Rhode Island Health Care Cost Trends Steering Committee

March 30, 2023

Welcome

Agenda

1. Welcome
2. Approval of February Meeting Minutes
3. Development of Public Health and Health Equity Improvement Goals
4. Follow-up on Discussion of 2023 Priorities
5. Reassessment of VBP Targets
6. Pharmacy Cost Growth Mitigation Strategy Development
7. Public Comment
8. Next Steps and Wrap-up

Approval of Meeting Minutes

Approval of Meeting Minutes

- Project staff shared minutes from the February 28th Steering Committee meeting in advance.

- **Does the Steering Committee wish to approve the February meeting minutes?**

Public Health and Equity Target Goals Development

Public Health and Equity Target Improvement Goals

- As a reminder, the Compact calls for the following:
  - *"An initial set of priority measures and improvement goals will be agreed to by **March 31, 2024,** with methodology and practices utilized for analysis and public reporting of performance against the improvement goals agreed to by **September 30, 2024.**"*
  - *"The Steering Committee intends for 2023 baseline values to be reported during 2024, with 2024 serving as the first performance period."*
- At the November 2022 Steering Committee meeting, members expressed the desire to delegate the work of establishing specific public health and equity targets to a body outside of the Cost Trends Steering Committee.

Public Health and Equity Target Improvement Goals

- The co-chairs propose two possible methods by which to pursue this work:
  1. As was done with the Value-Based Payment Subcommittee, create a Subcommittee of the Steering Committee to lead this work, or
  2. Look to the OHIC Measure Alignment Work Group to complete this work *(If members choose this option, note that this will need to occur before or after the summer annual review)*. For this option, project staff have included in the Appendix of this presentation the list of organizations represented in the Work Group membership.

Discussion

- Which option would Steering Committee members prefer?
  - If selecting Option 1, who would be interested serving on the work group or identifying an organizational colleague to do so?

Follow-up on Priorities Discussion

Continuing the Discussion of Priorities

- During the February Steering Committee meeting, the co-chairs presented a proposal of 2023 priorities to pursue.
  1. Continue work to develop a hospital global budget model
  2. Develop a pharmacy cost mitigation strategy
  3. Create an "aligned advanced VBP model for **one high-volume medical specialty**" (as specified in the April 2022 VBP compact)
- Members agreed to pursue #1 and #2, with some expressing concerns about #2 (we will explore this more later).
- As for #3, members agreed that, while this was an important priority, priority should be placed upon a primary care strategy, given persistent access issues and their effect on health care costs in the state.

Aligned Advanced VBP for One High-Volume Medical Specialty

- The VBP Compact commits its signatories to addressing this activity, and so should see it to completion.
- Some members felt that the impact on health care costs would be minimal and pointed to the resource-intensive work required to identify one medical specialty and develop an aligned value-based payment model.
- There are no specialists represented in the Steering Committee, so members would need to engage this community.

Does the Steering Committee support deferring work on an aligned specialty advanced VBP model for now and revisiting the question this summer?

Primary Care (1 of 2)

- The vitality of primary care workforce in Rhode Island is threatened for multiple reasons, including competition from other states.
- There are ample data to support the importance of primary care to a state's health care system (reducing health inequities, improving population health, improving affordability, etc.)
- There is potential to align primary care efforts by the Steering Committee with other initiatives in the state (e.g., OHIC's PCMH work under its Affordability Standards).

- On this last point, OHIC will now discuss its planned work for 2023 in support of primary care.

Primary Care (2 of 2)

- OHC has planned to “refresh” its primary care strategy during 2023 and renew its commitment to supporting primary care.
  - The work will kick off in Q2 with a series of targeted interviews of interested parties.
- Other concurrent efforts include the RI Foundation’s Long Term Health Planning Committee policy subgroup discussing how to address health care workforce issues, and a new legislative request for $1 M state funding for RI health professional loan forgiveness program.

What other activities are underway with which we might coordinate efforts?

