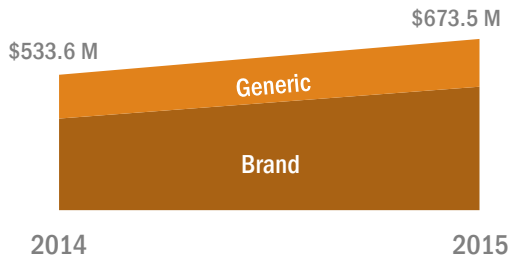


PHARMACY COSTS

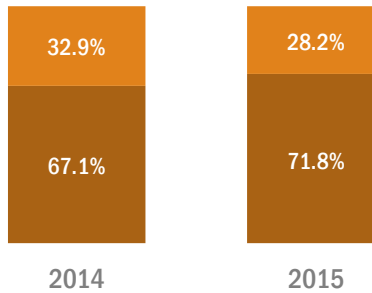
Over the last few years, pharmacy costs have continued to increase and have an impact on the Oregon Health Plan (Medicaid) budget. During the 2017 CCO rate development process, CCOs reported a significant increase in pharmacy expenditures from 2014 to 2015. With limited levers to control costs and the capped growth of 3.4% annually, the Oregon Health Authority is exploring alternative options to contain these emerging pharmacy costs. The following report identifies the trends and pharmacy increases observed in Oregon's Medicaid program.

Total pharmacy expenditures are increasing.

Brand and generic

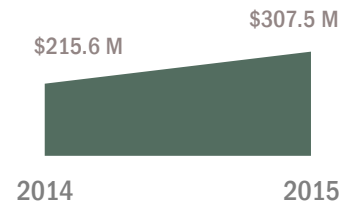


Brand makes up a larger share of total expenditures.



Specialty drug expenditures have also increased.

(Specialty is defined as drugs that cost more than \$600 per month. It is a subset of generic & brand)

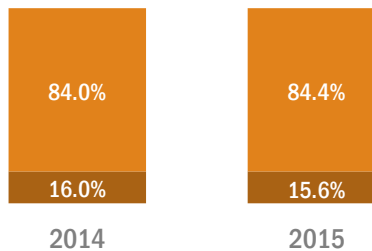


Total pharmacy utilization (number of scripts) is also increasing.

Brand and generic



Brand makes up a much smaller share of total scripts utilized.



The Oregon Health Plan collects rebates on pharmaceutical expenses by CCOs and Fee-For-Service that range from

45% - 49%

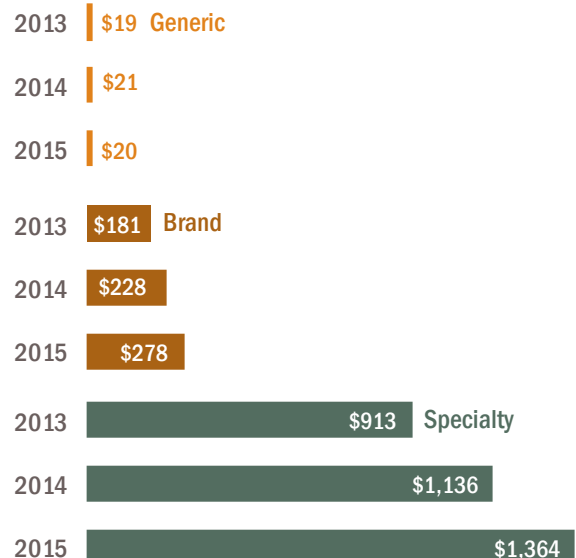
Per capita pharmacy cost range for CCOs between 2014 and 2015:

Generic **+7-9%**

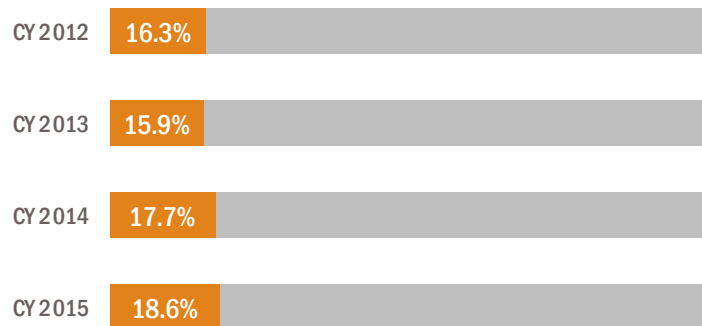
Brand **+19-21%**

Specialty **+26-28%**

Average cost per script:



