

WHAT KEEPS US UP AT NIGHT?

Strategies to Tackle the
Financial Risk of High Cost Drugs
and New Technologies

APG Contracts Committee
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LATEST CONCERNS

- ❑ Orphan Drugs (<https://www.accessdata.fda.gov/scripts/opdlisting/ood/>) and other high cost drugs that are low prevalence.
 - Pharmaceutical agents intended for the safe and effective treatment, diagnosis or prevention of rare diseases/disorders that affect fewer than 200,000 people in the U.S., or that affect more than 200,000 persons but are not expected to recover the costs of developing and marketing a treatment drug.
- ❑ “High Financial Impact” Drugs that are lower in cost (~\$10k PMPY), but pervasive.
- ❑ Most are NEW drugs that are not replacing existing treatments, and are used in conjunction with existing, high cost agents.

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CURRENT STATE



- Highly volatile risk.
- Health Plans shifting the risk to medical groups and hospitals does not make sense – there will likely be many nominal winners, and a few BIG losers.
- Plans are not ready or willing to create viable solutions... So, we have to do it ourselves!

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TACTICS

Financial Solvency implications

- Drugs could cost \$1M for a single patient

Richman Bill modernization

- Spirit of the bill was to protect this type of risk, but existing text limits to self and doctor's office administration



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RICHMAN BILL MODERNIZATION

(b) (1) Notwithstanding Section 1375.5, no health care service plan contract that is issued, amended, delivered, or renewed in this state on or after July 1, 2003, shall require or allow a health care service provider to assume or be at any financial risk for any item described in subparagraphs (A) to (F), inclusive, of paragraph (2) when covered under the applicable plan contract **and administered in the office of a physician and surgeon or prescribed by a physician and surgeon for self-administration by the patient.** "Self-administration," for the purposes of this section, means an injectable medication that can be safely given intramuscularly, or in the muscle, or subcutaneously, or under the skin, by the patient or his or her family member

Expanded locations of administration – Hospital Outpatient? Hospital Inpatient? Home Infusion? Others?

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RICHMAN BILL MODERNIZATION

(2) The items described in subparagraphs (A) to (G), inclusive, shall, instead, be reimbursed on a fee-for-service basis at the negotiated contract rate or through an alternate funding mechanism mutually agreed to by the health care service plan and the health care service provider, subject to any applicable copayment or deductible, by the health care service plan.

(A) Injectable chemotherapeutic medications and injectable adjunct pharmaceutical therapies for side effects.

(B) Injectable medications or blood products used for hemophilia.

(C) Injectable medications related to transplant services.

(D) Adult vaccines.

(E) Self-injectable medications.

(F) Other injectable medication or medication in an implantable dosage form costing more than two hundred fifty dollars (\$250) per dose.

Expanded types of drugs or dollar threshold? Orphan Drugs? New Drugs? >\$50K PMPY? Others?

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RICHMAN BILL MODERNIZATION

Other discussion topics:

- Ensuring each category is opted into/out of separately
- Handling of new drugs that fall within a category after risk is accepted
- Statewide, all plan risk pool

Potential unintended consequences:

- Changes in Health Plan medical policies
- Changes to operational processes, plan directed drug acquisition
- Reductions in capitation for risk shifts
- Negative impacts to future cap rates due to plans' calculation of drug trend