Reassessment of VBP Compact Targets

VBP Compact Targets (1 of 2)

Last month members affirmed interest in completing the work outlined in Targets #5 and #6 of the VBP Compact.

- Regarding Target #5 ("*EOHHS and OHIC will determine how best to: (a) perform oversight of risk exposure for certain ACOs/AEs and providers assuming significant downside risk*…"):
  - Sam suggested that OHIC could define requirements regarding substantial downside risk for ACO/AEs.
- Regarding Target #6 ("*A working group of employers, insurers, and provider organizations will develop a detailed plan on how to increase PCP selection by patients*"):
  - Members voiced support for pursuing this work, citing increased PCP selection as a necessary step in pursuing a broader primary care strategy, as alluded to previously.

*The full text of the targets can be found in the VBP Compact.

VBP Compact Targets (2 of 2)

- In response to this feedback OHIC suggests revisiting these targets in late June. The VBP Compact states:

  "We agree that the State of Rhode Island Office of the Health Insurance Commissioner (OHIC) should reconvene the signatories of this voluntary compact no later than July 1, 2023 to revisit this compact to ensure effectiveness in advancing payment reform and supporting cost containment efforts in Rhode Island."

Pharmacy Cost Growth Mitigation Strategy

Introduction

- Steering Committee members agreed last month to pursue a pharmacy cost mitigation strategy as a priority for 2023.
- There are sound reasons for setting this strategy if Rhode island is to achieve the cost growth target in future years.
  - Retail pharmacy spending has been the #1 cost driver in the commercial insurance market, growing 16% PMPM in just 2019 through 2021.
  - Retail price paid per claim in the RI commercial market has grown at an *11.5%* annual rate the past three years.
- The following slides present new analyses on pharmacy spending using APCD data.

New Analysis of Pharmacy Spending

- In late 2022, the state's analytics vendor developed a new set of analytic tools that allow drill-down analysis into retail pharmacy spending.
  - An additional tool focused on medical pharmacy spending is to be completed this month.
- The following slides show a sample of analyses now available to Rhode Island through this sophisticated tool, taking the example of retail pharmacy (given that it was the largest cost driver in the commercial market between 2017 and 2021).
  - Note that these analyses, conducted using APCD data, do not take into account pharmacy rebates. We will quantify the impact of pharmacy rebates shortly.

