



**Department
of Health**

Office of
Health Insurance
Programs

New York Medicaid Drug Cap

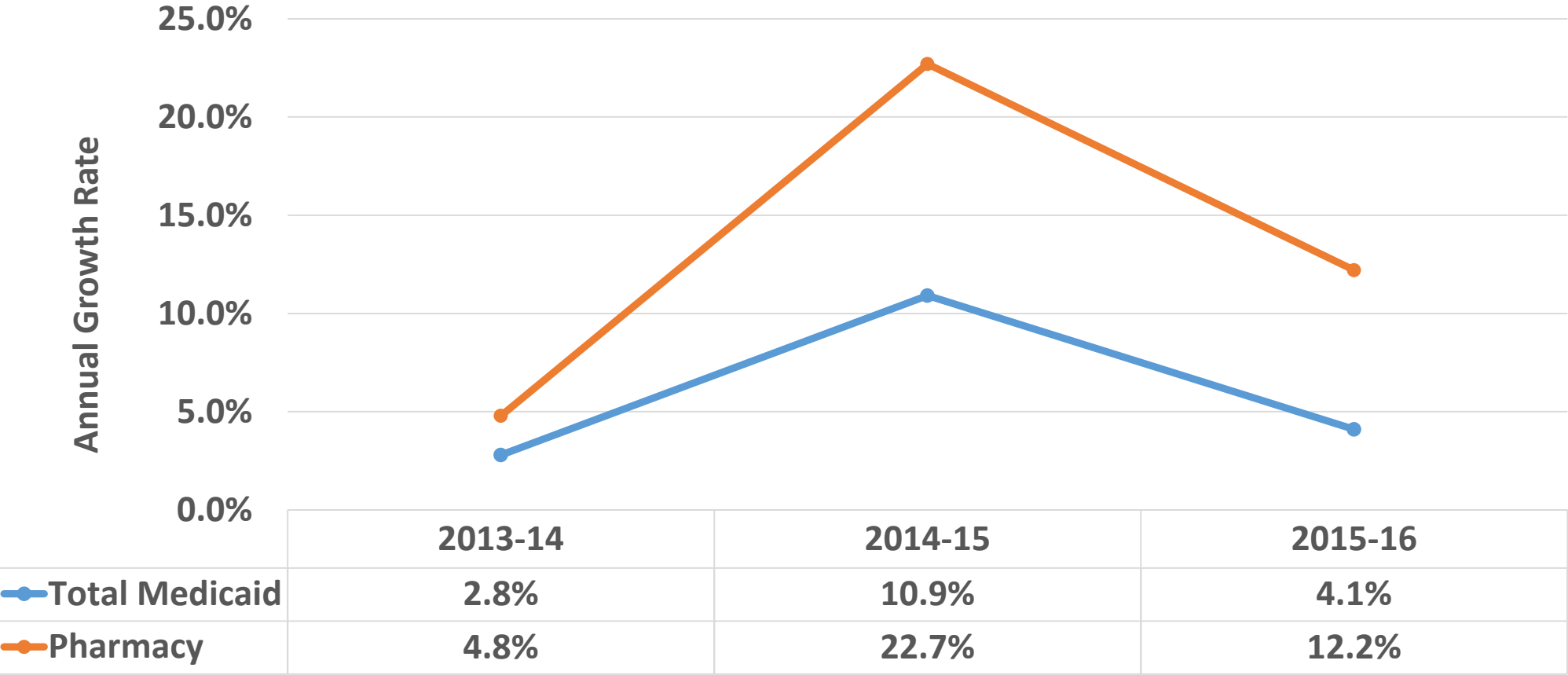
Greg Allen, Policy Director

New York State Department of Health

Office of Health Insurance Programs

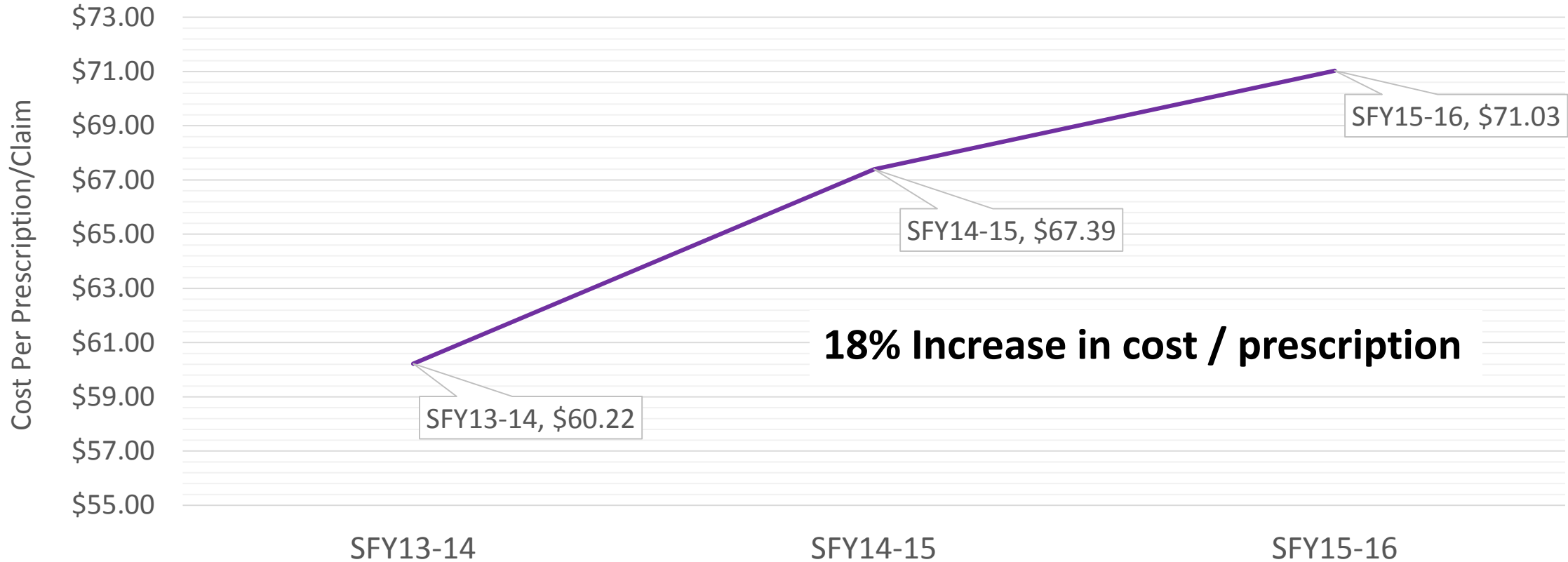
National Academy for State Health Policy (NASHP) Conference
Timberrrr! Chopping the Costs of Prescription Drugs
October 23, 2017

Pharmaceutical Growth Rate exceeds Medicaid Growth Rate



(1) 2015-16 pharmacy expenditures were estimated by separating Hep C drugs, Brands, Generics and OTCs. The trend was determined by taking the average of six months of year over year trend (Jan - Jun 2015). Total Medicaid expenditures include DOH and OSA spending, but exclude Essential Plan spending.
 (2) Pharmacy expenditures are reflected prior to rebate offsets (approximately 45% of expenditures).
