Study of Cost Containment Models and Recommendations for Connecticut

Continued Discussion of Potential Recommendations

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bailit health

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Agenda

- Welcome and Housekeeping — 9:00 – 9:10 AM
- Public Comment — 9:10 – 9:25 AM
- Continue Review of Strategies and Vote — 9:25 – 10:45 AM
- Pharmacy Strategies — 10:45 – 11:45 AM
- Next Steps — 11:45 - Noon

Today's Meeting

- The objective of today's meeting is continue discussion of the strategies the Cabinet has been considering, and take an initial vote on them, as appropriate.

- We will also review pharmacy strategies for the first time, *time permitting.* The pharmacy strategies are deserving of their own attention, and the Cabinet will continue to pursue them under our PA 15-146 charge, but recognize that this conversation may continue in 2017.

Review and Voting Process

- We will first review what strategies are included in each category. We will then review each strategy one-by-one.
- After each strategy, the floor will be open for discussion, and modifications to the strategy will be entertained.
- At the conclusion of discussion, we will vote on the strategy.

Seven Categories of Strategies

1. Delivery System and Payment System Transformation
2. Directly Reduce Cost Growth
3. Coordinate and Align State Strategies
4. Support Market Competition by Expanding the AG's Powers to Monitor Health Care Market Trends
5. Support Provider Transformation
6. Support Policy Makers with Data
7. Incorporate Use of Evidence into State Policy Making

Follow-up from 10/25

- During the last meeting, we reviewed the alternatives that were offered, but did not get a chance to review any strategies that Cabinet members wished to discuss that have not previously discussed.

- Are there any new strategies, that are not up for discussion today, that the Cabinet would like to discuss?

1. Delivery System and Payment Reform: Three Strategies

A. Provide more coordinated, effective and efficient care through CCOs.

- Create organizations that are integrated across the continuum of care, responsible for improving population health, that will assume some financial risk for total cost of care.

B. Build on the SIM agenda and current success in the Medicaid program.

- Continue with the SIM agenda
- (a) Optimize the current Medicaid care delivery reform initiatives; and (b) implement targeted new interventions that address and improve outcomes for high need, high cost Medicaid members.

C. Create community health teams to address complex health care needs.

- Develop all-payer, multi-disciplinary community health teams that would serve primary care providers and patients within specific geographic communities

A. Key Changes to CCO Strategy Based on 10/11 Discussion

- Quality model further articulates the goals of reducing health inequities, and improving outcomes of the entire population.
- Adds CCO compliance with regulation for financial solvency and operational capacity; also indicates that if a CCO ever qualified as a PPN, it would also need to comply with PPN regulations.
- Secret shopping and consumer experience of care surveys specifically added to help mitigate risk of underservice, in addition to existing provisions in the quality model.
- Introduction of primary care payment reform that helps primary care providers provide more services outside of the traditional office visit, for which they may have been unreimbursed.
- Removes the voluntary shared-risk option prior to the conclusion of the SIM initiative.

B. Build on the SIM Agenda and Success in the Medicaid Program

- **New strategy** developed as a result of the 10/11 Cabinet meeting. Developed collaboratively by Kate McEvoy and Mark Schaefer.

- The strategy promotes the continued trajectory of the SIM initiative, and for Medicaid to continue its reform plans, including for developing specific programs to assist in improving the cost and quality of members with high risk.

C. Community Health Teams that Address Complex Health Care Needs

- **New strategy** developed as a result of the 10/11 Cabinet meeting. Developed by Bailit Health informed by the Vermont Blueprint for Health model.
  - Designed to support both the CCO strategy and the Build on the Success in Medicaid strategy.

- All payer, multidisciplinary teams to serve primary care providers and patients within a specific geographic community by offering individual care coordination, coaching, and behavioral health counseling. Also connects patients to social and economic support services.

- Funding source not yet identified, but possible sources could include legislative funding, insurer payments or through other sources identified by the legislature.

2. Delivery System and Payment Reform Strategies: Discussion

- Did the changes made to existing strategies accurately reflect your intentions? If not, what else would you like to see modified?
- Do the new strategies address the issues you had identified? If not, how would you like to see them modified?
- Any other questions or feedback?

