Medicaid Advisory Group

January 15, 2014

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Agenda

- PhRMA's priority areas of concern for NC's Medicaid Reform Advisory Group to consider in working with DHHS:
  - Create solid patient protections, irrespective of the manner in which it is delivered
  - Consider the value of rebates the pharmaceutical industry pays to the state
- Additional proactive areas of PhRMA work that benefit the state of North Carolina

Why Are Patient Protections and Appropriate Access Important?

- The Medicaid population relies on the government's health plan design
- Medicaid patients often have multiple chronic diseases
- Adherence can be adversely affected when utilization management techniques are implemented without adequate protections
- Reducing the pharmacy budget can lead to increased expenditures in the hospital, emergency room, and physician office settings

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PhRMA support specific patient protections such as: continuity of care, open access to medicines, and transparency

Specific Patient Protections include:

- Recognize that when patients take their medications as directed, it results in a decrease of Medicaid expenditures, deaths, hospitalizations, and complications
- Remove unnecessary barriers so that patients can access needed drug therapies
- Provide expedited appeals to reduce delay and prevent unnecessary costs
- Eliminate burdensome healthcare provider requirements so they have access to full range of therapeutic options to use as they see fit for their patient
- Prevent disruption of therapy for a stabilized patient by ensuring continuity of care so that the patient continues to have access to the drug that works for them
- Ensure a transparent process for appeals/grievances, such as drug review and formulary determinations as physical and behavioral health is integrated to focus on the whole person
- Enforce nondiscrimination

Medicaid Prescription Drugs
Historical Expenditures – Total Funds

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Historical Expenditures – Total Funds

Fiscal Year	Prescription Drugs	Dispensing Fees	Rebates	Net Total Expenditure
2003	$ 1,211,655,124	Data Not Available	246,899,590	$ 964,755,534
2004	$ 1,481,226,912	Data Not Available	293,439,382	$ 1,187,787,530
2005	$ 1,648,039,897	Data Not Available	386,541,375	$ 1,261,498,522
2006	$ 1,385,039,301	Data Not Available	468,298,954	$ 916,740,347
2007	$ 934,276,607	Data Not Available	282,401,095	$ 651,875,512
2008	$ 986,504,775	$ 67,541,199	311,705,952	$ 742,340,022
2009	$ 1,065,558,422	$ 71,617,164	332,550,212	$ 804,625,373
2010	$ 1,057,077,053	$ 76,477,157	434,577,331	$ 698,976,879
2011	$ 1,137,850,317	$ 78,496,396	537,654,508	$ 678,692,205
2012	$ 1,217,315,028	$ 87,859,905	654,032,641	$ 651,142,292

Source: Department of Health and Human Services, Division of Medical Assistance.

"Post ACA" Medicaid Rebates and Market Impact

Pre-Health Care Reform

- Medicaid base rebates of 15.1% (AMP) for brand name, single source drugs
- Medicaid rebates 11% (AMP) for generic drugs

Post-Health Care Reform

- Medicaid base rebate increase to 23.1% (AMP) for brand name, single source drugs
- Medicaid rebate increase to 13% (AMP) for generic drugs
- Increased amendments, waivers, demonstrations add uncertainty

**** State law allows for supplemental rebates to be collected***

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Building on NC's Success in Care Coordination

- Areas of emphasis within care coordination, chronic disease management and behavioral/physical health integration should focus on i**mproving medication adherence, which would yield significant health and economic benefits**
    - Incorporate comprehensive medication management programs
    - Conduct care transition medication reviews focused on high-risk beneficiaries
    - Allow for greater adoption of health information technology, and
    - Implement the best practices found within a range of newly-established grant, demonstration, and pilot programs to encourage care coordination