 (3) Managed Care spend based on encounter data, plan reported pharmacy claim cost. Based on Date of Service, reported as of 01/15/2016.

Drug price – rather than volume – drives growth rate

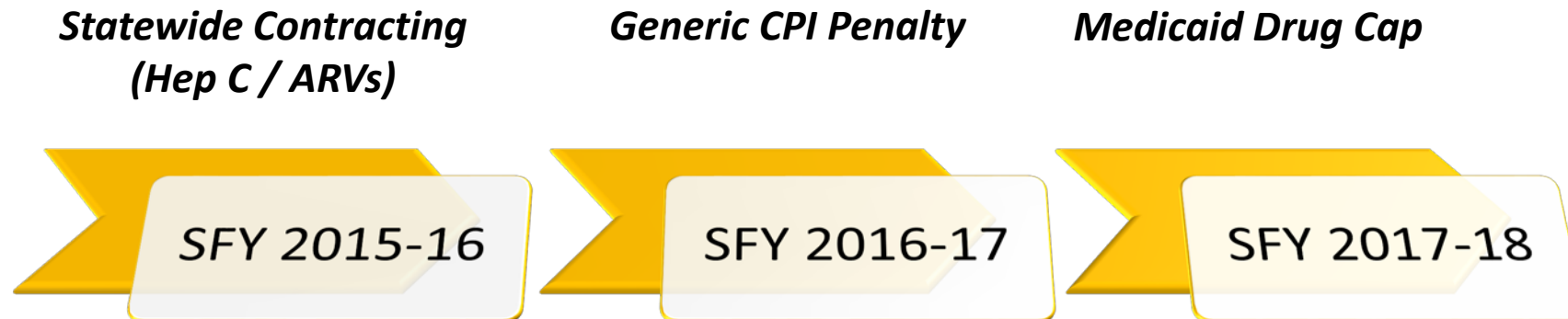


18% Increase in cost / prescription

Proposal: Medicaid Drug Cap

- Limits drug spending growth and authorizes referrals to the Drug Utilization Review Board (DURB)
- Authorizes the negotiation of enhanced rebates with drug manufacturers
- Authorizes the Health Commissioner to invoke other actions (e.g. requiring prior authorization (PA), accelerating rebate collections).

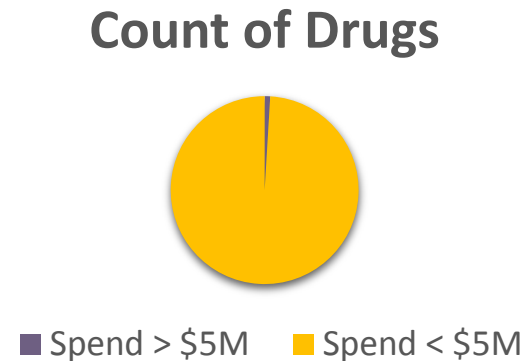
History of NYS Drug Cost Control Efforts



SFY 17-18 Drug Cap Projection & Analysis

The Division of the Budget (DOB) and the Department of Health (DOH) concluded that expenditures are projected to exceed the Medicaid Drug Cap by \$119M (State Share) – driven by 15% year-to-year increase in Pharmacy spend.

