advocate)
  - Public comment process
  - Non-discriminatory
  - Behavioral health drugs require DMH approval
  - Maintain exception/appeals process



# Cell and Gene Therapy

## Payment Strategy

- Currently paid on an episode of care basis which includes drug (based on 3M™ Enhanced Ambulatory Payment Group system)
  - Adjudicated Payment Amount per Discharge (APAD) = inpatient hospital
  - Adjudicated Payment per Episode of Care (APEC) = outpatient hospital
- State Plan Amendment (June 2018) to “carve-out” select therapies from the APAD/APEC methodology
  - High cost of therapies distorts methodology
  - Allows better management of therapies
    - Prior authorization / Utilization management
    - Clear pathway to value/outcome-based agreement
    - Designates therapies as “covered outpatient drugs”





***Thank You!***

**QUESTIONS**

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[www.mass.gov/masshealth/pharmacy](http://www.mass.gov/masshealth/pharmacy)