Pharmacy Spending

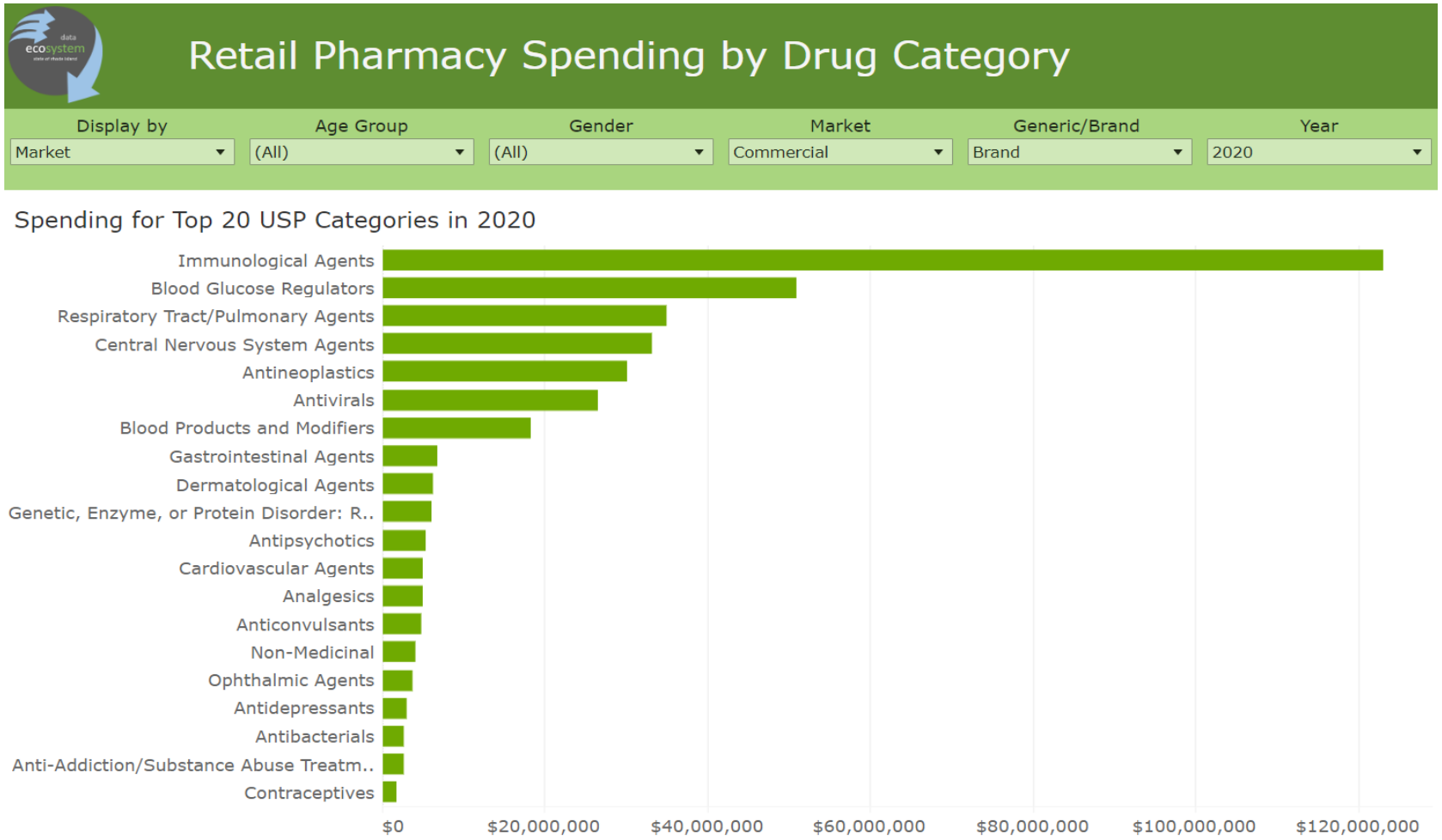
- When we look at retail Rx PMPM spending, we see an avg annual increase of 5.4% from 2017-21.
- When we isolate brand drug spending, however, a different picture appears…

Pharmacy Spending: Brand Drugs Only

- Brand drug trend averaged 7.8% per year from 2017-21.
- This is approximately three times the rate of median household income growth.