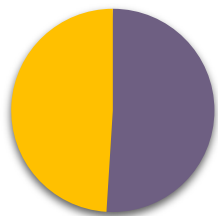
NYS analyzed drug spend, and found:



Of 7,662 drugs:

- **73** have projected spend (net of rebates) > \$5M
- These 73 drugs account for **51%** of NYS Medicaid Pharmacy Spend

% of Spend



NYS examined the 73 drugs with spend (net of rebates) > \$5M:

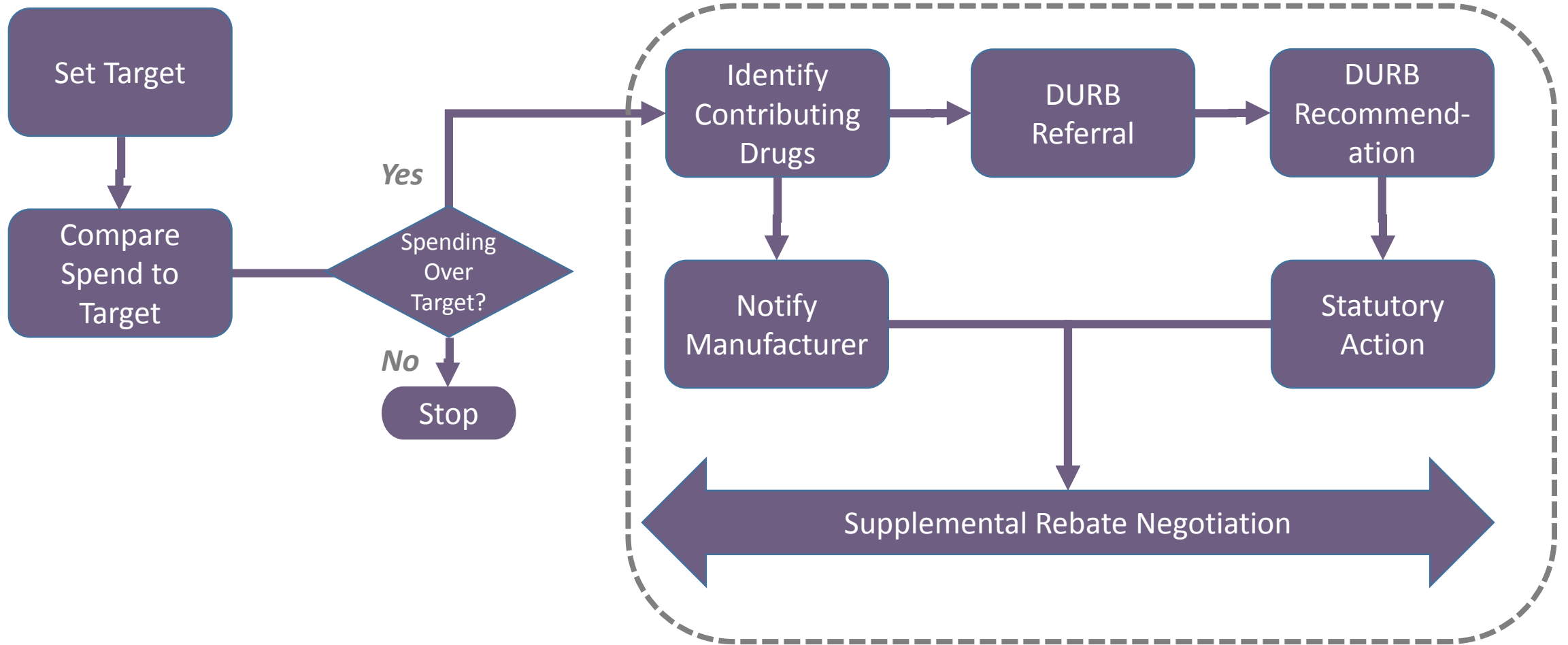
Factors Considered:

- Rebate Levels / Net Cost
- Rebate Levels for Manufacturer's other drugs

Of these 73 Drugs:

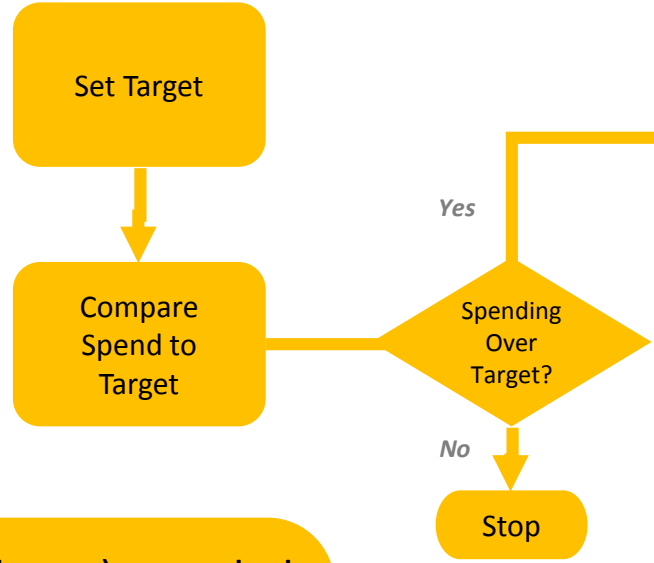
- **30** drugs produced by **12** distinct manufacturers have been identified for possible DURB referral
- These 30 drugs account for **37%** of NYS Medicaid Pharmacy Spend

