



The Cost of Care: Prescription Drugs in KanCare

Thursday, February 17, 2022

Virtual Session – 12:00 to 1:00 p.m.



WHO WE ARE

- Nonprofit, nonpartisan educational organization based in Topeka.
- Established in 1995 with a multi-year grant by the Kansas Health Foundation and located directly across from the Statehouse.
- Committed to convening meaningful conversations around tough topics related to health.



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2022 Bring It! Health Policy Session:

The Cost of Care: Prescription Drugs in KanCare

TODAY'S AGENDA

1. KanCare MCO Spending by Category of Service
2. Medicaid Pharmacy Benefit
3. Medicaid Drug Pricing
4. Specialty and High-Cost Drugs
5. KanCare Prescription Drug Spending
6. State Policy Issues

POLL



There are many factors that people may feel are driving up the cost of healthcare today. **This poll offers a list, and asks:**
Which three (3), if any, do you think do the most to raise healthcare costs?

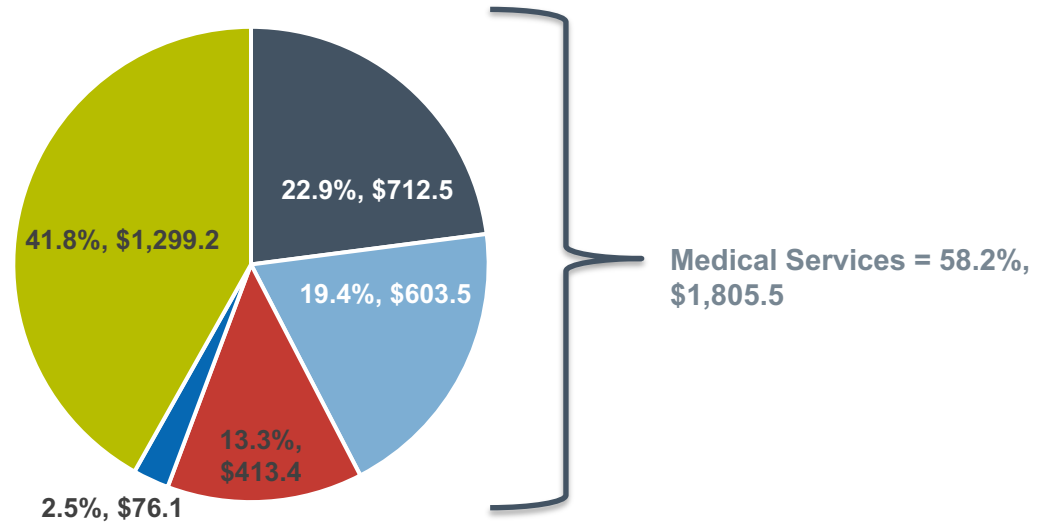
NATIONAL POLL RESULTS

9. Here is a list of factors that people may feel are driving up the cost of healthcare today. Which three, if any, do you think do the most to raise healthcare costs?

THIS TABLE HAS BEEN RANKED BY THE HIGHEST PERCENTAGE

Health insurance company profits	56	[178-179]
High prices charged by hospitals.....	50	>
Government regulation of healthcare coverage and providers	32	
High cost of advanced technologies and treatments	32	
Frivolous lawsuits against medical providers	28	
Patients receiving unnecessary tests and procedures	26	
High prices charged by specialists like radiologists or surgeons	24	
High prices charged by doctors	22	
Less competition among hospitals and doctors.....	11	
None of these	1	