Delivery System and Payment System Reform Strategies: Vote

- 1. Vote for CCOs (1A) OR Build on Success…(1B)
- 2. Vote for Community Health Teams (1C)

Directly Reduce Cost Growth: Two Strategies

A. Adopt a state wide health care cost growth target.

- Adopt a statewide health care cost growth target that is based on an external economic indicator and that holds providers and payers responsible for keeping total cost of health care growth at an affordable level, with sanctions for noncompliance phase in over time.

B. Set targets for the adoption of value-based payment models.

- Set targets for the adoption of value-based payment models, to be measured in a manner consistent with the Health Care Payment Learning Action Network's Alternative Payment Model framework.

A. Key Changes to Cost Growth Strategy Since 10/11 and Further Explanation

- Language changed to refer to a cost growth *target* not *cap.*
- Added flexibility that if another database with cost information is available that it, or the APCD could be used to gather information on total cost.

- Further explanation:
  - This target applies to both health plans and providers.
  - Until the APCD or another database is operational, the cost growth target can only be applied to health plans (as they already submit data to the CID).
  - Once data are available, the cost growth target would apply to advanced networks

B. No Changes Made to APM Strategy

- No changes were requested to be made on the strategy to adopt APMs.

Directly Reduce Cost Growth: Discussion

- Did the changes made to existing strategies accurately reflect your intentions? If not, what else would you like to see modified?

- Any other questions or feedback?

Directly Reduce Cost Growth: Vote

- 1. Vote for Cost Growth Target (2A)
- 2. Vote for APM Adoption Targets (2B)

3. Coordinate and Align State Strategies: Two Strategies

A. Create a Health Policy Council

- Create a Health Policy Council which would report to the Governor and work to implement health care reform strategies in a coherent and consistent manner across the state agencies and across all payers.

B. Create and Office of Health Strategy

- Create an Office of Health Strategy that would effectively develop and implement key components of the State's cost containment strategy.

A. Create Health Policy Council

- **New Strategy** developed as a result of the 10/11 Cabinet meeting. Developed by Bailit Health and informed by the Cabinet discussion and Cabinet's desire to not consolidate state agencies

- **Health Policy Council would report to the Governor.**

- Health Policy Council would be composed of leaders of all health-related agencies, Health Care Advocate, CID, OSC, Office of Health Strategy (if pursued), SIM PMO and Access Health CT

- **Mission:** coordinate the design and implementation of purchasing and regulatory strategies to manage spending on health care, as well as further other policy objectives related to population health, access and health care quality. **Stakeholder feedback would be robust and inclusive.**

B. Key Changes to Office of Health Strategy Since 10/11

- Now called “Office of Health Strategy” instead of Office of Health Reform and edited to be distinct and separate from the Health Policy Council.
- Given new responsibility to study, and then potentially recommend other payment models, including global budgets, study rate setting, and study whether consumer affordability can be included in the CID’s rate review process.
- Given the task of collaboratively creating a health care vision for the state.
- Given the ability to create authentic consumer groups consisting of all consumers in the state who can provide the state with feedback on any strategies raised by the Office.

Coordinate and Align State Strategies: Discussion

- Did the changes made to existing strategies accurately reflect your intentions? If not, what else would you like to see modified?
- Do the new strategies address the issues you had identified? If not, how would you like to see them modified?
- Any other questions or feedback?

Coordinate and Align State Strategies: Vote

- 1. Vote for Health Policy Council (3A)
- 2. Vote for Office of Health Strategy (3B)

4. Support Market Competition by Expanding the Attorney General's Powers: One Strategy

- **Support Market Competition by Expanding the AG's Powers to Monitor Health Care Market Trends**
- No changes were made to the strategy.

- The strategy aims to: give the AG the necessary authority, if funding is available, to monitor health care market trends by collecting information from any provider, provider organization, private or public health care payer to **examine health care costs, trends, the factors that contribute to cost growth, and the relationship between provider costs and payer premium rates.**

- The AG and the Office of Health Strategy would hold public hearings and make the investigation results transparent.

Support Market Competition by Expanding the Attorney General's Powers: Discussion

- Update on AG feedback.
- Questions or feedback from the Cabinet?

Support Market Competition by Expanding the Attorney General's Powers: Vote

- 1. Vote to expand AG's investigative powers (4)

5. Support Provider Transformation: Two Strategies

A. Augment Existing Funds and Programs to Support Provider Transformation through Applying for Federal DSRIP Funds

- Provide new capital and support through a Delivery System Reform Incentive Payment (DSRIP) program allowing the state to access new federal funds to support Medicaid providers in infrastructure development, system redesign, clinical outcome improvements and population-focused improvements. Funds would augment existing transformation funds available through SIM and DSS

B. Support Provider Transformation through Existing Funds and Programs

- Continue to utilize existing financial support programs to assist providers with delivery system reforms.