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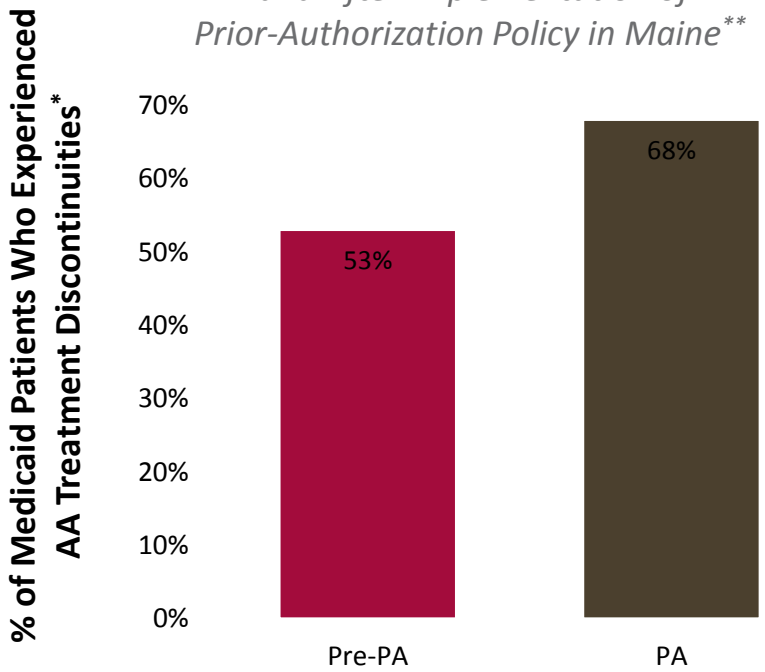
Use of Prior Authorization to Contain Costs May Not Be Clinically Appropriate

In Maine's Medicaid program, treatment disruptions increased by 29% after implementation of a prior authorization (PA) policy among patients initiating schizophrenia therapy with atypical antipsychotics.[1]

"Our results indicate that PA and step therapy requirements for new users of [atypical antipsychotics] may result in problematic disruptions in therapy among patients with schizophrenia."[1]

– Stephen Soumerai, *et al.*

*Treatment Disruption Rates Before and After Implementation of Prior-Authorization Policy in Maine***



*Discontinuity in treatment refers to a gap in therapy, a change of medicine, or augmentation with another antipsychotic medicine.
**151 of 222 patients experienced discontinuities after PA implementation, a rate of 68%. The discontinuity rate after PA implementation was 29% higher than the pre-PA rate, implying a pre-PA discontinuity rate of 53%. Comparison state (New Hampshire), which did not institute a PA policy, did not experience a significant change in treatment disruptions during the same period.

Source: S. Soumerai, *et al.*[1]

***S. Soumerai, F. Zhang, D. Ross-Degan et al., "Use of Atypical Antipsychotic Drugs for Schizophrenia in Maine Medicaid Following a Policy Change," Health Affairs 27, no. 3 (2008): w185-w195.**