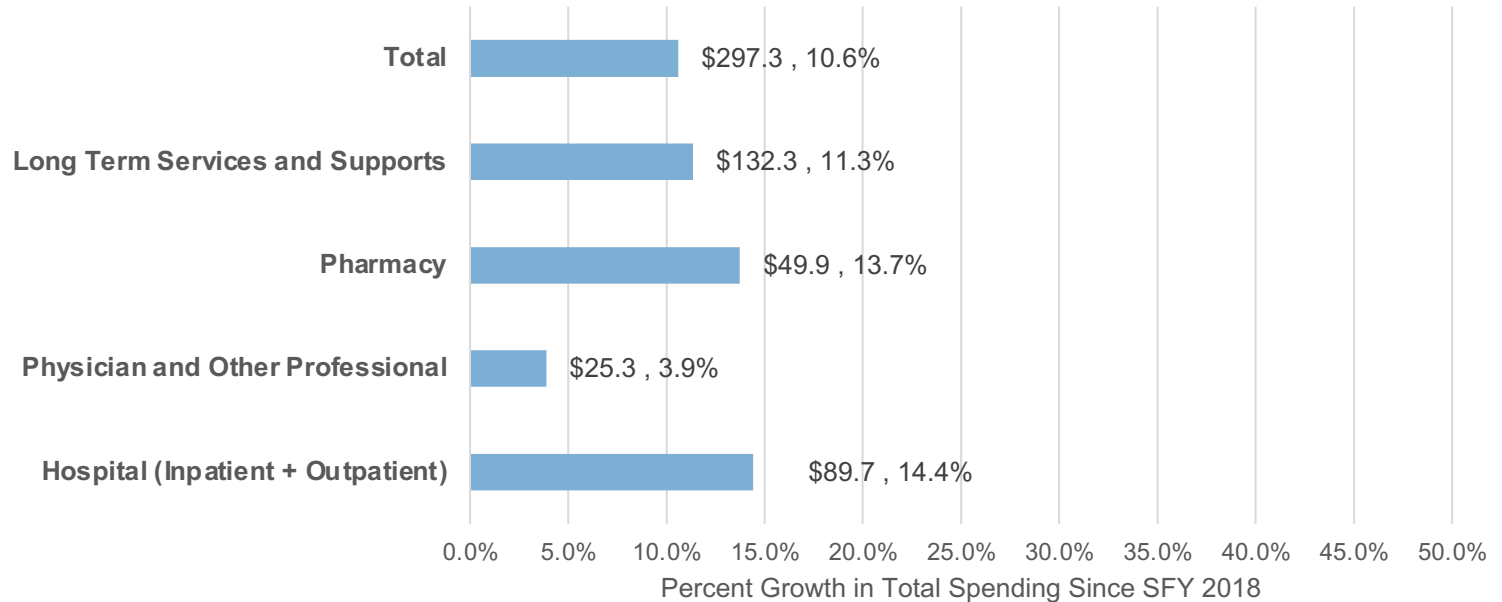
KANCARE TOTAL MCO SPENDING BY SERVICE TYPE, SFY 2021 (MILLIONS)



■ Hospital (Inpatient + Outpatient) ■ Physician and Other Professional ■ Pharmacy ■ Dental ■ Long Term Services and Supports

Source: Kansas Medicaid: A Primer 2022 (January 2022)

KANCARE MCO SPENDING GROWTH BY SERVICE TYPE, SFY 2018 – 2021



Source: KHI analysis of data from Kansas Medicaid: A Primer 2019 and Kansas Medicaid: A Primer 2022

KEY POINTS

- Pharmacy spending grew 13.7% from \$363.5 million in SFY 2018 to \$413.4 million in SFY 2021, slightly faster than the growth in MCO spending overall – 10.6%.
- Managing the Medicaid prescription drug benefit and pharmacy expenditures is a policy priority for state Medicaid programs.
- Polling suggests more than half of US adults personally feel reducing the cost of prescription drugs is one of the top two most important health care costs to reduce.

WHAT IS DRIVING SPENDING?

- **Price inflation for existing products**
2008 - 2016 list price for brand-name oral drugs grew 9.2% per year on average; brand-name injectable drugs grew 15.1% per year on average; almost all growth attributed to existing products

WHAT IS DRIVING SPENDING?

- **New product entries**

2008 – 2016 list price for specialty oral drugs grew 20.6% per year on average; specialty injectable drugs grew 12.5% per year on average; most growth attributed to new products

WHAT IS DRIVING SPENDING?

