



**Department
of Health**

**Office of
Health Insurance
Programs**

SFY 18-19

Medicaid Drug Cap Webinar

September 17th 2018

Agenda

- 1. Overview of Medicaid Drug Cap Statutory Provisions**
- 2. SFY 2018–19 Drug Cap Projection**
- 3. SFY 2018–19 Drugs Identified for Potential Drug Utilization Review Board (DURB) Referral**
 - *Flowchart/Methodology*
 - *Figures*
- 4. Next Steps**
- 5. Resources**

Recap of Statutory Provisions – Section 280 PHL

Establish Rebates for High Cost Drugs

- Limits drug spending growth in SFY 2019 to the 10–year rolling average of the medical component of the Consumer Price Index plus four percent, less the State share rebate target;
- Authorizes the Department of Health (DOH) to negotiate enhanced rebates with drug manufacturers in the event that the Director of the Budget determines drug spending is projected to exceed the Cap;
- Authorizes the Commissioner to refer certain drugs to the DURB;
- Authorizes the DURB to request drug development, cost/pricing, and other data to determine appropriate target rebate amount; and
- Authorizes the Health Commissioner to invoke other actions [e.g. requiring prior authorization (PA), removing drugs from Medicaid Managed Care (MMC) formularies, accelerating rebate collections] to the extent applicable under current law.

SFY 18-19 Drug Cap Projection

- Pursuant to Section 280 of the Public Health Law, the Division of Budget (DOB) and the Department of Health analyzed the projected SFY 18-19 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 \$75M. This is driven by an overall 11.5% year-to-year increase in managed care and FFS state share net pharmacy spend.
- The managed care expenditures which drive the majority of the increase (9.7%) was calculated by the State's actuary (Deloitte).

SFY 2018-19 Medicaid Drug Cap

¹ . Program	FY 2018 Base	FY 2019 Drug Cap	² . FY 2019 Projection
MMC	\$ 4,595,224,376	\$ 4,928,056,478	\$ 5,040,462,785
HARP	\$ 546,740,182	\$ 586,340,573	\$ 724,898,506
HIV SNP	\$ 588,421,091	\$ 631,040,431	\$ 559,077,206
FFS	\$ 673,215,488	\$ 721,976,486	\$ 601,376,320
Gross Pharmacy Spend	\$ 6,403,601,137	\$ 6,867,413,967	\$ 6,925,814,817
³ . State Portion of Gross Managed Care Rx Spend	\$ 2,188,549,994	\$ 2,347,066,670	\$ 2,422,313,648
³ . State Portion of FFS Rx Spend	\$ 311,998,706	\$ 334,596,772	\$ 278,705,165
Total State Rx Spend	\$ 2,500,548,700	\$ 2,681,663,442	\$ 2,701,018,813
⁴ . OBRA and State Supp. Rebate Adjustment	\$ (1,369,252,358)	\$ (1,468,427,306)	\$ (1,443,058,884)
% of Total State Rx Spend	54.8%	54.8%	53.4%
Net Baseline Medicaid Drug Spend	\$ 1,131,296,342	\$ 1,213,236,136	\$ 1,257,959,930
Drug Cap Allotted Trend + CPI	8.243%	7.243%	
⁵ . Pharmacy Savings Target Adjustment		\$ (30,000,000)	
SFY 2018-19 Medicaid Drug Cap	\$ 1,131,296,342	\$ 1,183,236,136	\$ 1,183,236,136
Projected Excess/(Shortfall)			\$ 74,723,793