A. Augment Existing Programs with DSRIP

- **Newly developed strategy**: This strategy has been discussed, but was further articulated in writing for today's discussion.
- In order to apply for a DSRIP, the state would need to request an 1115 waiver. Cabinet member concerns around the waiver were addressed:
  - by noting the two approaches to budget neutrality:
    (1) Reduce costs through the programs Medicaid and SIM are currently pursuing, and / or through strategies proposed by the Cabinet.
    (2) Reallocate existing funds, as opposed to requesting new ones.
  - By putting "guardrails" around the waiver on what it cannot do with the waiver
- If the state decides to pursue DSRIP, it would augment existing transformation support programs, not replace them.

B. Continue with Existing Programs

- **New strategy:** developed as a result of the 10/11 Cabinet meeting. Developed collaboratively by Kate McEvoy, Mark Schaefer, and staff within DMHAS.
- Strategy recommends the continuation of existing financial support programs to assist providers and specifically refers to:
  - DSS's PCMH program,
  - DSS's Electronic Health Record Incentive Program
  - DMHAS's Behavioral Health Homes
  - SIM's Advanced Medical Home Initiative
  - SIM's Community and Clinical Integration Program
- These programs will continue with or without formal Cabinet endorsement

Support Provider Transformation: Discussion

- Did the changes made to existing strategies accurately reflect your intentions? If not, what else would you like to see modified?

- Any other questions or feedback?

Support Provider Transformation: Vote

- 1. Vote for State Pursuit of DSRIP (5A)
- 2. Vote for State Continuation of Existing Support Programs (5B)

6. Support Policy Makers with Data: One Strategy

- **Newly developed strategy:** This strategy has been discussed, but was further articulated in writing for today's discussion.

- HIE and APCD are already in development; therefore, this strategy supports the to-be-appointed Health Information Technology Officer to provide the Office of Health Strategy with data necessary to examine health care cost trends in the state, and to appropriately set the cost growth targets.

Support Policy Makers with Data: Discussion

- Did the changes made to existing strategies accurately reflect your intentions? If not, what else would you like to see modified?

- Any other questions or feedback?

Support Policy Makers with Data: Vote

- 1. Vote for Supporting Policy Makers with Data (6)

7. Incorporate Use of Evidence into State Policy Making: One Strategy

- **Newly developed strategy:** This strategy has been discussed, but was further articulated in writing for today's discussion. It was developed by Bailit and informed by Washington and Oregon.

- The strategy creates a new committee that would be responsible for leveraging well-established, medical evidence review organizations (including two specific to Medicaid programs) to determine the safety and effectiveness of medical devices, procedures and tests. This committee would make recommendations to DSS and OSC for inclusion in their covered services.
- Robust stakeholder input and transparency is included as part of this strategy.

Incorporate Use of Evidence into State Policy Making: Discussion

- Did the changes made to existing strategies accurately reflect your intentions? If not, what else would you like to see modified?

- Any other questions or feedback?

Incorporate Use of Evidence into State Policy Making: Vote

- 1. Vote for Use of Evidence into State Policy Making (7)

