Medicaid Drug Cap

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August 2019

Medicaid Drug Cap: How It Works

<table>
<thead>
<tr>
<th>Step 1</th>
<th>Step 2</th>
<th>Step 3</th>
<th>Step 4</th>
<th>Step 5</th>
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</thead>
<tbody>
<tr>
<td>Set Drug Cap</td>
<td>Identify Drugs Contributing to Spend</td>
<td>Notify Manufacturer</td>
<td>DURB Recommends SR</td>
<td>SR Agreement</td>
</tr>
<tr>
<td>Target and Compare to Projected Spend</td>
<td>Yes</td>
<td>Unwilling to negotiate a SR</td>
<td>Yes</td>
<td>Statutory Actions</td>
</tr>
<tr>
<td>No</td>
<td>Monitor Quarterly</td>
<td></td>
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The DURB May Consider:
- Drugs affordability and net cost to the program
- Value-Based Pricing
- Significant/unjustified price increases
- Proportionality of price to therapeutic benefit

SR = Supplemental Rebate; DURB = Drug Utilization Review Board
Statutory actions includes requesting information associated with the drug related to R&D costs and enforcing additional utilization management controls (if applicable)

August 2019
Criteria: Drugs Contributing to Piercing the Cap

<table>
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<th>% of Total Spend (Net of All Rebates)</th>
<th>SFY 17-18</th>
<th>SFY 18-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brands</td>
<td>59%</td>
<td>61%</td>
</tr>
<tr>
<td>Generics</td>
<td>41%</td>
<td>39%</td>
</tr>
</tbody>
</table>

| Amount Above Drug Cap Target         | $119M     | $75M      |

Methodology For Identifying Drugs for Possible DURB Referral

1. Is the Total Spend Net of All Rebates in the Top 1% of all drugs (Net Spend > $5M)
2. Manufacturer Credit 1
   ($30M Credited – State Share)

1. Is Total Spend Net of All Rebates OR Net Cost per Claim in the Top 3% of all drugs (Net Spend > $2.2M OR Net Cost per Claim > $13,000)*
2. Manufacturer Credit 1
   ($63M Credited – State Share)

| Number of New Drugs Identified       | 30        | 42        |
| Number of Manufacturers (Unique)     | 12        | 25        |

1 Per the SFY 20 Enacted Budget, manufacturers will no longer receive a ‘credit’ for rebates provided on other drugs in the Medicaid program.

* Under Cost per Claim criteria, only drugs with a total spend >$1M net of all rebates were considered.

Accomplishments and Results to Date

Since April 2017 the Department has achieved promising results related to the Medicaid Drug Cap.

Successes:

✓ Achieved $85M (state share) statutory savings target.
✓ Negotiated over 20 supplemental rebate contracts with several manufacturers with many still in negotiations.
✓ Developed models for DUR Drug Cap Reviews – and completed two DUR Board Drug Cap Reviews
✓ Refined Drug Cap models to target highest cost drugs
   ➢ SFY 2018-19: incorporated physician administered drugs
✓ Enacted enhancements in SFY 2019-20 budget to streamline rebate negotiations and transparency.

Takeaways:

• In SFY 19, net drug spend increased 1% over SFY 18 – a significantly lower growth rate as compared to projections and prior year actuals.
• Early indications suggest that the Drug Cap is leveraging additional rebates and reducing the growth of spending without limiting access to high cost drugs.
Additional information available at:
https://www.health.ny.gov/health_care/medicaid/regulations/global_cap/

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