- Increased enrollment because of COVID-19 pandemic/public health emergency (PHE) policy

KanCare MCO monthly average enrollment increased 7.8% between SFY 2018 and SFY 2021 from 398,681 to 429,642.



DISCUSSION

Did anything stand out to you about the data?

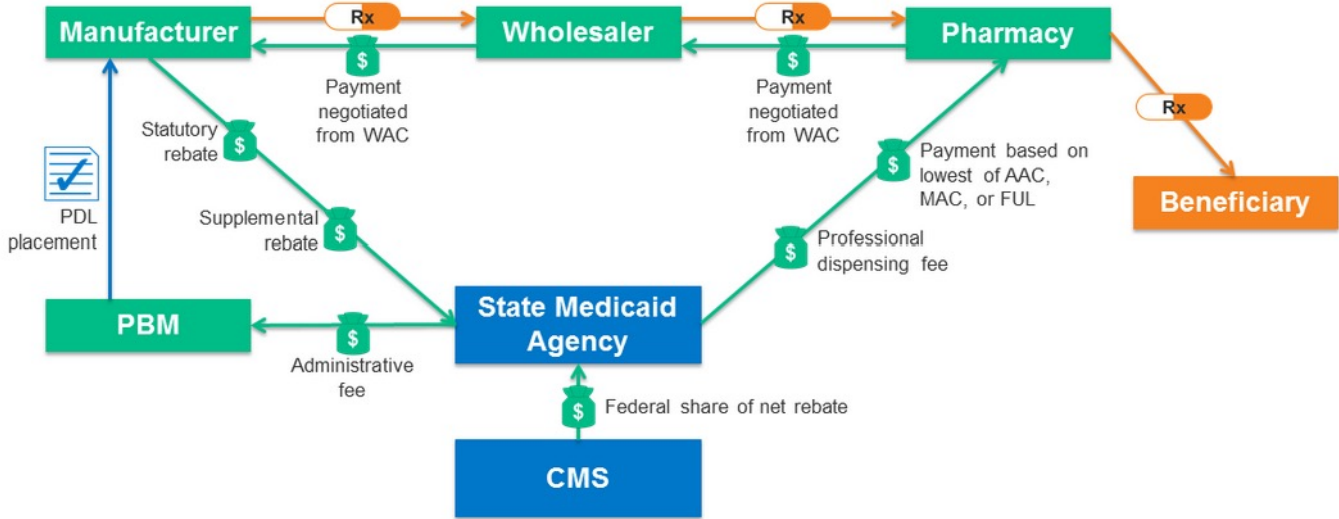
Are there any additional insights to share about what's driving spending?

KANCARE PHARMACY BENEFIT

- Prescription drugs in Kansas Medicaid are “carved-in” to the KanCare managed care program
 - MCOs manage the benefit within established guidelines and are responsible for reimbursing pharmacies for their members’ prescriptions.
- KanCare covers most FDA-approved drugs as long as the manufacturer participates in the federal Medicaid Drug Rebate Program (MDRP)
- KDHE and MCOs manage the use of covered drugs through the Preferred Drug List (PDL) and prior authorization.

PRESCRIPTION DRUG PRICING

There is a complex drug supply and payment chain for prescription drugs in Medicaid.



NOTES: This figure is a simplified depiction of the payment and drug supply chain in the Medicaid prescription drug benefit provided through a fee-for-service setting. WAC is Wholesale Acquisition Cost. While WAC is publicly available, the negotiated amount is not. AAC is Actual Acquisition Cost which can be based on a published schedule such as NADAC or determined through other benchmarks. MAC is the state Maximum Allowable Cost and FUL is the Federal Upper Limit, both programs establish ceilings for what Medicaid will pay for certain multiple-source drugs.