Pharmacy Strategies

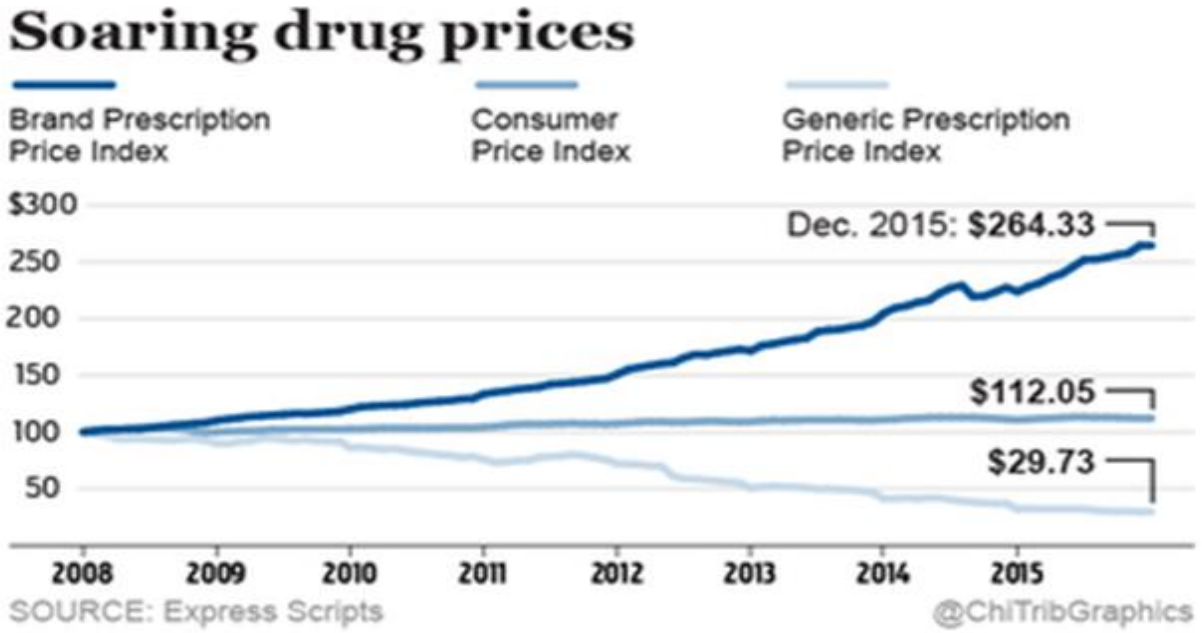
INITIAL DISCUSSION

Purpose of Discussion

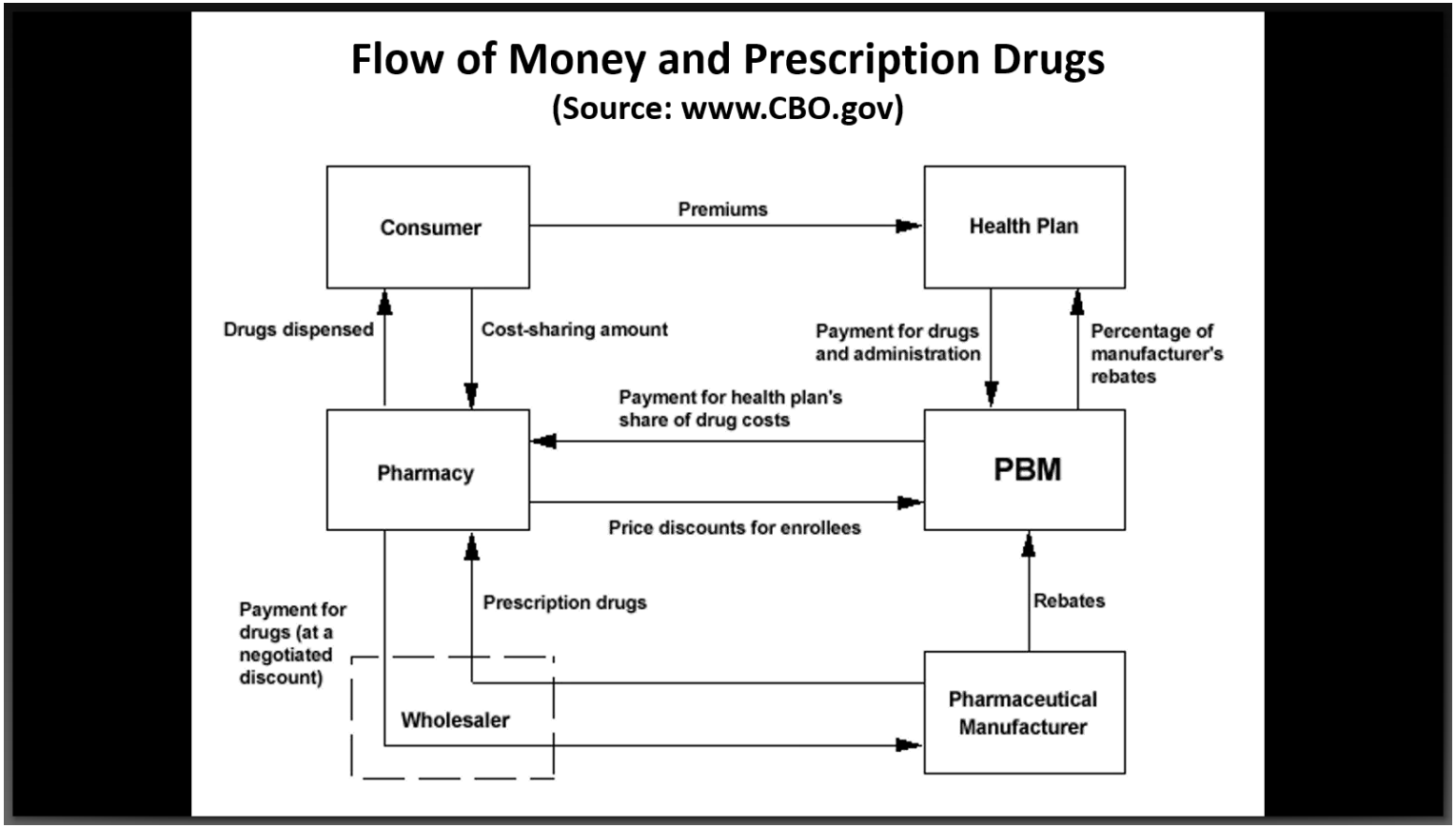
- During the 10/25 meeting, the Cabinet wished to pursue strategies related to the costs of pharmacy.
- This is a deep topic that is deserving of its own time and attention.
- We are mindful that we have limited time remaining to complete the other tasks of our charge, and therefore will discuss these, time permitting.