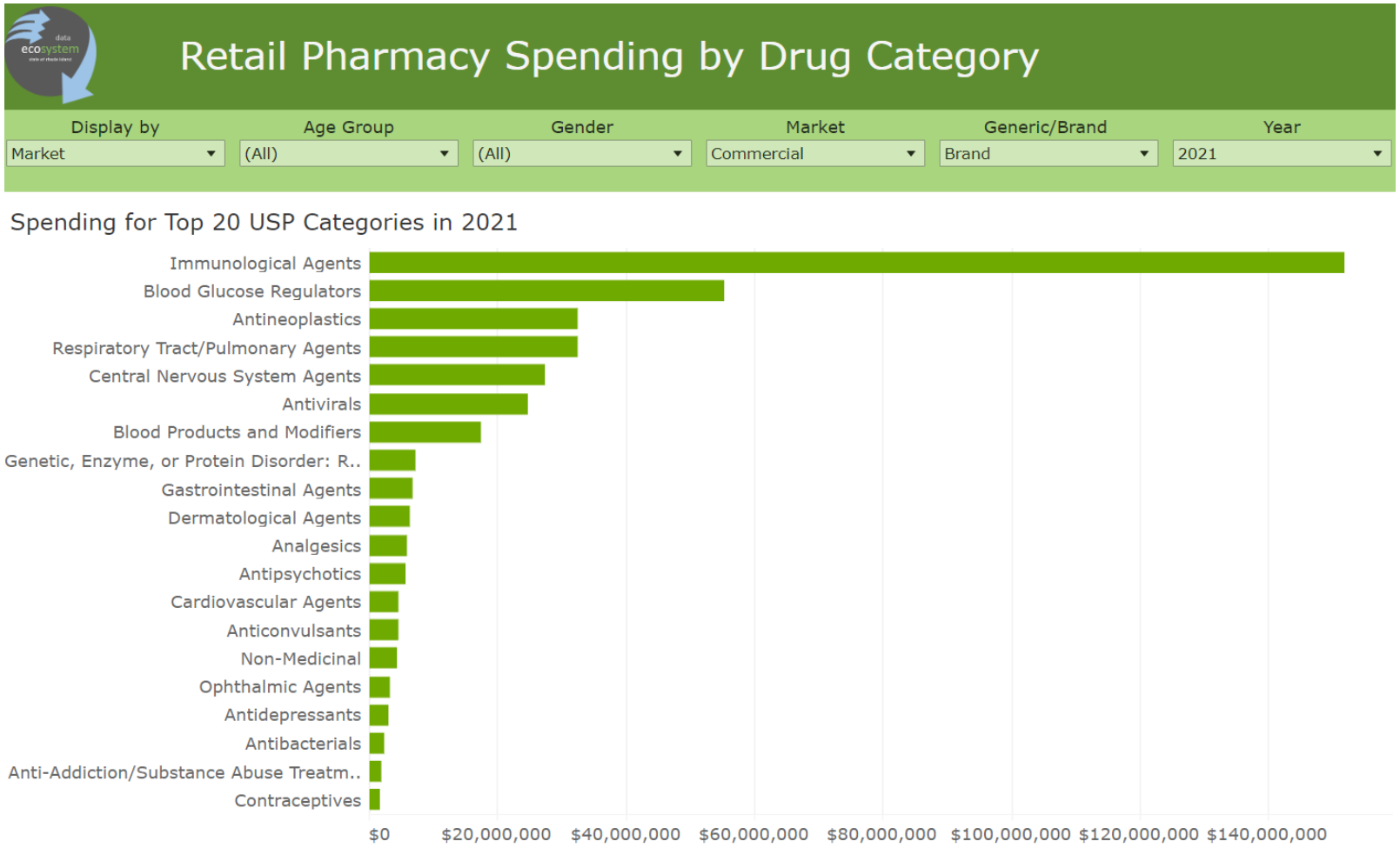
Where was brand drug spending highest?

- We can look at brand drug spending for the most recent two years to see where spending was highest by drug category.
- Seven categories accounted for almost all 2020 spending; immunological agents was by far #1 with $123M.



Where was brand drug spending highest?

- While the distribution changed some across categories in 2021, the same categories accounted for most spending; immunological agents was again by far #1, but now $152M.



A closer look at these drug categories…

Drug Class	2017 Spend	2021 Spend	2017-21 Spend Growth
Immunological Agents	$74M	$153M	107%
Blood Glucose Regulators	$39M	$56M	44%
Respiratory Tract / Pulmonary Agents	$27M	$45M	67%
Antineoplastics	$21M	$40M	90%

What is going on here?

- Average annual increases in spending of 11% to 27%.
- Commercial enrollment during this time period declined, so these increases are even higher on a PMPM basis.

A closer look at these drug categories…

Drug Class	2021 Spend	2017 PPU	2021 PPU	Units/1000	Units/1000	Cost Driver
Immunological Agents	$153M	$1842	$629	116	675	Volume (up 481%)
Blood Glucose Regulators	$56M	$188	$226	645	702	PPU (up 20%), Volume (up 9%)
Respiratory Tract / Pulmonary Agents	$45M	$99	$123	888	821	PPU (up 24%)
Antineoplastics	$40M	$606	$835	129	120	PPU (up 38%)

What is going on here?

