

Heinz Report 2006
The Oregon Blueprint: Coordinated Contracting of Prescription Drugs
A Fiscal and Policy Strategy for the State of Oregon

Summary prepared by WCD July 2006

Problem

Little or no coordination among state programs to ensure that taxpayers are receiving the best value for every public dollar spent; and in the end, there is no one person responsible for program administration, management, and ensuring for fiscal control and value.

Overall Public Policy Recommendations:

The Heinz Foundation states, "By coordinating State pharmacy programs, and implementing recommendations contained in the "Blueprint", the State would achieve a **savings of \$17.1 million** in the first full fiscal year."

Five Immediate Recommendations

- 1) Assign the director of the Department of Human Services the sole responsibility for negotiating all state contracts related to prescription drugs
- 2) Require attorney general participation – assist with contracts and oversight
- 3) Provide transparency of pharmacy benefit managers (PBMs) – ensure drug companies and PBMs pass along all the savings they allege
- 4) Audit contracts with Blue Cross and First Health
- 5) Implement a Medicaid preferred drug list and seek supplemental rebates

Three Intermediate Recommendations

- 1) Implement a state-coordinated preferred drug list
- 2) Implement utilization management tools to more effectively control Medicaid prescription drug costs – i.e., step therapy, prior authorization
- 3) Implement a coordinated utilization management strategy to more effectively control prescription drug costs

Nine Longer-Term Recommendations

- 1) Incentivize employee cost sharing under PEBB
- 2) Reduce Medicaid fee-for-service cost sharing for generic drugs to zero
- 3) Provide competitive rebates
- 4) Review dispensing fees for pharmacists – align state agencies
- 5) Consolidate maximum allowable cost (MAC) - this sets a cap on the reimbursement to a pharmacy for a specific drug regardless of whether it is brand or generic
- 6) Consolidate administrative costs
- 7) Consolidate drug purchasing
- 8) Restructure ingredient cost discounts
- 9) Pursue an aggressive 340B strategy - federally administered program that allows safety-net organizations to purchase outpatient medications at or below a defined discount price

Public Policy Recommendations for WCD:

- Modify the dispensing fee paid by the Oregon Workers' Compensation to be more aligned with what other state agencies are paying. This will be controversial because it will involve reducing fees to pharmacies. However, the savings achieved by WCD in making this change could be applied in helping to lower employer workers' compensation costs.
- Develop evidence-based preferred drug list (PDL) and leverage a PDL across state agencies, including OMAP, OMIP, OPDP, PEBB, and WCD.
- Leverage fees negotiated by the OPDP with pharmacies when setting pharmacy reimbursement rates for workers' compensation. The current prescription fees established for workers' compensation are very high. In particular, a dispensing fee of \$8.70 is much higher than the \$3.50 OMAP pays to pharmacies. Recommend brand pricing to AWP –14 percent plus a \$4.00 dispensing fee.
- Work toward requiring electronic pharmacy claims submission and payment.
- Perform clinical audits of insurers in addition to the payment audits already being conducted.
- Consider implementing stronger criteria for the approval of Oxycontin and COX-2 inhibitors such as step therapy and quantity limits.

Overview of Oregon State Agencies Prescription Drug Programs

Department of Corrections

Office of Medical Assistance Programs (Medicaid –OMAP)

Office of Mental Health and Addiction Services

Oregon Medical Insurance Pool (OMIP)

Oregon Prescription Drug Plan

Oregon Workers' Compensation

Oregon Youth Authority

Public Employees' Benefit Board

Department of Corrections (DOC)

Fee schedule

- None

Vendor contract arrangement

- 99 percent of all drugs are purchased through the Minnesota Multi-State Contracting Alliance for Pharmacy (MMCAP)
- Every five years DAS rebids the contract
- DOC uses Cardinal Health Pharmaceutical Distribution (Cardinal) as the specified drug wholesaler for MMCAP

Utilization management

- Independent pharmacy and therapeutics (P & T) committee
- Formulary
- Prior authorization
- Step therapy

- Quantity limits

Participants & funding

- Approximately 12,700 inmates in all levels of custody at 12 institutions statewide
- Two-year budget cycles funded through the state's general fund

Oregon Medical Assistance Programs (OMAP)

Fee schedule

- Lower of billed acquisition cost, AWP-15 percent (AWP-11 percent LTC), State MAC or FUL + \$3.50 retail; \$3.91 LTC, \$7.50 compound

Vendor contract arrangement

- Point-of-sale plan whereby members receive 30-day supply from local pharmacies and pay a copay of \$2 for generic and \$2 for brand
- Mail service is available for up to a 100-day supply and copays are waived
- Began a pilot 340B program in 2005

Utilization management

- Formulary system – there are no utilization management tools in place at this time except for retrospective drug review

Participants & funding

- OMAP is a Title 19 agency that provides prescription drug coverage for those who meet Medicaid eligibility requirements (72 percent of participants are in capitated managed care plans; other 28 percent in fee-for-service plans)
- Funding sources were not identified for this program

Oregon Office of Mental Health and Addiction Services

Fee schedule

- None

Vendor contracts

- Same as DOC (see previous page)
- Concerns for collective drug purchasing
 - Lack of technological infrastructure (currently paper-driven)
 - Distance between facilities
 - Population differences
 - Distribution processes

