

NASHP State Actions

Medicaid

Rx Carve-Outs/PBM Contracts

1. West Virginia: In 2018, \$54.5M in savings from Rx carve-out (550,000 enrollees)
2. Ohio: 2018 DoH report found PBMs serving Medicaid MCOs retained \$224M in profits from spread pricing.
 - Ohio required MCOs to have transparency, no spread contracts with PBMs in 2019.
 - Implemented Rx carve-out from MCOs and single-PBM contract for Ohio Medicaid with 3 million enrollees in 2020.
3. California: In Jan. 2021 CA implemented Medi-Cal Rx carve-out and single PBM contract for Rx benefit for Medi-Cal, state employees, corrections, and counties and estimated net savings of \$100s of millions annually.

Single Preferred Drug List

1. Washington: 2018 – Health Care Authority began instituting a single Medicaid PDL across all MCOs/FFS and phased in all drug classes over 2 years. HCA estimated \$22M in savings over biennium.

Drug Caps & Enhanced Negotiating

1. New York: 2017 – Medicaid has authority to negotiate with drug companies for supplemental rebates if spending is projected to exceed annual spending limit and if unable to reach agreement, drugs are referred to Drug Utilization Review Board. Achieved \$85M statutory savings target as of 2019.
2. Massachusetts: 2019 – HHS authority to negotiate supplemental rebate agreements with manufacturers and if unable to reach agreement and the drug meets or exceeds cost thresholds, it is referred to the Health Policy Commission for review.

Public Employees

Waste-Free Formularies

- Wasteful drugs cost more but offer no additional benefits.
 - Self-insured schools of California (260,000 members) excluded 600 drugs and PMPM drug costs decreased from \$87.31 in 2013 to \$78.65 in 2019.
 - New Jersey Health Benefits Program and School Employees' Health Benefits Program (800,000 members) excluded high-cost brands/generics when therapeutic equivalent, lower-cost generic available and is saving \$12.8M/year.

Reverse Auctions

- Public plans to reduce costs by negotiating higher-value contracts with PBMs without reducing drug benefits.
 - New Jersey (800,000 public employees) \$2.5-\$3.05B projected savings between 2017-2022 from lower PBM contract costs.
 - Maryland and New Hampshire: Passed legislation in 2020 and NH estimates it could save \$42.5M - \$53.1M on its next 3-year PBM contract.

Bulk Purchasing Groups

MMCAP Infuse (1985)

- Group purchasing org. that combines state agencies, counties, cities, school districts, and clinics in 49 states.

Northwest Prescription Drug Consortium (2006)

- Combination of Oregon and Washington Prescription Drug Programs (about 1M lives)
- Offers discount card program for underinsured or uninsured.

Civica Rx for Generics (2018)

- Non-profit drug manufacturer that produces affordable, sustainable supplies of certain generic drugs for health systems/hospitals
- Partnered with BCBS health plans in 2020 to expand access to outpatient setting.

Affordability Review Boards (Maine and NH)

- Determine annual spending targets for prescription drugs purchased by public payors and for specific drugs that may cause affordability challenges to enrollees in a public payor health plan.
- Consider methods for public payors to meet spending targets, including negotiating specific rebate amounts for costly drugs, establishing a common formulary, purchasing drugs in bulk, and others.

International Reference Rates

- The Superintendent of Insurance works with the SEHP and BOP to develop a list of the 250 drugs costing the state the most.
- The state references Canadian prices for the four most populous provinces.
- The lowest price becomes the international reference rate for payers in the state.
- Impact: This model act can greatly lower prescription drug spending in a state - without running afoul of patent law through price setting.

Penalizing Unsupported Price Increase

- The Institute for Clinical and Economic Review (ICER) produces an annual report identifying drugs with unsupported price increases outpacing 2x medical inflation that are the greatest drivers of net spending.
- State tax authority is used to assess penalties on manufacturers identified in annual ICER report as having a drug with an unsupported price increase.
- Penalties = 80% of excess revenues
- Impact: Penalties can result in millions in revenue to offset costs to consumers

Group Member Suggestions

1. Transparency law changes
2. Wholesaler transparency
3. Rebate transparency
4. NASHP Models: MA and NY Drug Price Caps
5. High-cost drugs: Financing or risk pool for specialty drugs and gene therapies