Washington State
House of Representatives
Office of Program Research

BILL ANALYSIS

Health Care & Wellness Committee

HB 2565

Brief Description: Concerning drug and gene therapy payment for medicaid managed care organizations.

Sponsors: Representative Schmick.

Brief Summary of Bill

- Adds members from each of the Medicaid managed care organizations to the Health Care Authority's (Authority's) Pharmacy and Therapeutics Committee.
- Requires drugs and gene therapies that are federally-approved after the adoption of monthly Medicaid managed care premiums to be the financial responsibility of the Authority until new premium rates have been adopted, unless a process has found the additional cost to be negligible.
- Requires that new drugs and gene therapies that are identified as high-cost to be the financial responsibility of the Authority for two years while cost and utilization data are collected.

Hearing Date: 1/30/18

Staff: Chris Blake (786-7392).

Background:

Preferred Drug List.

The Medicaid Preferred Drug List (PDL) is a list of prescription drug classes that have gone through an evidence-based review process to determine their safety, efficacy, and effectiveness. Drugs on the PDL are generally reimbursed without authorization requirements. In developing the PDL, the Health Care Authority (Authority) contracts with the Center for Evidence-Based Policy at Oregon Health Sciences University to perform systematic evidence-based drug reviews. Using these reviews, the Pharmacy and Therapeutics Committee (P&T Committee) makes recommendations to state agencies regarding which drugs to include on the PDL. The Director

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of the Authority makes the final selection of drugs and drug classes to place on the Medicaid PDL.

The 2017-19 Operating Budget directed the Authority to implement a single, standard PDL to be used by all Medicaid managed care organizations by January 1, 2018. The Authority was directed to develop the statewide PDL in consultation with Medicaid managed care organizations and the P&T Committee or Drug Utilization Review Board (DUR Board). By January 1, 2018, the Authority had completed the first phase of implementation and established a statewide PDL for 13 drug classes. Full implementation is anticipated to occur in late 2018.

Pharmacy and Therapeutics Committee.

State agencies that administer state-purchased health care programs must establish independent pharmacy and therapeutics committees to evaluate the effectiveness of prescription drugs. The Health Care Authority has established the P&T Committee to serve as both the state's Medicaid DUR Board and agency P&T Committee. The P&T Committee reviews drugs based on available evidence, not cost consideration.

Membership on the P&T Committee consists of at least 10 members appointed by Director of the Authority. Pharmacists and physicians each represent between 31 percent and 51 percent of the committee membership. Members are required to have knowledge and expertise in clinically-appropriate prescribing of outpatient drugs, clinically-appropriate dispensing and monitoring of covered outpatient drugs, drug use review, medical quality assurance, disease state management, or evidence-based medicine.

Summary of Bill:

The Pharmacy and Therapeutics Committee (P&T Committee) established by the Health Care Authority (Authority) must include representatives from each managed care organization that administers a Medicaid managed care plan. The representatives must be either the managed care organization's chief medical officer, medical director, or pharmacy director.

Specific limitations are established for any single Preferred Drug List that is applied to all contracts with Medicaid managed care organizations. First, new drugs and gene therapies that are federally-approved following the adoption of monthly capitated premiums shall be the financial responsibility of the Authority. The costs for the new drugs or gene therapies may not be included in the premiums until: (1) a clinical workgroup of the Authority and the Medicaid managed care organizations has reviewed them with respect to medical necessity criteria and cost and made recommendations regarding inclusion in the current premiums or waiting until the next premium adjustment; and (2) the P&T Committee has reviewed them and considered the work group's recommendations and determined that including them would have no more than a negligible increase on existing premiums. Alternatively, the new drugs or gene therapies may be included in the premiums at the time of the next scheduled premium adjustment.

Second, if a new drug or gene therapy has been approved by the federal Food and Drug Administration, the Centers for Medicare and Medicaid Services, and the P&T Committee, and has been determined by the P&T Committee to be a high cost drug or gene therapy, the financial responsibility must be borne by the Authority. The costs shall not be included in the monthly

capitated premiums for two years while cost and utilization data are collected. During the two year period, Medicaid managed care organizations shall be reimbursed for the costs of the new drugs or gene therapies on a fee-for-service basis.

Appropriation: None.

Fiscal Note: Requested on January 16, 2018.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.