

Managed Care Pharmacy Implications from CMS Potential Drug Pricing Changes in Medicare Part B and Medicare Advantage and Part D Proposed Rules

November 9, 2018

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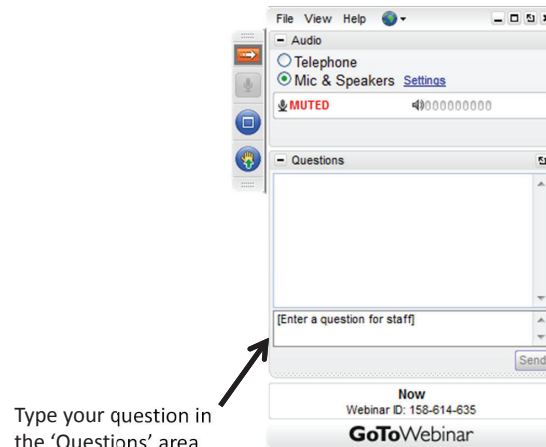
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How to Ask A Question



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Today's Speakers



Melissa Andel, MPP
Vice President, Health Policy
Applied Policy LLC



Stephen Northrup, MPA
Founding Partner
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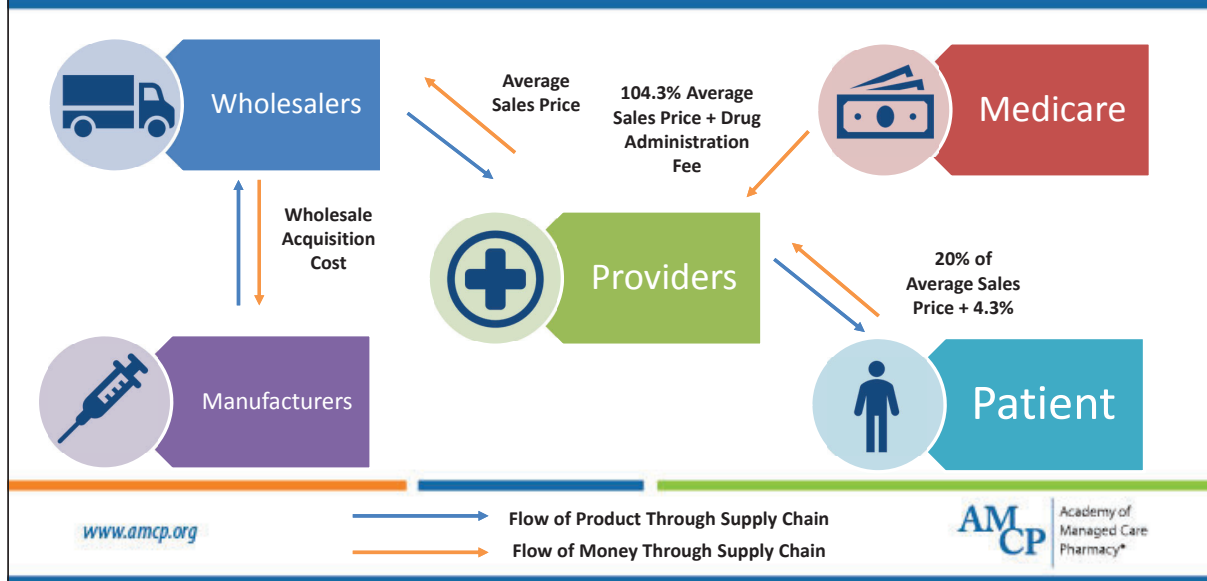
Agenda

- Review of Proposal for Drug Pricing Changes in Medicare Part B
- Review of Proposed Modifications to Medicare Advantage and Part D
- Political Overview
- Key Policy Issues for AMCP and Next Steps
- Questions & Answers