- Increased Payment per Unit (PPU) appears to be the primary cost driver. Utilization is declining for two categories and up slightly for a third.
- The enormous volume increase for Immunological Agents warrants investigation.

What happened with immunological agents?

- How did volume jump 481% and price drop by almost two-thirds?
- COVID-19 vaccines caused this phenomenon.
  - The combined 2021 utilization was 587 per 1000, with an average payment per dose of $41. (There were no such vaccines in 2017!)
- If we remove COVID-19 vaccines, payment per unit grew significantly for this drug category.

Now let's look even closer at spend on leading immunological agent brand drugs

Drug	2017 PPU & units/1000		2021 PPU & units/1000		PPU Δ 2017-21	Units/K Δ 2017-21
Humira (cf) Pen	*Not on the market*		$6,801	15	20% (since 2019)	66% (since 2019)
Stelara	$10,515	2	$15,231	4	45% (11% per yr)	200%
Enbrel Sureclick	$4,472	7	$5,909	6	32% (8% per yr)	-14%
Humira Pen	$4,996	14	$6,304	3	26% (7% per yr)	-79%

What is going on here?

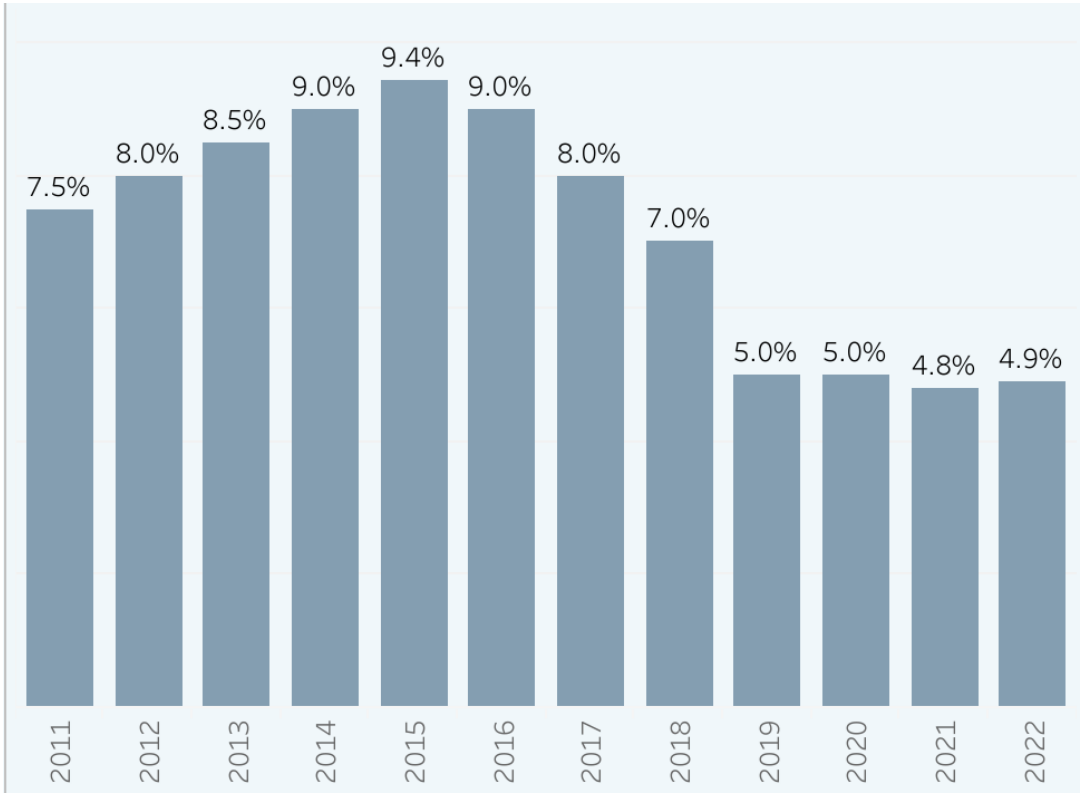
- Very high prices per unit for this category of drugs
- High annual price increases, especially for drugs with growing market share

So what have we learned?