Medicaid Drug Cap: How it works



Drug Cap Process

Set Target & Compare Spend

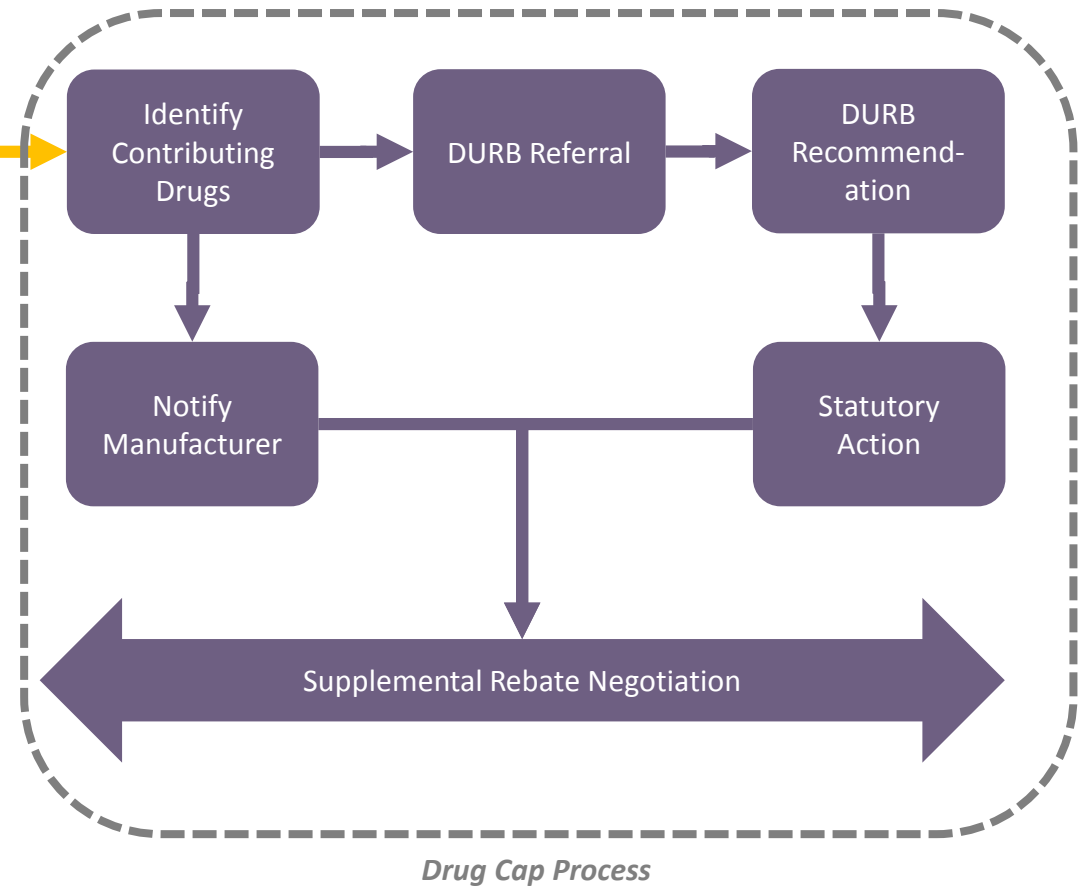


Prior Year Drug Spend (net of rebates), trended for ten year average Medical CPI + 5%