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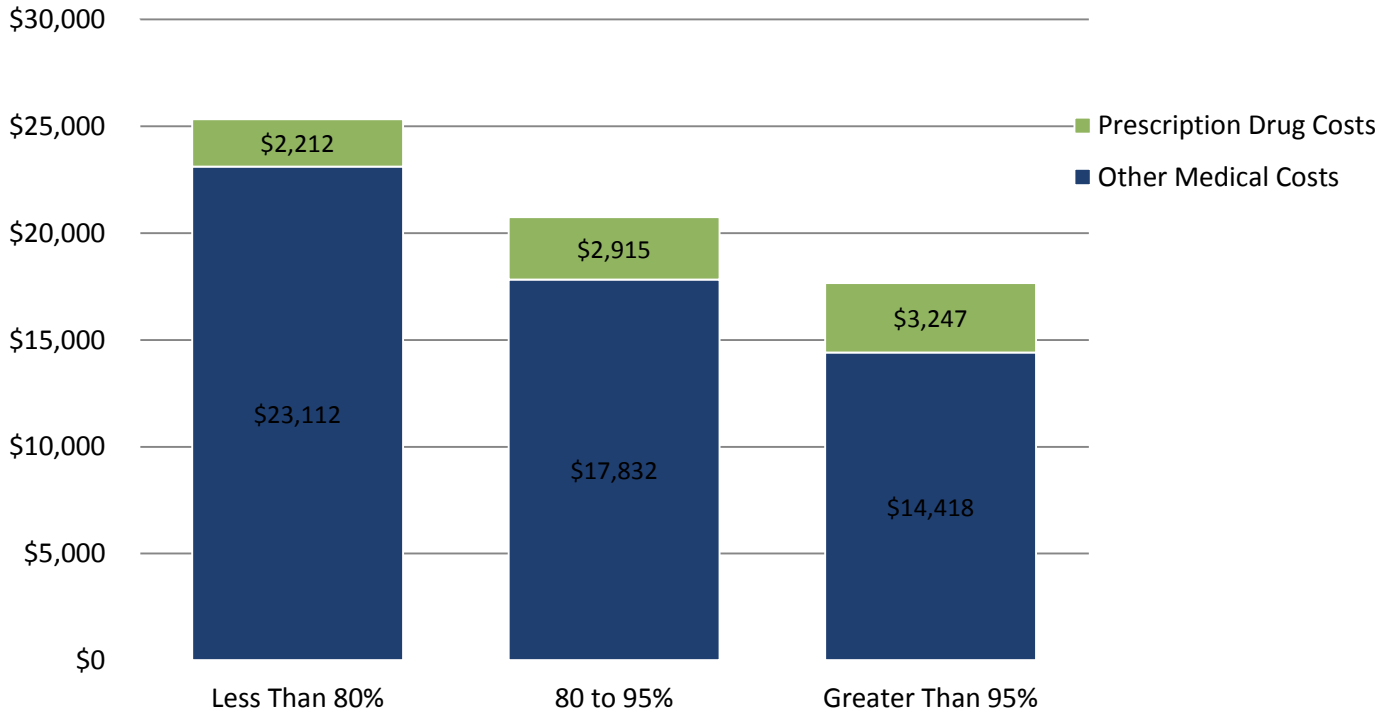
Greater Adherence to Medicines in Medicaid Can Reduce Spending on Other Health Care Services

Among Medicaid beneficiaries with congestive heart failure, total health care costs for adherent patients* were 23% lower than those of non-adherent patients.

Health Care Spending by Level of Adherence Among Medicaid Beneficiaries With Congestive Heart Failure



Source: Esposito, *et al.*[20]

*Defined as patients with a "medication possession ratio" (i.e., total days supply of medication divided by number of days between first fill and the last day patient had no medication available) of 80% or higher.

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Pharmaceutical Facilities in North Carolina

Number of Direct Jobs in NC: 52,938
Total Jobs in NC: 226,113 (total jobs outside and inside the biopharmaceutical sector)
Total Economic Output in NC: $50.3B
Total Compensation: $5.4B in direct wages and benefits in NC
Total Personal Taxes: $924M

Source: Battelle Technology Partnership Practice, The Economic Impact of the U.S. Biopharmaceutical Industry, Report prepared for PhRMA, July 2013.

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Vendor Relationships

Direct (and Indirect) Impact

The economic footprint of the biopharmaceutical industry in North Carolina can be measured by the traditional indicators of employment and output, but **also** by its impact on the vendors that provide services or supplies.

Relationships & Spending

6,764
(Total vendor relationships in NC)

$3,288,455,073
(Total vendor spend in NC)

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Partnership for Prescription Assistance

The Partnership for Prescription Assistance (PPA) helps qualifying patients (uninsured and underinsured) get the medicines that they need through the program that is right for them. Many patients will get their medications free or nearly free.

More than

313,552

Uninsured and financially struggling North Carolinians have been matched to patient assistance programs that provide free or discounted medicines since the Pharmaceutical Research and Manufacturers of America (PhRMA) launched the Partnership for Prescription Assistance (PPA) over eight years ago.

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Research in Your Backyard

Program Overview

Goal: to highlight the **importance of clinical trials to patient care as well as the opportunities for economic development** for NC.

Activities include:

- Highlighting the economic impact
- Engaging policymakers/stakeholders
- Creating awareness among academia, patient groups, provider groups, health systems and others about the value of clinical trials and presence in the state

Clinical Trials in NC

All Clinical Trials in NC	**7,743**
Industry Clinical Trials (Sponsor or Collaborator)	**5,599**

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