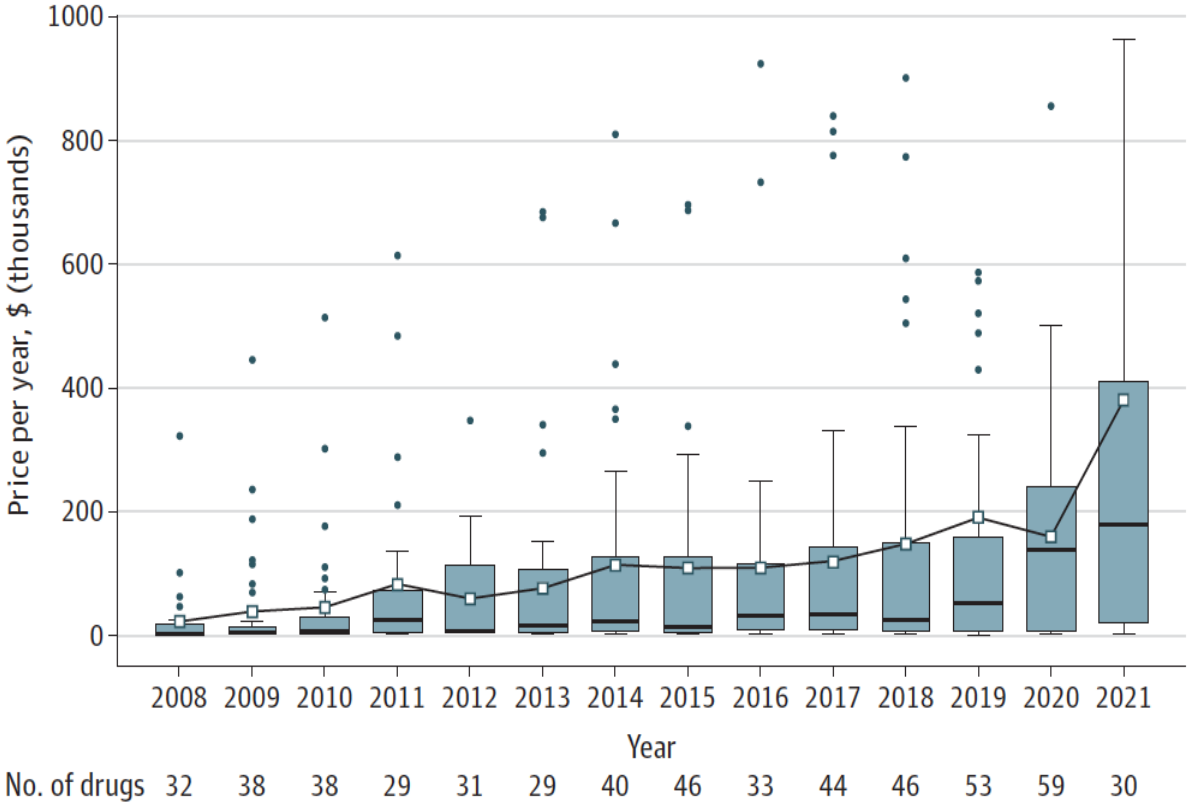
- Retail pharmacy pushes commercial spending up year over year.
- This brief data analysis demonstrates that prices of relatively small number of brand name drugs have been a significant contributor to this trend. These drugs have contributed to price growth in two different ways.
  - Market introduction at extremely high prices.
  - Average annual price increases at unaffordable rates.
- Rhode Island's next challenge will be to devise a way to address this significant cost driver. Our challenge, is shared by other states in this respect…

National Trends Reflect RI Findings: Price Increases Moderate, Launch Prices Rise

Median Percentage WAC Increase on Brand-name Drugs



Average Launch Prices Increased by 20% per year



Source: National Academy for State Health Policy

Recap of Past Steering Committee Discussion of Pharmacy Price Growth Mitigation (1 of 3)

The Steering Committee committed significant time and attention to this topic. Let's briefly review that history.