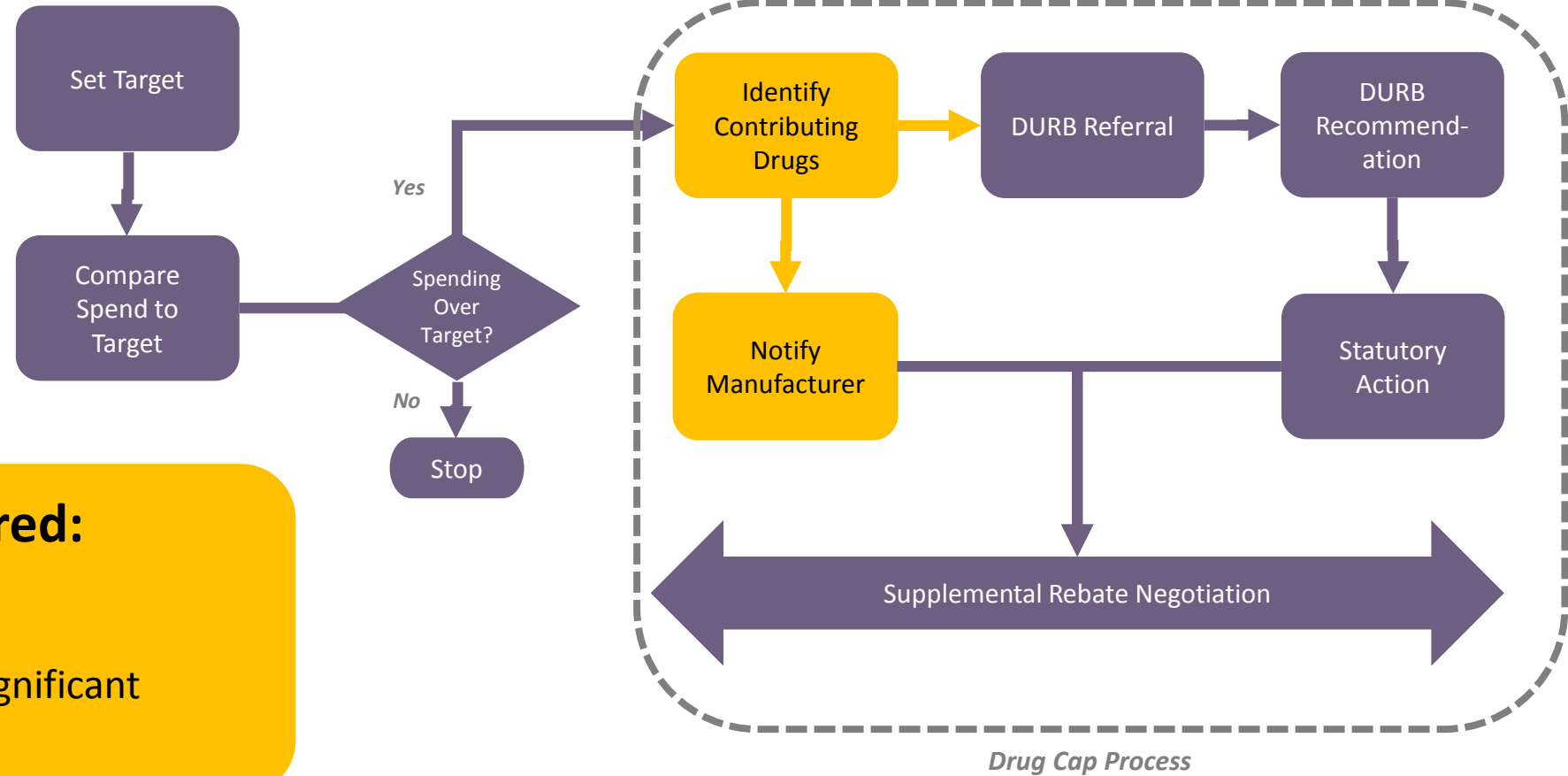
Less: Pharmacy Savings Target

Equals: Current Medicaid Drug Cap

Projected Current Year Spend is compared against cap.