Potential Pharmacy Strategies

- Goal: to take state action to better control pharmaceutical costs which are among the fastest growing components of health care costs.



Key Challenges: Complicated & Opaque Relationships/ Lack of Bargaining Power



Process for Developing Strategy Suggestions

- Considered current private sector industry practices, particularly strategies implemented by very large insurers
- Considered strategies being implemented or being considered by other state Medicaid programs and state legislators
- Reviewed new proposals by policy experts and those working on pricing issues
- Included suggestions from members of the Cabinet's ad hoc Rx Work Group (Ben Barnes, Anne Foley, Marghie Giuliano, Susan Adams, Marie Smith, Josh Wojcik, Robert Zavolki and Herman Kranc)

Identified Strategies That …..

1. Create a better understanding of drug pricing
   - Develop a sophisticated understanding of industry practices
   - Develop policy responses to activities that unnecessarily increase costs
   - Use findings to be a more sophisticated purchaser of pharmacy coverage
2. Maximize state purchasing and regulatory powers to reduce pharmacy costs
   - Knowledge plus volume translate into purchasing power
3. Optimize safe and effective use of medications
   - Effective use of medications can reduce use of more expensive services and improve patient quality of life

1. Create a Better Understanding of Drug Pricing

Increase the AG's Powers

Enhance AG's powers to investigate and report on pharmacy industry practices re:

- Manufacturing costs
- Pricing/reimbursement practices
- Utilization management programs
- Consumer incentives
- Contractual relationships between and among manufacturers, PBMs, insurers, TPA, dispensing pharmacies
- Use of federal 340B program and associated mark-ups

Strengthen unfair trade practices to address:

- Drug prices that exceed a reasonableness benchmark
- Deceptive consumer incentives, particularly use of coupons

Create a Better Understanding of Drug Pricing (cont'd)

Enact Transparency Legislation

Require PBMs to delineate pricing methodology for Maximum Allowable Costs in contracts with dispensing pharmacists.

- Allow for "appeal" and repayment if methodology not followed

Require drug manufacturers to disclose to the AG pricing information for high-expenditure drugs that hit specific pricing triggers regarding either price increases for existing drugs or launch prices for new drugs.

- Information includes production costs, R&D costs, marketing costs, different prices charged for the drug, discounts and rebates provided to purchasers
- Permit the AG to make information and his/her findings available to state purchasers, including DSS and the Comptroller's Office, and to policy makers

Impact of Expanding AG Powers and Pursuing Greater Transparency

- Focus is on increasing understanding of industry
- Unlikely to directly impact costs
- By shining a light on industry practices, they might change
- Gives the AG additional information on which to bring anti-trust or consumer protection actions
- Uncertain how compliant manufacturers will be to provide information requested
- Expect strong industry opposition during legislative process

2. Maximize State Purchasing Powers: Medicaid

Purchasing Coalitions

Work with other buying coalition members to:

- Adopt performance pricing where drug price is tied to performance outcome
- Use comparative effectiveness research produced by the Drug Effectiveness Review Project in developing its preferred drug list
- Align preferred drug lists, at least among some drug classes

Investigate the feasibility of jointly administer Rx programs with the Comptroller Office

Reimbursement Strategies

Review and track the impact of CMS' new pricing guidelines. Make adjustments, as needed.