Figure 1: There is a complex drug supply and payment chain for prescription drugs in Medicaid

SPECIALTY AND HIGH-COST DRUGS

- Treat or cure complex or rare conditions
- High touch, require specialized handling or administration by a physician and in-depth patient education
- Typically priced at more than \$1,000 per 30-day supply

The Most Expensive Drugs, Period

July 2021

	Drug	Manufacturer	Annual cost based on length of therapy
1	Zolgensma	Novartis Gene Therapies	\$2,125,000
2	Zokinvy	Eiger BioPharmaceuticals	\$1,032,480
3	Danyelza	Y-mAbs Therapeutics, Inc	\$977,664
4	Myalept	Aegerion Pharmaceuticals	\$889,904
5	Luxturna	Spark Therapeutics	\$850,000
6	Folotyn	Acrotech Biopharma	\$817,865
7	Brineura	BioMarin Pharmaceuticals	\$730,340
8	Blinicyto	Amgen, Inc	\$712,672
9	Ravicti	Horizon Therapeutics	\$695,970
10	Soliris	Alexion Pharmaceuticals, Inc	\$678,392

*This list includes prescription drugs and drugs only administered by a healthcare professional. Quantity of dose may depend on weight or body surface area of the individual, meaning that prices can vary.

Source: GoodRx

GoodRx

NATIONAL RX SPENDING TRENDS

Medicaid Claims and Gross Spending on Drugs over \$1,000 per Claim

Fiscal year	Drug claims (millions)	Gross spending (\$ billions)	Spending per claim	Percent of total claims	Percent of total spending
2014	5.2	\$13.4	\$2,597	0.9%	31.1%
2015	6.5	\$18.4	\$2,822	1.0%	34.4%
2016	7.3	\$23.9	\$3,252	1.0%	39.2%
2017	8.8	\$27.8	\$3,174	1.2%	43.7%

Notes: Includes federal and state funds. Gross expenditures are before the application of rebates. To assign brand and generic status, we linked the state drug utilization data to the Medicaid drug product data from CMS using the National Drug Code, the universal product identifier for drugs. Excludes drugs that could not be matched to the drug product data. Virginia data were corrected for an apparent error in fee-for-service spending in the second quarter of 2014 and \$294 million in anomalous spending was excluded in 2017. Does not include Medicare Part D clawback payments.

Source: MACPAC analysis of Medicaid state drug rebate utilization and product data as reported by states of July 2018.

KEY POINTS

- Specialty drugs and high-cost drugs, as well as price increases, are most cited as the key drivers of increasing Medicaid pharmacy spending by states
- Many potentially high-cost drugs are in the pipeline. The Medicaid and CHIP Payment and Access Commission (MACPAC) reports
 - 282 specialty drugs and 61 cell and gene therapies for adults are in Phase III clinical trials
 - 45 cell and gene therapies are under development across all phases specifically to treat children



DISCUSSION

What else may we learn from Medicaid data to understand the overall cost of care?

STATE MEDICAID POLICY

Access to Medications

E.g., additional utilization management tools like Therapeutic Substitution

Reducing State Cost

E.g., multi-state purchasing pools to increase rebates or subscription models



DISCUSSION

What are the top issues related to affordability and access to care in Kansas?

RESOURCES

- Kansas Medicaid: A Primer 2022
 - <https://www.khi.org/policy/article/22-02>
- Pricing and Payment for Medicaid Prescription Drugs
 - <https://www.kff.org/medicaid/issue-brief/pricing-and-payment-for-medicaid-prescription-drugs/>
- Addressing High-Cost Specialty Drugs
 - <https://www.macpac.gov/publication/addressing-high-cost-specialty-drugs/>
- Prescriptions for Change
 - <https://www.khi.org/policy/article/20-31>
- States Respond to COVID-19 Challenges but Also Take Advantage of New Opportunities to Address Long-Standing Issues: Results from a 50-State Medicaid Budget Survey for State Fiscal Years 2021 and 2022
 - <https://www.kff.org/medicaid/report/states-respond-to-covid-19-challenges-but-also-take-advantage-of-new-opportunities-to-address-long-standing-issues/>



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THANK YOU

Any questions?

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