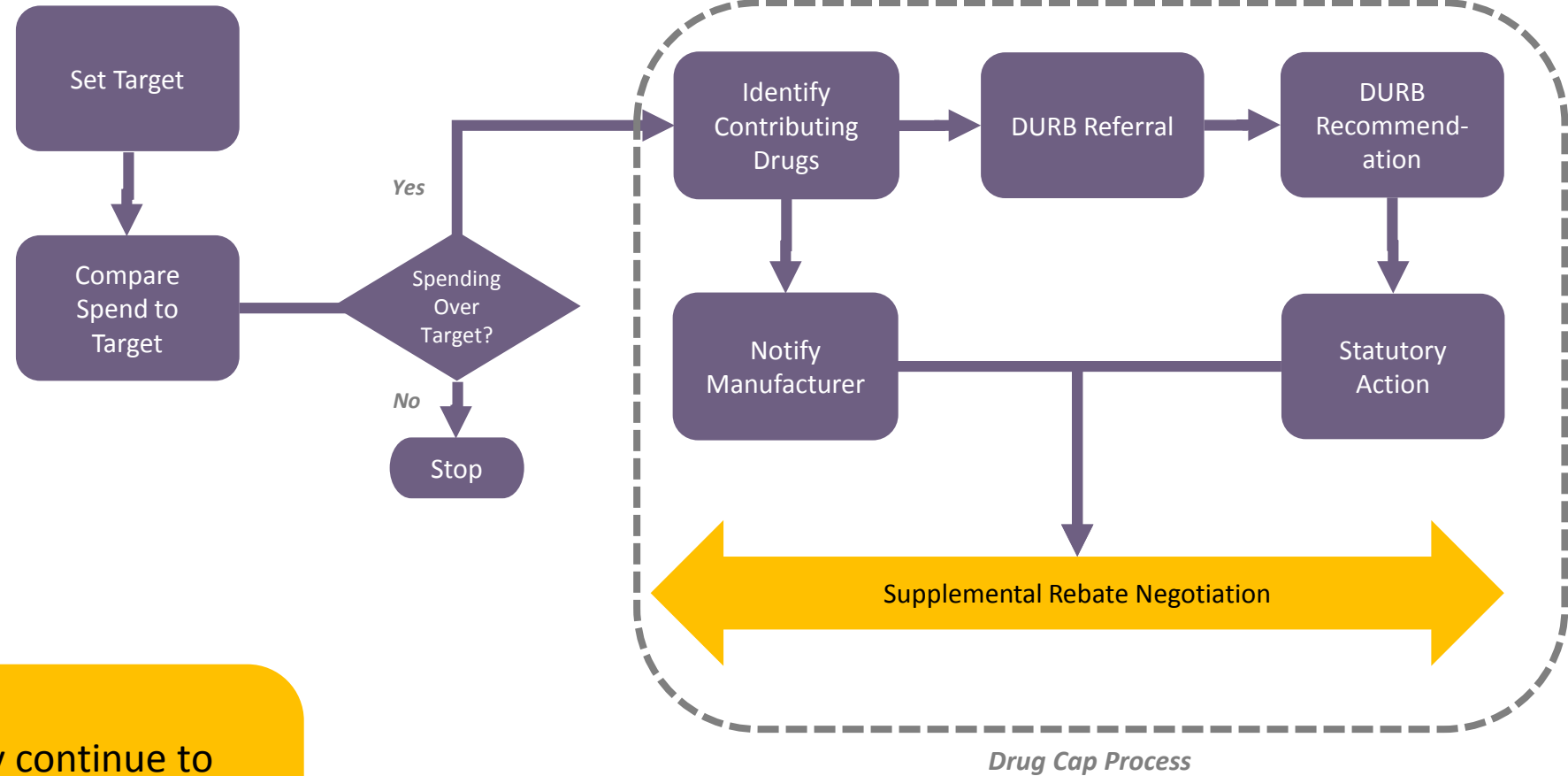
Identify Drugs



Factors Considered:
Spend Net of Rebates > \$5M
Whether Manufacturer offers significant rebates on other drugs

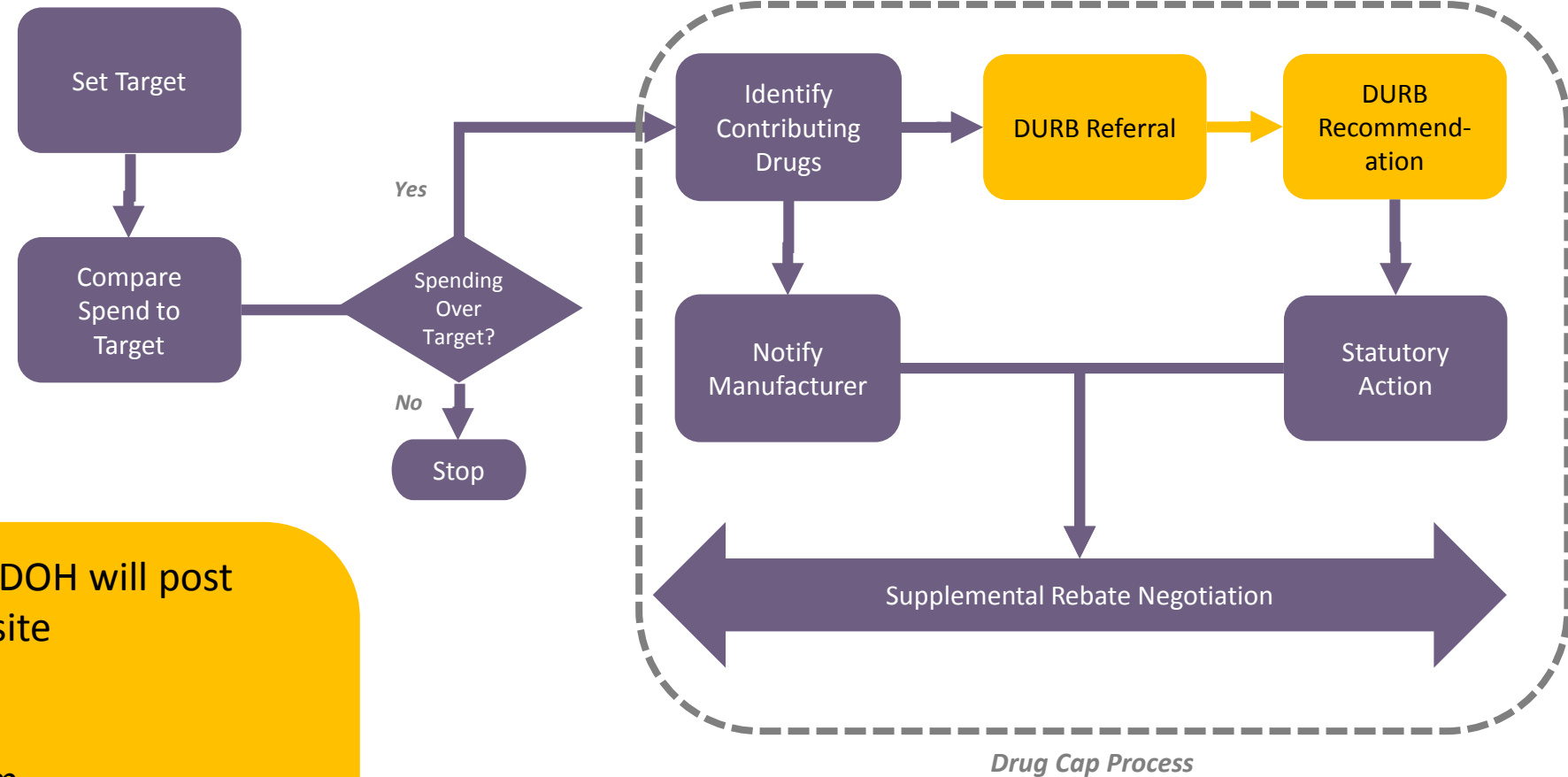
Manufacturers notified of possible DURB referral