Investigate adjusting the reimbursement methodology regarding physician purchasing and administration of in-office infusion drugs to maximize drug effectiveness and efficiency

Impact of Purchasing Coalitions and Reimbursement Strategies

- Medicaid currently participates in a rebate negotiation coalition
- Opportunities to more closely collaborate probably exist, but would require careful investigation
- Adjusting reimbursement for physician-administered infusion drugs is a new area of review and inquiry for payers; care must be careful to avoid reducing access to services

Maximize State Purchasing Powers: Medicaid (cont'd)

Achieve Greater Flexibility in Administering Pharmacy Program

Monitor Washington state's waiver negotiations with CMS to achieve additional pharmacy program flexibility. Consider seeking a Medicaid waiver to:

- Remain eligible for minimum and best-price rebates while gaining the ability to employ such strategies as selective contracting, performance contracting, sole source contracting to enhance market leverage for better supplemental rebates.
- Opt out of Medicaid rebate provisions for a limited number of drug classes and gain the ability to innovate within those specific drug classes by using:
  - New service delivery options
  - A non-Medicaid purchasing pool or state PBM arrangement
  - Bulk purchasing of sole source products

Impact of Pursuing a Waiver to Achieve Flexibility

- Medicaid program flexibility is extremely limited under current federal requirements.
- Seeking a waiver could increase opportunities to use purchasing powers and potentially increase rebate income
- This is an untested strategy; Washington is in negotiations with CMS to seek a waiver

Maximize State Purchasing Powers: Comptroller and Other Entities Purchasing Rx Services Through PBM or Insurer

Redefine Relationship with PBM/Insurer

Through RFP or contract renewal process include requirements (without additional expense) that the vendor:

- Support comparative effectiveness research and share findings with the state agency
- Negotiate performance pricing contracts with manufacturers
- Develop the infrastructure to administer indication-specific pricing

Actively manage the PBM contract by meeting regularly to:

- Review contracted pricing/rebates
- New drug launches and expected pricing/opportunities for performance pricing
- Focus for comparative effectiveness research

Consider PBM contract that delinks PBM's profits from cost/volume of drugs covered under contract

Medical Benefit Strategies

Pursue negotiating rebates from the medical plan vendor for infusion drugs administered as a medical benefit by physicians in ambulatory settings.

Require medical plan vendor to reimburse physicians for administration of infusion drugs in an ambulatory setting in a manner that delinks the administration fee from the cost of the drug

Impact of Retooling Purchasing Strategies

- Performance-based pricing and indication-specific pricing are applicable to a very limited number of new drugs and strategies are in their infancy
- Comparative effectiveness research holds significant promise. Several organizations, including Institute for Clinical and Economic Research, are leaders in this new approach to thinking about pharmacy pricing
- More aggressively managing the PBM contract and considering a new financial structure could have significant impact, but would need to be implemented carefully to avoid unintended consequences
- Focusing on pharmacy costs that are paid under the medical benefit is an untapped opportunity

Maximize State Purchasing Powers: Other State Purchasing Strategies

State as Bulk Purchaser

Build on vaccine purchasing model by enacting legislation to allow the state to negotiate bulk purchasing and distribution of key medicines with significant public health impact, such as Hepatitis C drugs.

Maximizing federal 340B Program

All state agencies to verify that they are maximizing the pricing structure of the federal 340B program, and if not, to take steps to do so.

Impact of Bulk Purchasing and Reviewing 340B

- Bulk purchasing for drugs with a public health impact could significantly reduce total state costs. Obtaining private payer participation could be difficult because they would be unlikely to realize a direct benefit in savings.
- Reviewing use of federal 340B programs to assure maximum benefit should be straight forward, but savings could be minimal unless overlooked opportunities are identified.

Using State Regulatory Powers to Promote Rx Cost Savings

Enhance CID Authority

Give Connecticut Insurance Department the authority to establish and enforce standards for insurers to promote Rx cost savings, including, but not limited to:

- Adopting performance pricing and indication-specific pricing;
- Implementing programs to enhance medication optimization, such as paying clinical pharmacists for therapeutic management services for complex patients and rewarding primary care clinicians for timely medication reconciliation;
- Changing reimbursement methodologies for infusion drugs administered in an ambulatory setting to delink the level of administrative fees from the price of the drugs
- Limiting the mark-up on 340B drugs purchased by hospitals that insurers may accept as reasonable

Impact of Enhancing CID Authority

- With the merging of PBM and insurer functions, increased regulatory oversight might be warranted
- Challenging common practices such as mark-ups on 340B drug purchases is new, but may be a significant opportunity.

