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Paying for Value
Background

Why the focus in Medicaid on Alternative Payment Models (APM) or Value Based Contracts (VBC)?

- Prescription drug spending is a key driver in healthcare spending
- Increase in costly specialty medications
- Finite Medicaid budgets
- VBC may provide some cost predictability for the state
- Medicaid is a unique regulatory environment
- Some of the most vulnerable populations
- Goal is to treat the most members with the best possible care within the budget provided
Drug Trends

- During state fiscal year (SFY) 2018 Oklahoma Medicaid spent 42.6% of total pharmacy expenditures on 0.92% of claims for medications costing >$1,000 per claim.

Kamal R. What are the recent and forecasted trends in prescription drug spending? December 2018.
APMs in Medicaid: Barriers

- Cannot exclude coverage of a drug (Medicaid Drug Rebate Program)
- Different approaches to prescription drug coverage and payment between and within states (Fee-for-service [FFS] vs managed care organization [MCO])
- Drug purchasing issues: 340B, purchasing pools, clinician administered drugs, delay in rebate reconciliation
- Selection of outcome measure (feasible measurement to evaluate)
- Realization of savings/benefits
- Prescriber behavior changes

Kenney JT. The Outcome of it All – The Impact and Value of Outcomes Based Contracts. October 2017.
Oklahoma Details

- Average annual enrollment: Approximately 1 million members
- 100% FFS (no MCOs)
- Oklahoma Medicaid is a member of purchasing pool [Sovereign States Drug Consortium (SSDC)]
- Pharmacy benefit managed by Pharmacy Management Consultants (PMC) – a division of the University of Oklahoma College of Pharmacy
  - Access to both medical and pharmacy claims
Partners

Pharmacy Management Consultants (PMC)

Oklahoma Health Care Authority (OHCA)

National Academy for State Health Policy (NASHP)

State Medicaid Alternative Reimbursement and Purchasing for High-cost Drugs (SMART-D)

Drug Manufacturers

National Academy for State Health Policy. NASHP Awards Grants to Colorado, Delaware, and Oklahoma to Tackle Rising Rx Drug Prices. 2017.
Oklahoma’s Approach

- Oklahoma’s goal was to negotiate a mutually beneficial APM contract with a manufacturer
  - Pave the way for future contracts between Medicaid programs and manufacturers
  - To engage in different types of agreements
  - Share lessons learned with others
  - Anything is on the table for discussion
  - Not all agreements are focused solely on initial cost of product
- Utilize PMC research team for analysis of all findings (inclusive and exclusive of the agreement)
- Worked with CMS to get approval of a State Plan Amendment (SPA)

Timeline

2016
• Began working with SMART-D
• Initiated discussions with several manufacturers

2017
• Initiated discussions with more than 20 manufacturers
• Established a collaboration with 2 manufacturers
• Received support from NASHP

2018
• Received approval of our state plan amendment from CMS
• Established value-based agreements with 3 companies

National Academy for State Health Policy. NASHP Awards Grants to Colorado, Delaware, and Oklahoma to Tackle Rising Rx Drug Prices. 2017.
Overview of Executed Contracts

- **Alkermes**
  - Long-acting injectable antipsychotic
  - Adherence

- **Melinta**
  - IV antibiotic
  - Overall costs and potential savings

- **Janssen**
  - Long-acting injectable antipsychotic
  - Population adherence (Phase 1)
  - Phase 2 includes clinical outcomes

- **Collaboration Agreements**
  - 2 agreements currently in place
  - Population characterization focusing on multiple disease states

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