Rebate Negotiation



At any time, manufacturers may continue to work towards an agreement regarding supplemental rebate amounts

DURB Referral & Recommendation

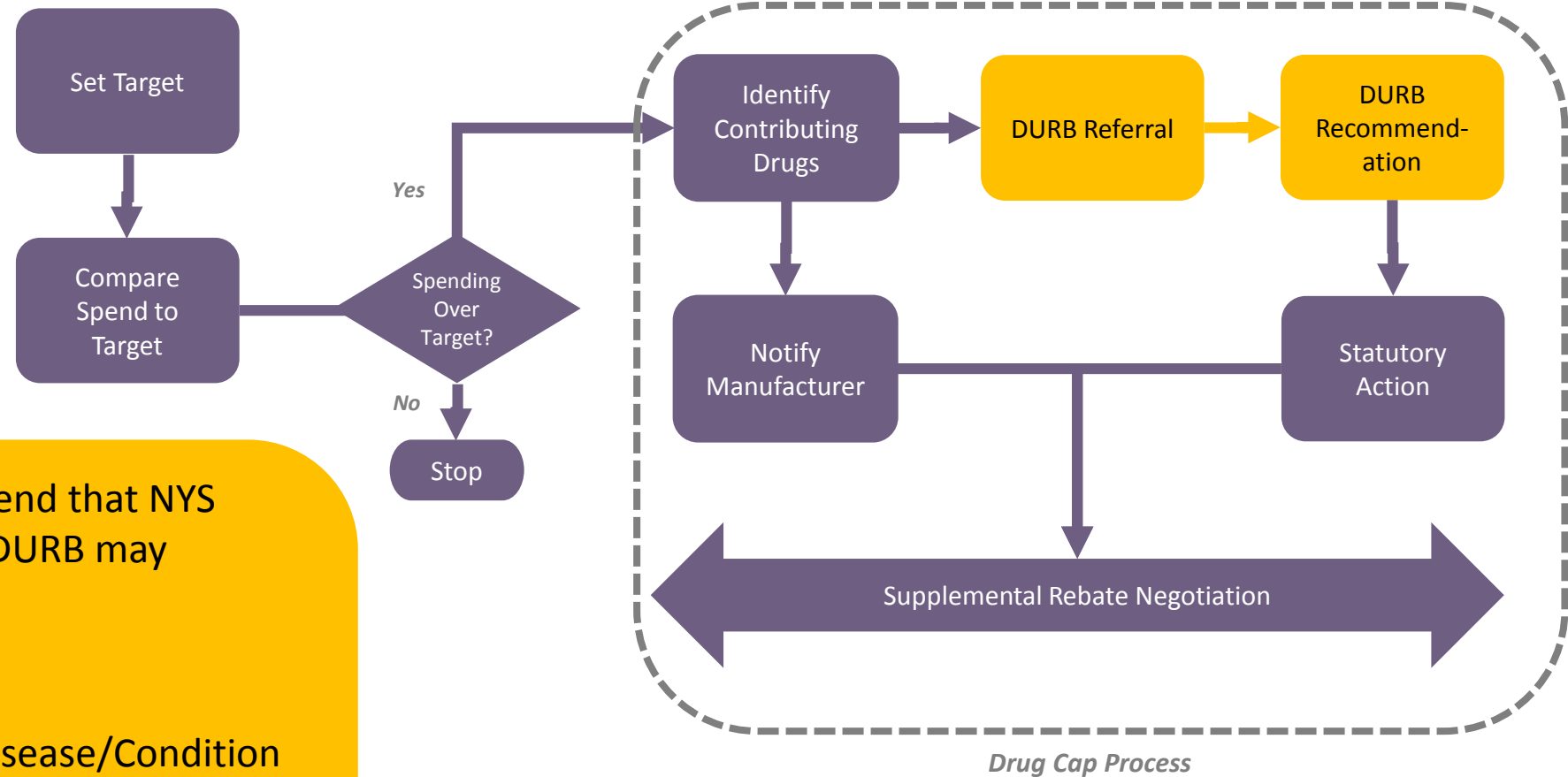


30 days prior to DURB meeting, DOH will post agenda and drug names to website

DURB may consider:

- Net Cost to Medicaid Program
- Significant & unjustified price increases
- Value to the program and adequacy of capitation rates
- Proportionality of price and therapeutic benefit

