Overcoming Barriers to Value-Based Contracting in Medicaid

Bethany Holderread[1], PharmD; Terry Cothran[1], DPh; Nancy Nesser[3], PharmD, JD; Jill Ratterman[3], DPh; Burl Beasley[3], DPh, MPH, MS Pharm; Jacki Travers[1], PharmD; Melissa Abbott[1], PharmD; Shellie Keast[1,2], PharmD, PhD;

[1]Pharmacy Management Consultants, [2]University of Oklahoma College of Pharmacy, [3]Oklahoma Health Care Authority

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Problem Description

- The introduction of a greater number of costly specialty medications, finite Medicaid budgets, and Medicaid policy and access requirements has resulted in alternative payment arrangements as particularly compelling opportunities.[1-6]
- Medicaid programs must provide comprehensive care to vulnerable individuals while operating under limited budgets and regulatory requirements.[4,5]
- Alternative payment model arrangements can be financial or health outcomes-based (value-based).[4,7,8]
- Thus far, prescription drug value-based payment arrangements have not been initiated in Medicaid.[4]

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Goal

To develop and implement a value-based contract in a fee-for-service Medicaid program in order to improve patient-centered outcomes and reduce prescription costs for a state Medicaid program.

Program Description

- Since October 2016, Pharmacy Management Consultants (PMC), the pharmacy benefit manager for Oklahoma Medicaid, in consultation with the Oklahoma Health Care Authority (OHCA), has been engaged in negotiations with pharmaceutical manufacturers regarding pharmacy value-based contracts.
- PMC and OHCA have been intentional and proactive in securing an alternative payment model contract for the Oklahoma Medicaid pharmacy program.

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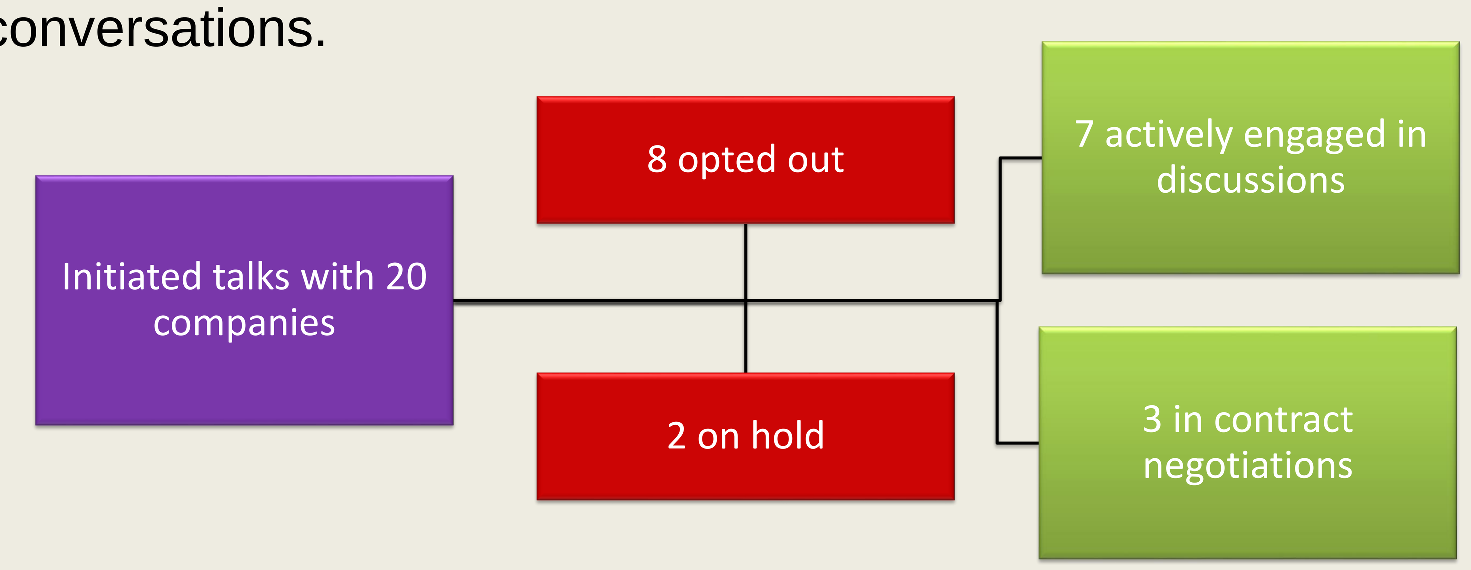
Observations

- PMC and OHCA have initiated talks with 20 companies regarding alternative payment models. Three companies are currently in contract negotiations and seven are actively engaged in conversations.



Barriers

- Barriers are relative to the interested party. Manufacturers have a different perspective and set of challenges compared to payers.
- Common manufacturer barriers realized during alternative payment model discussions include the following:

Manufacturer Barriers
"Best Price" Implications
Multi-State Purchasing Pool Implications
"Beyond" Label Concerns
Low Level of Utilization of Specified Medication
Consumer Price Index (CPI) Penalty Concerns
FDA Restricts Communications From Manufacturers

- Payer barriers realized throughout the process include the following:

Payer Barriers
Data Collection
Selection of Feasible Outcome Measurement
Delay in Rebate Reconciliation
Realization of Savings/Benefits
Changing Prescriber Behaviors in a Cost-Effective Manner

Important Observations

- Negotiations were most successful when the manufacturer decided which products they were comfortable discussing for an alternative payment model prior to meeting with the payer.
- The manufacturer and payer must have a certain level of trust. Contracts are only possible if the alternative payment model design is mutually beneficial to both groups.

Observations

Additional Observations

- Payers must be willing to pull utilization data initially. As contract discussions progress, data selection will become more detailed.
- PMC and OHCA have a proposed value-based agreement with a pharmaceutical manufacturer pending CMS approval.
- Some manufacturers preferred to do an exploratory analysis of the Medicaid population before entering into an alternative payment model agreement. PMC and OHCA have entered into collaboration agreements with two manufacturers, and after analyzing utilization trends and additional claims-based data, potential barriers to care and opportunities for intervention will be identified.

Findings & Recommendations

- Value-based payment arrangements provide opportunities to promote cost savings and improve health outcomes.
- There are an unlimited number of alternative payment model options.
- Overcoming barriers to value-based contracting requires collaboration and mutually beneficial agreements for the payer and manufacturer.
- Several manufacturers are more comfortable doing an exploratory analysis of utilization data prior to contracting.
- Future considerations include the expectation that initial value-based contracts will set the precedent for further collaboration among manufacturers and state agencies.

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