- Brown performed APCD analyses revealing that 53% of the increase in commercial medical spending between 2016 and 2018 was a result of retail and medical pharmacy cost growth, and almost all of that was due to **price increases**.
- These analysis did not include drug rebates. Analysis in other states has revealed that drug rebates some years, but not always, impact pharmacy trend rates.

Recap of Past Steering Committee Discussion of Pharmacy Price Growth Mitigation (2 of 3)

- Steering Committee members expressed belief that pharmaceutical price increases were negating the efforts put in place by payers and providers to control total cost of care. They decided that their pharmacy cost mitigation strategy would focus on pharmacy prices.
- In February 2020, Trish Riley of NASHP presented an overview of pharmacy price growth mitigation strategies. She returned again in the fall of 2020 to present two recommended strategies:
  - penalties for drugs with an unsupported price increase
  - international (Canadian) reference pricing

Recap of Past Steering Committee Discussion of Pharmacy Price Growth Mitigation (3 of 3)

- In early 2021, members voted to recommend legislation to address unsupported pharmacy price increases.
- Unfortunately, the recommendation was not acted upon. Due to other competing priorities (e.g., working to move towards value-based payment, establishing new cost growth targets), the Steering Committee has not revisited this topic until now.

340B Drug Pricing Program (1 of 2)

- In the development of Steering Committee's previous pharmacy cost mitigation policy recommendation, hospital representatives on the Steering Committee expressed concern that the pharmacy pricing legislation would negatively impact:
  a. hospital access to COVID treatment medications, and
  b. the financial benefit that hospitals receive from being able to buy discounted drugs through the federal 340B Drug Pricing Program and then resell them at a higher price.

The 340B is a program whereby qualifying entities (e.g., Disproportionate Share Hospitals) are eligible to receive lower pricing for designated drugs.

340B Drug Pricing Program (2 of 2)

To allow for adequate engagement on this issue, the co-chairs propose forming a subcommittee of subject matter experts (SMEs) to address concerns around 340B and how to address them through potential pharmacy pricing legislation once the Steering Committee has identified a pharmacy price mitigation strategy of interest.

- Does the Steering Committee agree with this recommendation?
  - If so, who should serve on the subcommittee?

Public Comment

Next Steps and Wrap-up

Upcoming Steering Committee Meetings

- April 24th from 11:30am – 1:00pm
- May 8th (public forum) from 9:00am – 12:00pm
- May 24th from 1 – 2:30pm

Appendix

OHIC-Designated Participating and Voting Organizations of the Measure Alignment Work Group (1 of 2)**

1. Blackstone Valley Community Health Center*
2. Blue Cross Blue Shield of Rhode Island*
3. Brown University
4. Butler Hospital
5. Care New England/Integra*
6. Care Transformation Collaborative*
7. Coastal Medical*
8. EOHHS/Medicaid*
9. HealthCentric Advisors
10. Hospital Association of RI*
11. Integrated Healthcare Partners*
12. Kent Hospital
13. Lifespan*
14. Neighborhood Health Plan of RI*
15. Optum
16. PCMH-Kids*
17. Prospect Health Services of RI*
18. Providence Center

*Indicates organization is a voting member
**This list will be updated before the 2023 annual review cycle.

OHIC-Designated Participating and Voting Organizations of the Measure Alignment Work Group (2 of 2)**

19. Providence Community Health Centers*
20. RI Department of Health*
21. RI Medical Society*
22. RI Parent Information Network*
23. RI Primary Care Physicians Corporation*
24. RI Quality Institute*
25. RI Attorney General's Office
26. RI Department of Behavioral Healthcare, Developmental Disabilities and Hospitals*
27. Substance Use and Mental Health Leadership Council
28. Thundermist Health Center*
29. Tufts Health Plan*
30. UnitedHealthcare*
31. Women & Infants Hospital
32. WellOne RI

*Indicates organization is a voting member
**This list will be updated before the 2023 annual review cycle.