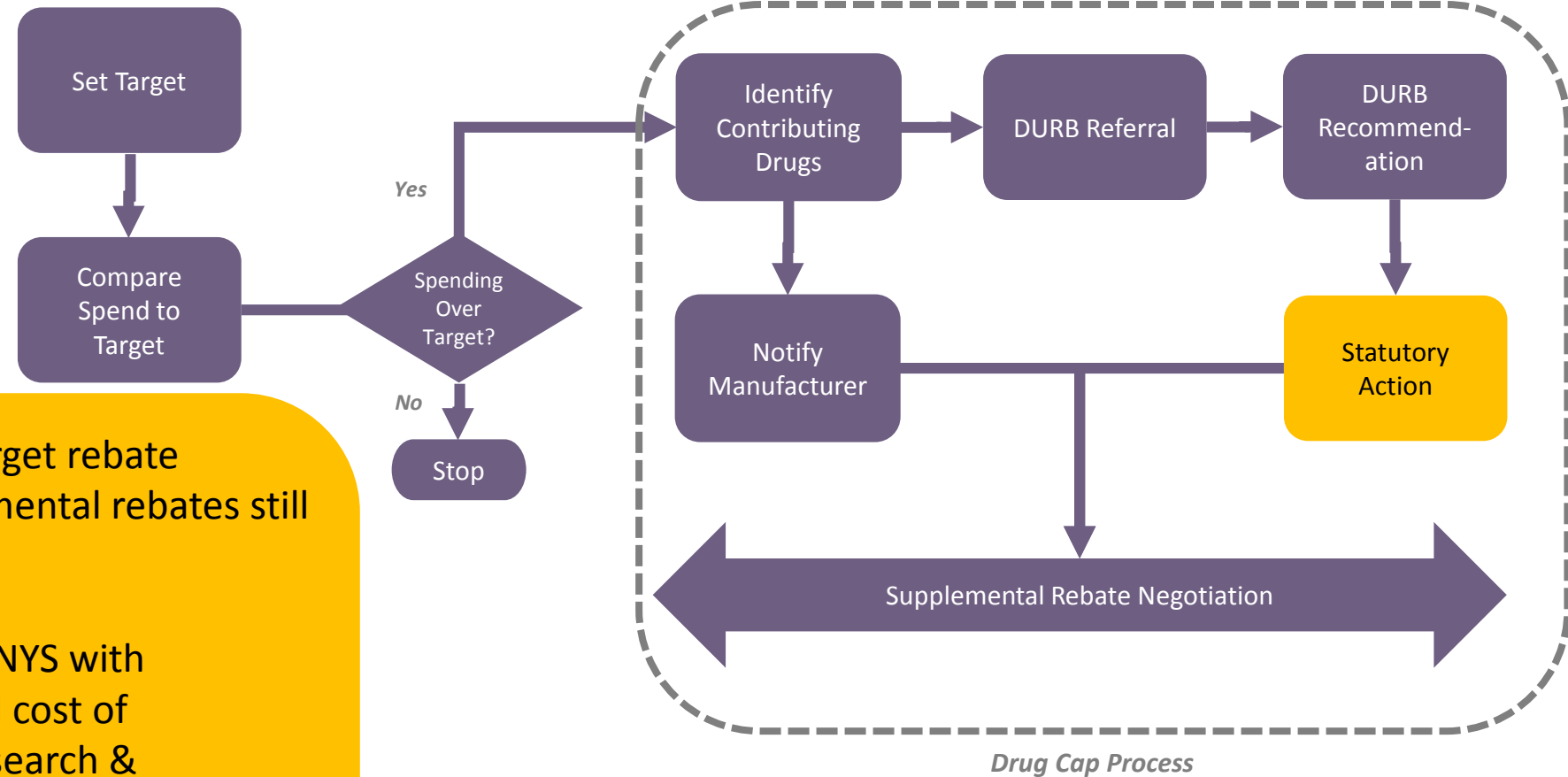
DURB Referral & Recommendation



In deciding whether to recommend that NYS pursue a supplemental rebate, DURB may consider:

- Pricing Information
- Seriousness/Prevalence of Disease/Condition
- Likelihood that drug will reduce need for other medical care
- Existence of pharmaceutical equivalents
- Manufacturer-provided confidential information, including pricing and development costs and therapeutic benefit

Statutory Action



If after DURB recommends a target rebate amount, agreement for supplemental rebates still has not been reached:

- Manufacturer must provide NYS with information related to actual cost of development, marketing, research & distribution
- NYS may:
 - Remove drug from MMC formulary
 - Promote cost effective and clinically appropriate alternative drugs
 - Subject drug to prior approval

Resources/Links

- New York Medicaid Global Cap/Drug Cap:

https://www.health.ny.gov/health_care/medicaid/regulations/global_cap/

- Laws of New York: Drug Cap – Section 280 of the Public Health Law (PHL)

<http://public.leginfo.state.ny.us/lawssrch.cgi?NVLWO:>

- New York Medicaid Drug Utilization Review Program

https://www.health.ny.gov/health_care/medicaid/program/dur/