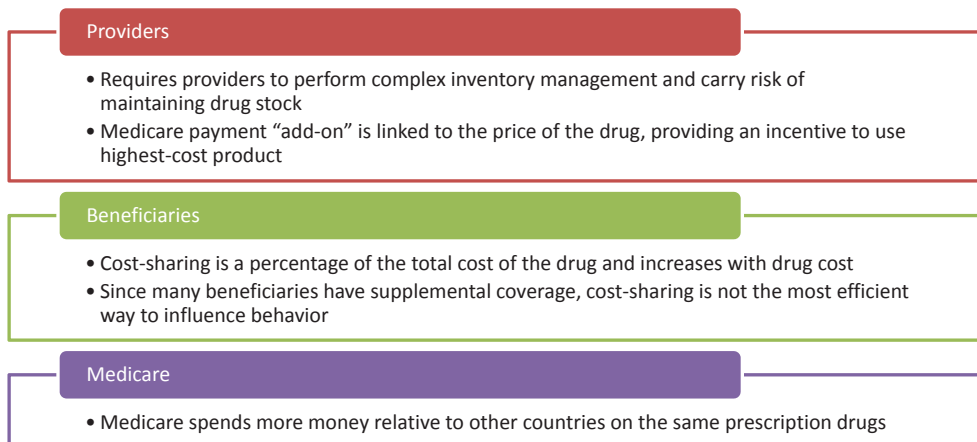
PROPOSAL TO CHANGE MEDICARE PART B PRESCRIPTION DRUG PAYMENT

MELISSA ANDEL, MPP
VICE PRESIDENT, HEALTH POLICY
APPLIED POLICY LLC

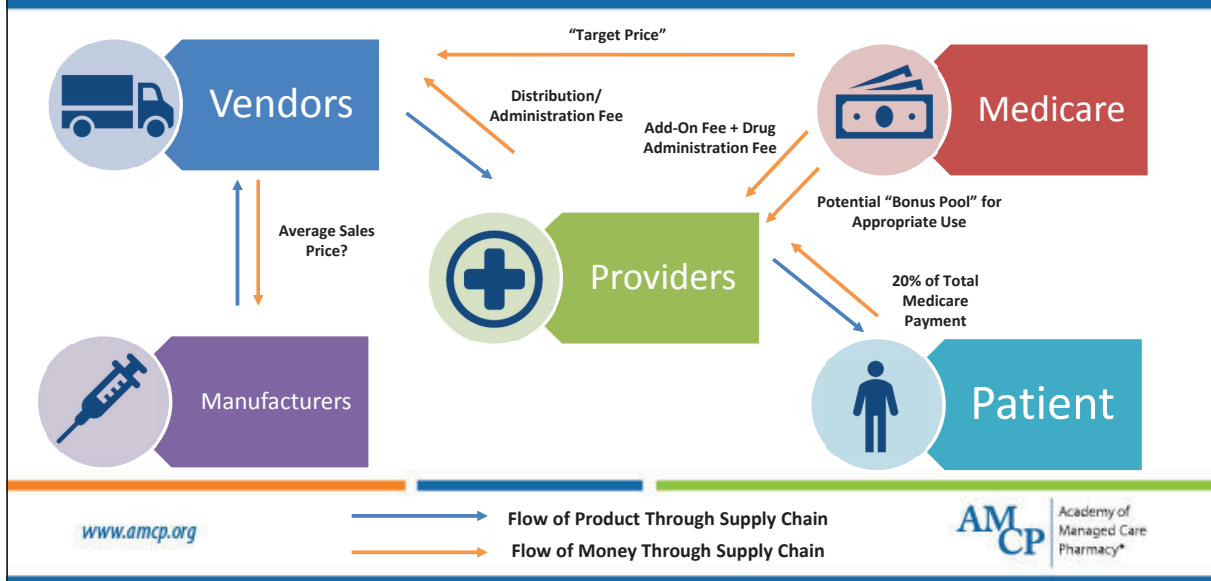
Current Medicare “Buy and Bill” Process



What are Problems with Current System?



Overview of New Proposed Process



Proposal Would be Limited Geographically

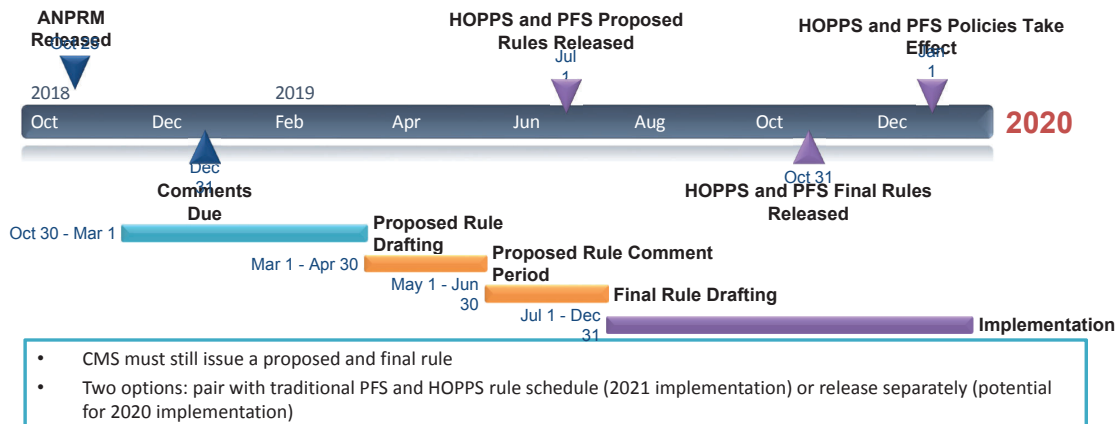
Similar to 2015, CMS will use authority to run demonstrations out of the Center for Medicare and Medicaid Innovation (CMMI)

