

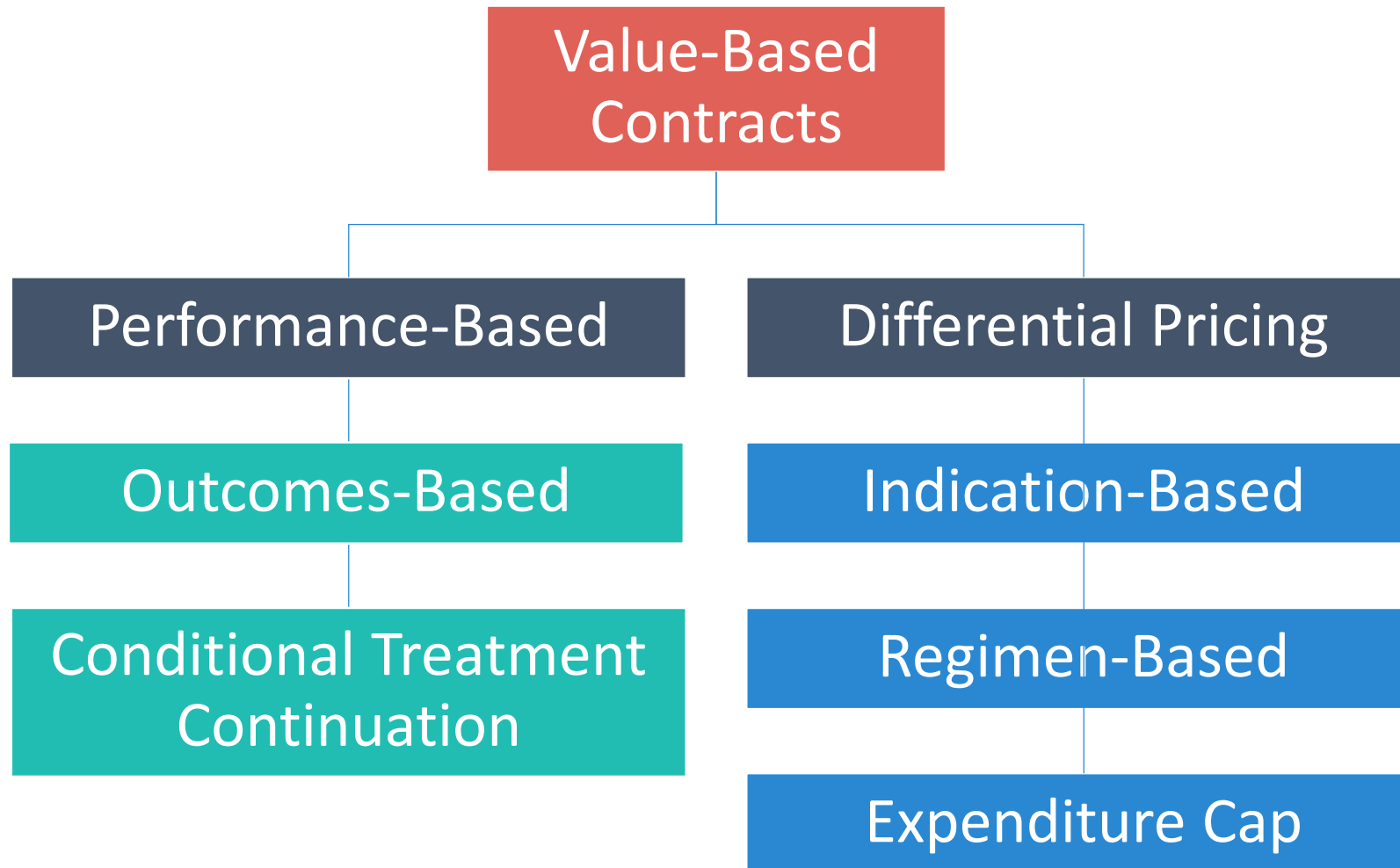


# Discussion on Pharmaceutical Value-Based Contracting

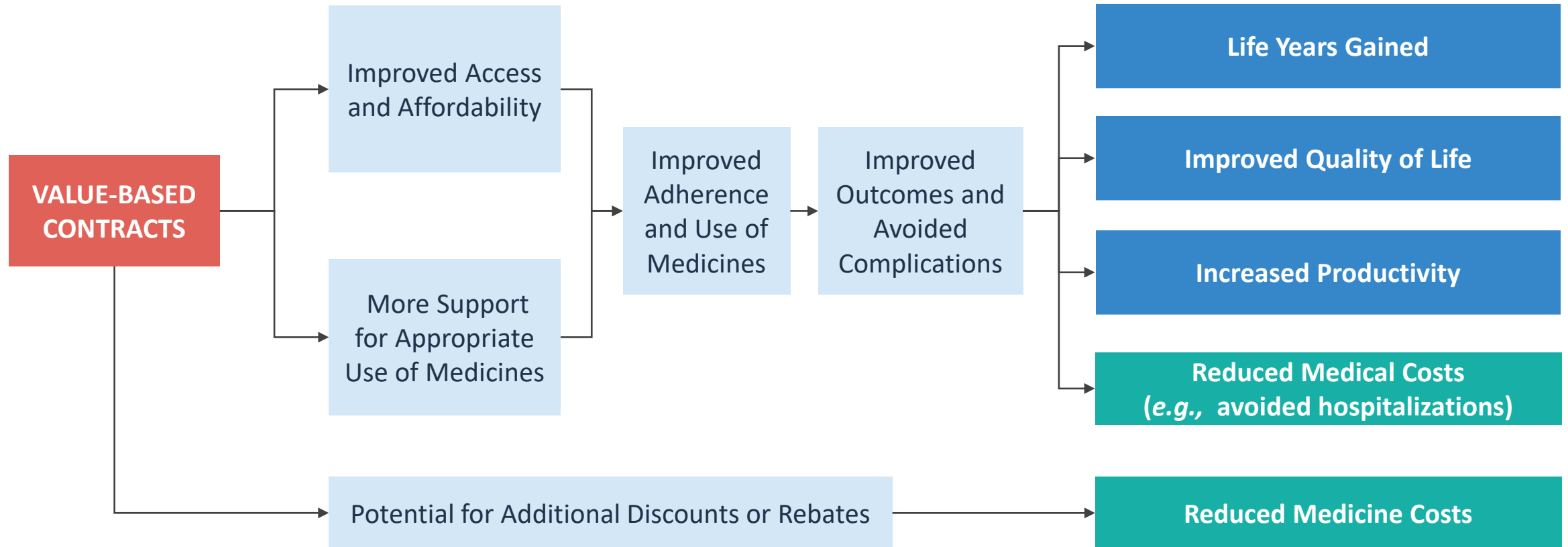
NCOIL SPRING MEETING

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# Taxonomy of Value-Based Contracts



