



Department
of Health

SFY 2019-20 Medicaid Drug Cap *Stakeholder Webinar*

August 30, 2019

Agenda

1. Update on Medicaid Drug Cap Statutory Provisions
2. SFY 2019–20 Drug Cap Projection
3. Drug List Criteria (SFY 2018 through SFY 2020)
4. SFY 2019–20 Drugs Identified for Potential Drug Utilization Review (DUR) Board Referral
5. Next Steps
6. Resources

August 2019

Update on Statutory Provisions – PHL § 280

Drug Cap Enhancements

- Enacts changes that accelerate rebate negotiations and collections for high cost drugs, enabling the Department to:
 - Collect rebates effective April 1 of each fiscal year;
 - Initiate rebate negotiations using target rebate amounts that are based on established cost effectiveness studies;
 - Negotiate drug cap rebates for which there is already a manufacturer contract in place, when warranted by significant market changes or State statutory or federal regulatory changes; and
 - Set target rebate amounts without consideration of rebates for other drugs made by the same manufacturer.
- Enacts administrative efficiencies and transparency provisions by:
 - Aligning DUR Board reporting requirements with the State Fiscal Year and;
 - Increasing transparency for cost effectiveness analyses presented by third parties, which includes:
 - ❖ *disclosure of third party's funding sources; and*
 - ❖ *making publicly available the analyses and research that was provided to the DUR Board.*

SFY 19-20 Drug Cap Projection

- Pursuant to § 280 of the Public Health Law, the Division of Budget (DOB) and the Department of Health analyzed the projected SFY 19-20 State Medicaid drug spending.
- DOB concluded that expenditures are projected to exceed the Medicaid Drug Cap.
- Drug spending is projected to exceed the Drug Cap by approximately \$65M. This is driven by an overall 11.8% year-to-year increase in managed care and FFS State share pharmacy spend (net of rebates).
- The managed care expenditures – including the adjustment for the PBM proposal enacted in the budget – were calculated by the State’s actuary (Deloitte).

SFY 2019-20 Medicaid Drug Cap

¹ Program	SFY 2019 Base	SFY 2020 Drug Cap	SFY 2020 Projection
Drug Cap Allotted Trend + CPI		7.010%	
MMC	\$ 5,386,756,988	\$ 5,764,388,584	
HARP	\$ 794,691,388	\$ 850,402,195	
HIV SNP	\$ 514,138,197	\$ 550,181,187	\$ 550,181,187
FFS	\$ 734,913,777	\$ 786,433,952	\$ 823,352,907
² Gross Pharmacy Spend			
³ State Portion of Gross Managed Care Rx Spend	\$ 2,483,779,689	\$ 2,657,901,835	\$ 2,523,098,479
³ State Portion of FFS Rx Spend	\$ 343,256,887	\$ 367,320,465	\$ 384,564,237
Total State Rx Spend	\$ 2,827,036,576	\$ 3,025,222,300	\$ 2,907,662,716
OBRA and State Supp. Rebate Adjustment	\$ (1,484,085,200)	\$ (1,588,125,064)	\$ (1,362,188,352)
% of Total State Rx Spend	52.5%	52.5%	46.8%
Establish Fair Drug Pricing Models in Managed Care through Improved Pharmacy Benefit Manager (PBM) Oversight			\$ (43,300,000)
Net Baseline Medicaid Drug Spend	\$ 1,342,951,375	\$ 1,437,097,236	\$ 1,502,174,365
SFY 2019-20 Drug Cap Projected Excess/(Shortfall)			\$ 65,077,129

1. Managed care programs and/or premiums with less than \$10M in pharmacy spending were excluded.

2. Managed care projected Total Cost calculated by multiplying projected Members Months by projected Per Member Per Month (PMPM) premium. FFS projected Total Cost based on SFY 2019-20 global cap projections. FFS and managed care Total Cost and rebates includes physician administered drugs.

3. Assumes 37.1% State Share allocation for managed care and 46.7% State Share allocation for FFS consistent with SFY 2018-19 actual experience.

August 2019



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Criteria: Drugs Contributing to Piercing the Cap

	SFY 17-18	SFY 18-19	SFY 19-20 ¹
Percentage of Total Spend (Net of All Rebates)			
<i>Brands</i>	59%	61%	61%
<i>Generics</i>	41%	39%	39%
Amount Above Drug Cap Target	\$119M	\$75M	\$65M
Methodology For Identifying Drugs for Possible DURB Referral	1. Total Spend Net of All Rebates in the Top 1% of all drugs <i>(Net Spend > \$5M)</i> 2. Manufacturer Credit <i>(\$30M Credited – State Share)</i>	1. Total Spend Net of All Rebates <u>OR</u> Net Cost per Claim in the Top 3% of all drugs <i>(Net Spend > \$2.2M <u>OR</u> Net Cost per Claim > \$13,000)*</i> 2. Manufacturer Credit <i>(\$63M Credited – State Share)</i>	1. Total Spend Net of All Rebates <u>OR</u> Net Cost per Claim in the Top 3% of all drugs <i>(Net Spend > \$6M <u>OR</u> Net Cost per Claim > \$16,000)*</i>
Number of New Drugs Identified	30	42	29
Number of Manufacturers (Unique)	12	25	18

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.

SFY 2019-20 Initial Identification of New Drugs for Possible DUR Board Referral

Category	All Drugs With Utilization In Calendar Year 2018	Top 3% of all drugs in <u>EITHER</u> Total Net Spend <u>OR</u> Net Cost/Claim	New Drugs Identified for Possible DURB Referral
Number of Drugs	7,845	86	29
Number of Manufacturers	637	43	18

August 2019

Next Steps

Next Steps	Timeline/Target Dates
Implement SFY 20 Budget Enhancements	<ul style="list-style-type: none"> • Immediately
Letters/Bid Packages to Manufacturers	<ul style="list-style-type: none"> • Immediately, following webinar
Negotiations with Manufacturers	<ul style="list-style-type: none"> • Immediately, following distribution of letters/bid packages
<p>Drug Utilization Review Board (DURB) Meetings</p> <p><i>(30 days prior to the DURB meeting, DOH will post an agenda on its website, which will [if applicable] include the names of drugs that will be reviewed for recommended target supplemental rebate amounts)</i></p>	<ul style="list-style-type: none"> • September / December 2019

Questions?

- Questions should be sent to MADrugCap@health.ny.gov.
- This webinar presentation will be available online at:
https://www.health.ny.gov/health_care/medicaid/regulations/global_cap/
- Previous webinar presentation and FAQs are also available online (at the link above).