The model would be limited to specific geographic areas, but participation would be mandatory for physician offices and hospital outpatient departments

The model is currently slated to run for 5 years

Beneficiaries in Medicare Advantage (~40% of all beneficiaries) would not be impacted

2020 Implementation is Possible, but Optimistic



Open Questions After the ANPRM

Operational

- How will physician add-on fee be calculated?
- How frequently will Medicare payment amounts be updated to account for utilization and pricing changes?
- How will patient copayments be reconciled between physicians and vendors?
- What happens if there are no vendors?

Political

- What is the real objective of the proposal?
- Will manufacturers be able to successfully shift costs to other countries to avoid steep Medicare payment cuts?
- Can CMS establish support with providers and patients?

PROPOSED TECHNICAL MODIFICATIONS TO MEDICARE ADVANTAGE AND PART D

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Proposed Rule with 2020 Changes Released

Comments are due December 31

Expect final rule release in conjunction with Call Letter

Changes would be implemented in 2020

Most changes mandated by the Bipartisan Budget Act of 2018

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Expanded Telehealth Access Begins in 2020

Starting in 2020, Medicare Advantage plans may offer some expanded telehealth benefits as part of the “basic benefit package”

- MA plans will be able to build the expected cost of providing these services into their bids

CMS will establish a list of “appropriate” services to furnish via telehealth

Plans will continue to be able to offer coverage of additional services, but only as a supplemental benefit

Expect further clarification in the 2020 Call Letter

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Star Ratings Specifications Updates

CMS is proposing to modify the following existing measures:

- Controlling High Blood Pressure (Part C) to align with new clinical guidelines related to hypertension
- Medicare Plan Finder Price Accuracy (Part D) to better measure the reliability of a contract’s advertising prices
- Plan All-Cause Readmissions (Part C) to include observation stays and remove individuals with high-frequency hospitalizations
- Improvement measures (Part C and D) to exclude from the improvement calculation any measure that receives a measure-level Star Rating reduction for data integrity concerns for either the current or prior year

Based on stakeholder feedback, CMS is also proposing to use an enhanced cut point methodology in order to improve stability and predictability and reduce the influence of outliers

- CMS would implement a “guardrail” so that cut points do not increase or decrease more than a capped amount from one year to the next

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POLITICAL OVERVIEW

STEPHEN NORTHRUP, MPA
FOUNDING PARTNER
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Political Challenges Facing Part B Plan

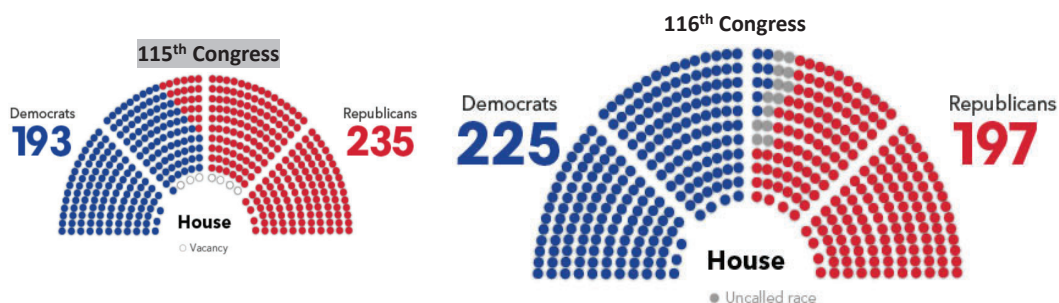
- Obama proposal aligned powerful interests -- pharma AND physicians AND hospitals
 - Can Trump get two out of three on board?
- Importation.....of price controls
- No direct benefit to beneficiaries
- Logistical questions with no easy answers
- Doesn't take effect until 2020 (at the earliest)

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2018 Midterm Election Insights