# Potential Benefits of Expanded Value-Based Contracts



# Benefits and Opportunities of Value-Based Contracts



Silver-level exchange plans with VBAs plans had 28% lower co-pays

If VBAs reduce costs of diabetes 5%, \$12 Billion in potential savings annually



74% of payers with outcomes-based contracts reported cost savings

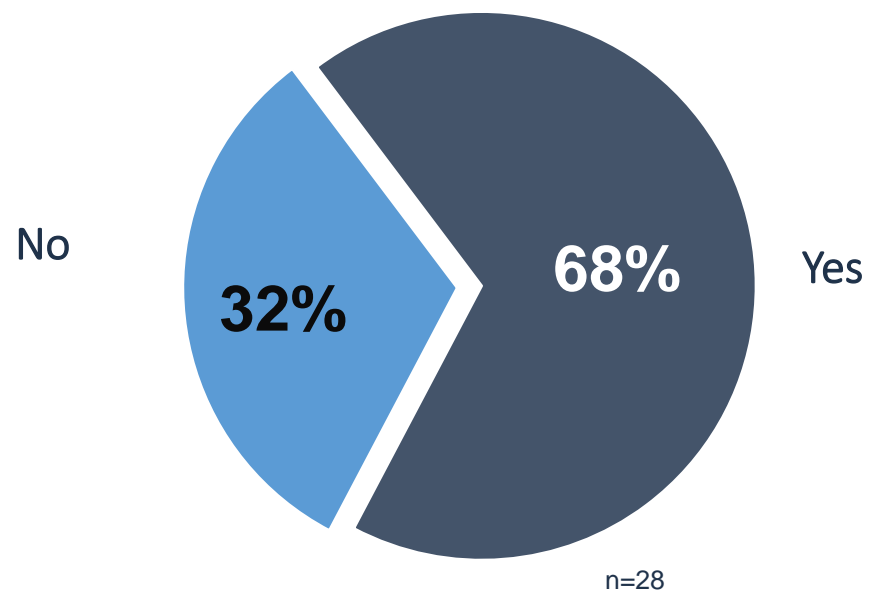


Number of value-based contracts continues to rise

# Most payers have seen reductions in either medical or pharmacy costs through participation in VBCs

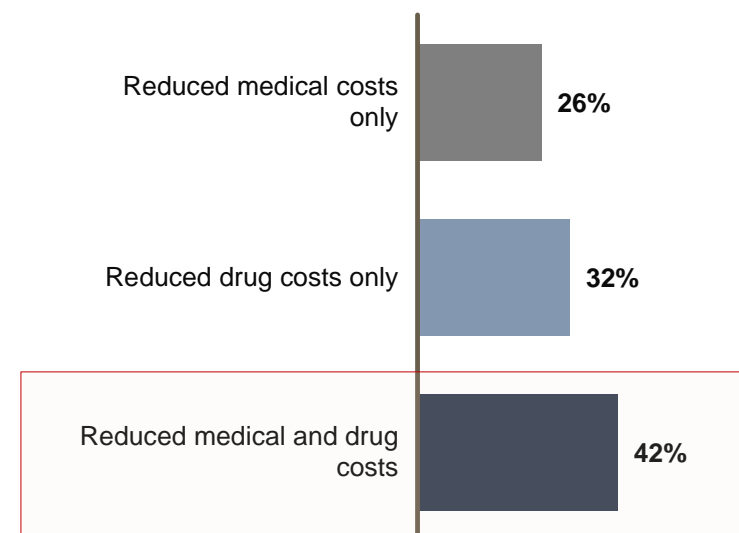
## VBC success in reducing costs for organization

(Percentage respondents)



## Areas of cost reduction from use of VBCs

(Percentage respondents)



Q2b: Have value-based contracts for pharmaceuticals been successful at reducing costs for your organization?  
Q2c: Where have the reduced costs from value-based contracts for pharmaceuticals been realized within your organization?

# New Developments in Medicaid at the State Level

- **Value-based supplemental rebate agreements / state plan amendments**
  - Three states (OK, MI, CO) received CMS approval of state plan amendments
  - WA waiting for approval
- **Subscription (“Netflix”) models for Hepatitis C cures**
  - LA seeking manufacturers to provide unlimited access to curative Hep C therapies

## Colorado Is 3rd State To Base Medicaid Drug Pay On Outcomes

February 26, 2019

CMS on Monday (Feb. 25) approved Colorado’s request to base Medicaid pay on drug performance, making it the third state to get permission to use so-called outcomes-based contracts.

The state will only use the contracts on the fee-for-service side of its Medicaid program, a health department spokesman said. [The Trump administration’s proposed rule](#) banning rebates in Medicaid managed care did not create a specific carve-out for outcomes-based contracts, but HHS said it is not intended to affect those agreements.

“We have had some preliminary discussions, but it’s premature to say who with or what drug types were discussed,” Colorado health department spokesman Marc Williams said.

CMS Administrator Seema Verma praised the state for “demanding value from drug manufacturers.”