Utilization management

- Open formulary with no utilization management tools except for retrospective drug utilization review
- Pharmacy & Therapeutic committee in place (separately for each facility)

Participants & funding

- 60-bed facility and a 45-bed training facility in Pendleton; a 700-bed facility in Salem and a 68-bed facility in Portland
- State and federal funds

- Bill patients based on ability to pay

Oregon Medical Insurance Pool and Family Health Insurance Assistance Program (OMIP)

Fee schedule

- Chain: AWP-16.0 percent + \$2.00 dispensing fee
- Independent: AWP-15.0 percent + \$2.75 dispensing fee

Vendor contract arrangement

- Medical and prescription drug benefits are bundled together
- Mail service – limited to 30-day supply with same copay as retail pharmacy benefit
- HIV drugs account for 32 percent of their total drug cost

Utilization management

- Promotes use of generic over brand
- Has Preferred Drug List (PDL)
- Requires prior authorization

Participants & funding

- 15,100 members as of January 2006
- Open to all Oregonians who have been denied individual health coverage (the uninsurable), those unable to obtain COBRA or Portability coverage
- OMIP premium rates are set above commercial rates
- Funded by premiums received from program enrollees (60 percent) and through assessments received from insurance carriers doing business in Oregon (40 percent); no state or federal funds

Oregon Prescription Drug Program (OPDP)

Fee schedule

- AWP-15 percent + \$2.25 dispensing fee

Vendor contract

- Point-of-sale and mail service distribution
- Vendor will reveal and pass through any manufacturer credits they receive

Utilization management

- Has a pharmacy and therapeutics committee that develops an evidence-based PDL; use is optional by participating groups
- Has developed tools to communicate estimated prescription drug costs by therapeutic class for uninsured, self-paying members

Participants & funding

- 6,980 members as of January 2006
- PEBB members, local and special government bodies, Senior Prescription Drug Assistance Program enrollees, OHSU, state agencies operating state-run facilities, state residents who: 1) are at least 54, 2) have a gross annual income

that doesn't exceed 185 percent of the federal poverty guidelines, and 3) have not been covered under any private prescription drug program for the previous six months

- Funding provided from the state's Prescription Drug Purchasing Fund (separate from the general fund) and drug settlement funds from Merck/Medco

Oregon Workers' Compensation

Fee schedule

- AWP –12 percent + \$8.70 dispensing fee

Vendor contracts

- WCD does not pay WC claims; WCD regulates claim payments partly through administration of workers' compensation fee schedules
- Requires that generics be dispensed, if available, unless physician specifically requests the brand drug
- Claims are mostly filed in paper; WCD is reviewing other options

Utilization management

- WCD performs audits of each insurer and self-insured employers for timeliness and accuracy of benefits
- Requires clinical justification for Oxycontin and COX-2 inhibitors
- Working toward development of a Preferred Drug List

Participants & funding

- All subject Oregon employers are required to provide workers' compensation coverage and provide benefits for work-related injuries or occupational diseases.
- Employers can provide WC coverage in any of the following three ways:
 - Purchase from private insurers
 - Purchase from the state-owned workers' compensation insurance fund (SAIF Corp.)
 - Self-insure by meeting certain financial standards

Oregon Youth Authority (OYA)

Fee schedule

- None, except that all legal guardians of offenders must pay any child support they may owe

Vendor contracts

- Different pharmacy contracts (1) for Grants Pass facility and (1) for all other facilities
- OMAP provides the price list to allow OYA to audit charges by participating pharmacies
- Would like to participate in the same contract as DOC but current restrictions exist

Utilization management

- No overriding formulary or medical director

- No MAC pricing for generic drugs and no system to monitor generic drug pricing
- Only individual institution level utilization management

Participants & funding

- 900-bed (total participants) at facilities across the state
- No funding information provided

Public Employees' Benefits Board (PEBB)

Fee schedule

- Fully-insured (assumed AWP-15.5 percent plus a dispensing fee of \$2.36)

Vendor contracts

- HMO pharmacy plan is a closed formulary with a generic copay of \$1 and \$15 for preferred brand meds; no coverage for nonpreferred drugs unless approved through exception process
- POS option allows employees to access drugs through the HMO at a \$5 generic and \$15 preferred copay, or through a community pharmacy at a \$20 generic and \$20 brand plus the difference between the generic and brand price
- PPO option has a three tier pharmacy benefit design with a generic copay of \$5, \$15 for preferred brand drugs, and for nonpreferred brands the copay is the greater of \$50 or 50 percent coinsurance plus the difference in cost between the generic and brand for multi-source brand.
- Mail service is available with all three plans

Utilization management

- Regence and Kaiser use a formulary and a prior authorization program
- Regence has quantity limits for several medications such as drugs for migraines, antiemetics, Oxycontin, and sleep aids
- Regence and Kaiser use retrospective and prospective drug utilization review as well as half tablets

Participants & funding

- Approximately 115,000 total lives (employees, dependents, retirees)
- State general fund (38 percent) and other state funds (47 percent), federal funds (15 percent)