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

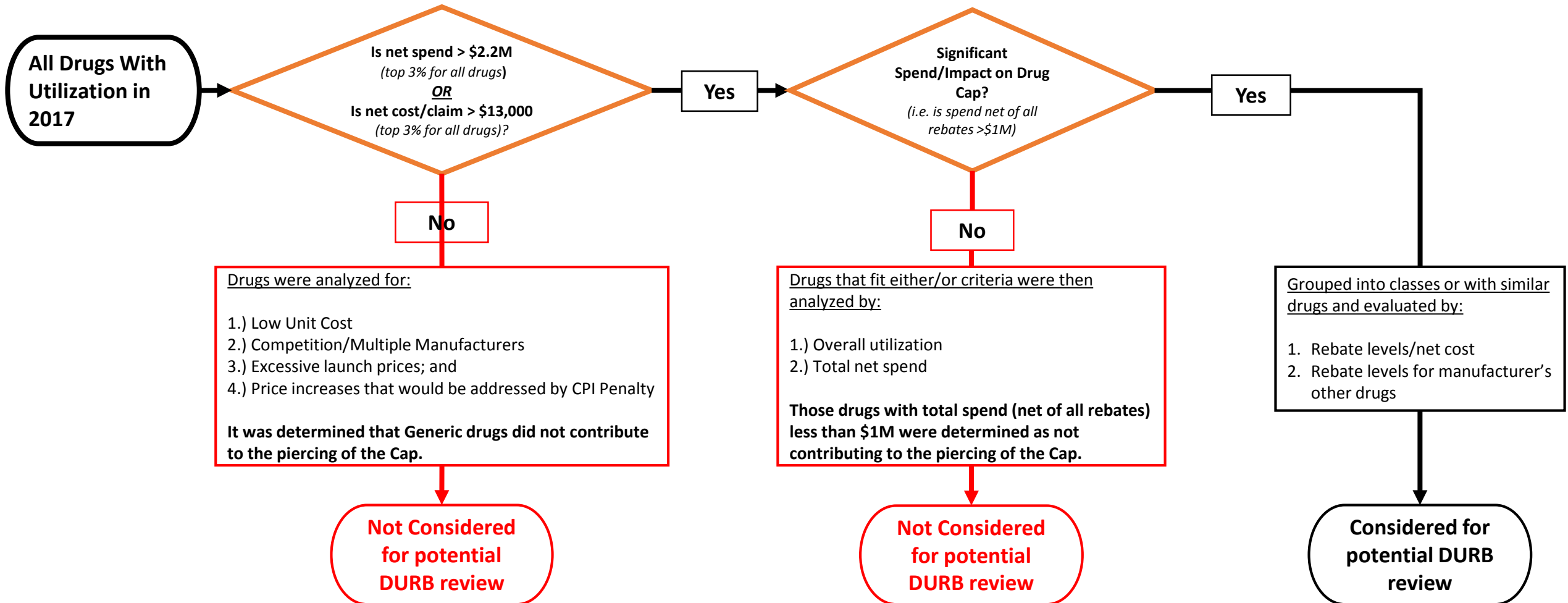
2. Managed Care projected Total Cost calculated by multiplying projected Members Months by projected Per Member Per Month (PMPM) premium. FFS projected Total Cost based on SFY 2018-19 global cap projections and also includes any pharmacy products currently "carved out" of Managed Care. FFS and Managed Care Total Cost excludes physician administered drugs.

3. Assumes 38.3% State Share allocation for Managed Care and 46.3% State Share allocation for FFS consistent with SFY 2017-18 actual experience.

4. Assumes the same weighted State Share SFY 17-18 spend allocation for Managed Care and FFS combined.

5. Pharmacy Savings Target Adjustment is reduced by \$55M to account for actual savings achieved in SFY 17-18. These savings are reflected in the FY 2018 Base.

SFY 2018-19 Process for Initial Identification of New Drugs for Possible DURB Referral (Flowchart)



Summary of Drug List Model

	SFY 17-18	SFY 18-19
% of Total Spend (Net of All Rebates)		
<i>Brands</i>	59%	61%
<i>Generics</i>	41%	39%
Amount Above Drug Cap Target	\$119M	\$75M
Methodology For Identifying Drugs for Possible DURB Referral	<ol style="list-style-type: none"> 1. Is the Total Spend Net of All Rebates > \$5M <i>(Top 1% of all drugs)</i> 2. Manufacturer Credit <i>(\$30M Credited – State Share)</i> 	<ol style="list-style-type: none"> 1. Is Total Spend Net of All Rebates > \$2.2M <u>OR</u> Is the Net Cost per Claim > \$13,000* <i>(Top 3% of all drugs under each ‘or’ criteria)</i> 2. Manufacturer Credit <i>(\$63M Credited – State Share)</i>
Number of New Drugs Identified	30	42
Number of Manufacturers (Unique)	12	25

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

SFY 18-19 Initial Identification of New Drugs for Possible DURB Referral (Figures)

Category	All Drugs With Utilization In Calendar Year 2017	Total Spend (Net of all Rebates) >\$2.2M * <u>OR</u> Cost/Claim (Net of all Rebates) > \$13,000* <u>AND</u> Total Spend (Net of Rebates) >\$1M	New Drugs Identified for Possible DURB Referral
Number of Drugs	7,882	87	42
Number of Manufacturers	619	45	25

* These values represent the top 3% for all drugs under each criteria

Next Steps

Activity	Target Date(s)
DOH/Manufacturer Negotiations	Immediately
DURB Referral <i>[30 days prior to the DURB meeting, DOH will post an agenda on its website, which will include the names of drugs that will be reviewed for recommended target supplemental rebate amounts]</i>	TBD
DURB Meeting(s)	September December

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).