“I applaud the state’s bold initiative -- as we see innovations in biomedicine, it is incumbent on payers to modernize approaches to payment for new drugs,” Verma said in a statement.

[Inside Health Policy](#) previously reported that Colorado was considering a plan amendment in October. Colorado officials submitted the application Dec. 4. CMS approved Michigan’s State Plan Amendment request [in November](#) and Oklahoma’s [in June](#).

Oklahoma has signed four outcome-based contracts, and Michigan has yet to publicly announce agreements.



# Oklahoma Value-Based Supplemental Rebate SPA



- CMS approved an Oklahoma SPA in June 2018 that would allow the state to implement value-based purchasing of drugs through additional supplemental rebates on a voluntary basis.
- Four public contracts in place



# Louisiana RFI Hep C Subscription Payment Model



- Louisiana issued an RFI in August on the creation of a subscription-based payment model for Hepatitis C medication; solicitation for offers in January 2019
- Under this payment model, the state would pay a drug manufacturer or manufacturers for unlimited access to the treatment for the individuals in Louisiana who are enrolled in Medicaid or in Louisiana's correctional system.
  - Uses supplemental rebate agreements
- The payment to the manufacturer would be equal to or less than what the state is currently spending to provide the antiviral medication to these populations.



# Additional Reform is Needed for Other Markets

## FDA Rules for Manufacturer Communications

- Achieved long-sought flexibility to communicate information about unapproved products or unapproved uses of approved products

## Need for clear Anti-Kickback Statute Protection

- The Office of the Inspector General released a request for information on *“ways in which it might modify or add new safe harbors to the anti-kickback statute ... in order to foster arrangements that would promote care coordination and advance the delivery of value-based care...”*

## Clarifying Medicaid Best Price

- Rule pending at OMB may provide an opportunity for regulatory changes to create an exception to Best Price
- Rule is titled *“Establishing Minimum Standards in Medicaid State Drug Utilization Review (DUR) and Supporting Value Based Payments (VBP) for Drugs Covered in Medicaid”*