Democrats flip the House and will gain powerful committee gavels



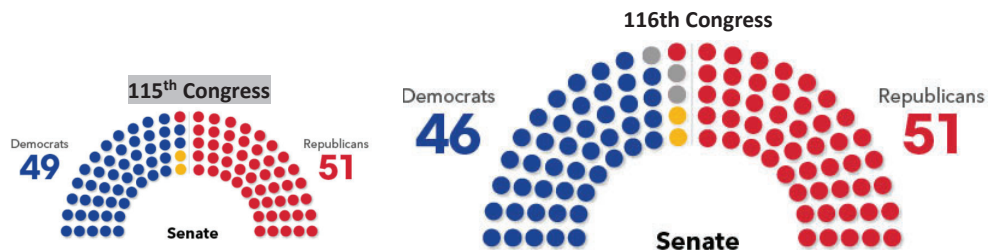
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Source: Charlie Cook, National Journal's Day After the Election Event, Nov. 7, 2018
Caitlin Chin | Slide last updated on: November 7, 2018

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2018 Midterm Election Insights

Senate Republicans lead in uncalled races and are likely to increase their majority



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Source: Charlie Cook, National Journal's Day After the Election Event, Nov. 7, 2018
Caitlin Chin | Slide last updated on: November 7, 2018

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2018 Midterm Election Insights

Many races fell along predictable party lines

- Unlike in 2016, the 2018 midterm elections saw relatively few surprises
- Republicans performed well where Trump's approval rating was over 50% and Democrats performed well where Trump's approval rating was below 50%

Some Races were close, but Democrats pulled ahead in the House

- Early on, it seemed like Democrats would pick up 23 seats in the House, but not many more. However, Democratic candidates continued to claim victories through the night.
- House Democrats will end the election with a 36 to 40 seat majority, which is slimmer than the current Republican majority of 45 seats.

2018 Midterm Election Insights

Meanwhile, Republicans gained ground in the Senate

- Republicans had an advantageous Senate map and scored a solid win by picking up Senators Joe Donnelly (D-IN), Heidi Heitkamp (D-ND) and Claire McCaskill's (D-MO) seats.
- Although they lost Sen. Dean Heller's (R-NV) seat, Republicans will probably pick up Sen. Bill Nelson's (D-FL) seat, pending a recount. Seats in Arizona and Mississippi are also yet to be decided.
- Republicans needed to build a cushion against a difficult map in 2020

Why the divergence between the House and Senate? We see a potential urban-rural divide

- Senate races included rural and conservative states, while many House races encompassed suburban and urban areas. According to noted political analyst Charlie Cook, "it was like we were having two different elections in two different Americas."

2018 Midterm Election Insights

Pharmaceutical costs may be an opportunity for bipartisan agreement

- The Trump administration will continue to pursue reforms in the President's "Blueprint to Lower Drug Prices"
- House Democrats will use control of the committees and floor to advance a set of proposals of their own
- Democrats believe the President's proposals are too cautious, and the Republicans are likely to reject the most ambitious and aggressive Democratic proposals (e.g., importation, government negotiation in Part D)
- Democrats and Republicans may be able to find common ground on a handful of issues beyond Part B drug pricing reforms:
 - CREATES ACT
 - Removing Medicaid rebate caps
 - Limiting "pay-for-delay" arrangements
 - Eliminating obstacles to value-based purchasing

Key Policy Issues for AMCP

Key Policy Issues for AMCP on Drug Pricing

Value for
Outcomes

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Key Policy Issues for AMCP on Part D 2020

Medication
Therapy
Management
(MTM)

Quality

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Next Steps

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AMCP Comments on Proposed Rules

Comments on these proposals must be submitted to CMS by December 31, 2018

You may provide feedback via email to Afton Wagner at awagner@amcp.org by Friday, December 7, 2018 to inform AMCP's comments to CMS

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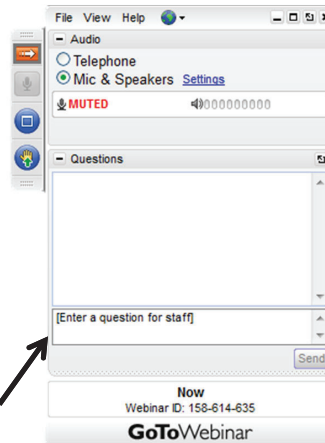
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Question & Answer

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How to Ask A Question



Type your question in
the 'Questions' area

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Thank you for
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