Using State Regulatory Powers to Promote Rx Cost Savings

Set Maximum Drug Prices for State Agencies

Enact state legislation prohibiting state agencies from paying more than the price paid by the US Department of Veterans Affairs, unless required by federal law, as is proposed in California Proposition 61.

- The limit would be applicable to all situations where the state agency is the ultimate payer for the prescription drug.
- The law would need to be implemented in a manner that does not jeopardize Medicaid's best price guarantee

Impact of Setting Maximum Drug Prices for State Agencies

- The impact is uncertain because this is an untried strategy at the state level
- Manufacturer response is key to realizing gains. Concern has been expressed that manufacturers will increase the prices of VA-purchased drugs.
- Level of savings depends on variance between current prices and VA prices
- Program would need to be implemented in a manner to protect Medicaid lowest price guarantee

Using State Regulatory Powers to Promote Rx Cost Savings

Create a Public Utility Model to Oversee Drug Prices

Enact state legislation to create a drug price review board to review, approve or adjust prices for:

- All drugs newly approved by the federal Food and Drug Administration
- Drugs with list prices above a certain dollar threshold
- Drugs with price increases that exceed a certain threshold.

Require the board to hold public hearings. Give the board the authority to direct new research to assess the appropriateness of specific launch prices or price increases.

Fund the board through assessments on drug manufacturers.

Impact of Creating a Public Utility Model

- This is an untried strategy.
- Impact on prices will depend largely on manufacturer reaction. Concern has been expressed that some manufacturers would withdraw from the market.
- Program would need to be implemented in a manner to protect Medicaid lowest price guarantee

Using State Regulatory Powers to Promote Rx Cost Savings

Mandatory Biosimilar Substitution Law

Enact state legislation to require all providers administering or prescribing biologically based drugs to use biosimilar drugs, whenever available. Allow prescribers to override substitution if medically required.

Impact of Mandatory Biosimilar Substitution Law

- As the availability of biosimilars grows, mandatory substitution laws could yield significant savings.
- The law would need to allow for the prescribing physician to override the mandatory substitution if medically required.

3 Optimize Safe and Effective Use of Medications

Increase Services Supporting Safe and Effective Use of Medications

Include behavioral health and clinical pharmacists on Community Health Teams

Expand PCMH+ and CCO funding to include therapeutic management services by clinical pharmacists

Develop standard, state-wide discharge forms and require PCMH+ and CCOs to implement protocol for timely medication reconciliation for patients moving to community-based settings

Restrict Use of Automatic Refills

Restrict the ability of dispensing pharmacies to do automatic refills to avoid waste when prescriptions have been changed or discontinued.

Impact of Increasing Support Services for Safe Use of Medication and Restricting Automatic Refill

- Significant savings can be realized medication adherence increases among patients with complex conditions that can be medically managed
- Not all clinical pharmacists are trained or interested in providing therapeutic management services, so payers would need to develop networks of qualified clinical pharmacists
- Including additional providers on the PCMH+ or CCO treatment team could increase costs before savings are realized.

Optimize Safe and Effective Use of Medications

Improve Data Sharing

Promote the use of eprescribing systems to:

- Notify a dispensing pharmacy that a prescription is discontinued
- Enable pharmacists to electronically communicate with prescribing clinicians

Provide clinical pharmacists and community-based providers (such as home health nurses) with access to relevant clinical information, such as lab results, for purposes of assessing effective use of medications.

Impact of Improving Data Sharing

- Some of the eprescribing functionality exists, but the financial incentives to use it are not aligned with goals
- Creating opportunities for dispensing pharmacists and home health nurses to access clinical data requires building a robust HIE

Other Pharmacy Strategies?

- Are there any other pharmacy strategies Cabinet members wish to discuss?
- Which of the pharmacy strategies are ones that the Cabinet would like to further consider?

Next Steps

- The Cabinet will hear public input at the November 15th meeting.
- Time permitting at that meeting, follow-up items may be discussed.
- We will review the final report, and modify any strategies based on public input, with the possibility of voting on the final report.
- Time permitting, we will continue the pharmacy discussion.