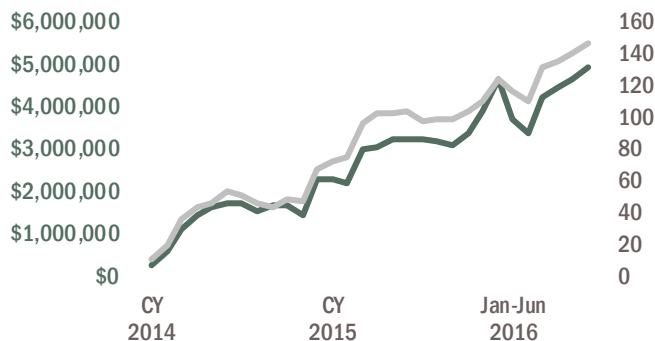
Prescriptions* each year make up a larger percentage of CCO physical and mental health expenditures reported in the claims data.



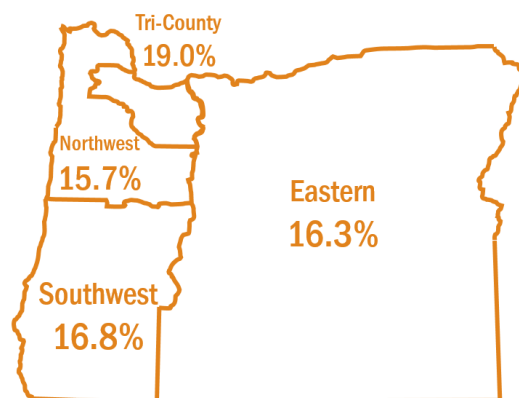
*Excluding psychiatric drugs (FFS carve-out)

Hepatitis C drug expenditures and number of patients treated per month.

As of June 2016, 832 patients have been treated for a total of approximately \$80 million.



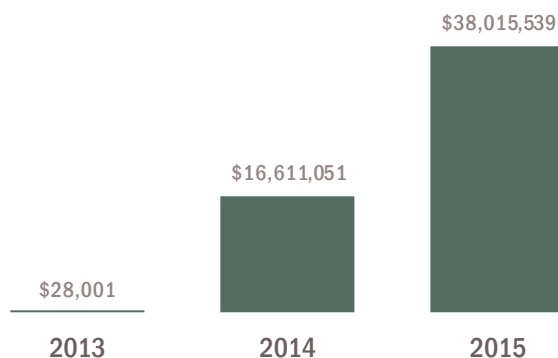
Prescriptions as a percentage regional base data* used in CCO rate development, 2015.



*Base data includes CCO physical, mental, and dental expenditures.

Hepatitis C drug expenditures per year.

Total 2013 - Aug 2016: \$82.5 million



Examples of High Increase Generic Drugs (2013-2015)

| Drug name (and purpose) | \$ increase total paid | % increase per script |
|--|------------------------|-----------------------|
| Levothyroxine Sodium (Thyroid agent) | \$1.8 M | 66% |
| Oxycodone-Acetaminophen (Opiate) | \$1.7 M | 84% |
| Amitriptyline HCL (Antidepressant) | \$1. M | 135% |
| Pravastatin Sodium (Cardiovascular) | \$597.4 k | 82% |
| Baclofen (Muscle relaxant) | \$564.4 k | 82% |
| Prazosin HCL (Cardiovascular) | \$559.4 k | 100% |
| Propranolol HCL (Cardiovascular) | \$438.4 k | 115% |
| Sulfamethoxazole-Trimethoprim (Antibiotic) | \$406.6 k | 85% |
| Oxybutynin Chloride (Urinary tract) | \$308.6 k | 85% |
| Prenatal Plus (Vitamin) | \$38.1 k | 86% |

Expensive Newer Specialty Drugs

| Drug name (and purpose) | Amount paid | # of scripts | \$ per script |
|----------------------------|-------------|--------------|---------------|
| Daklinza (Hepatitis C) | \$1.9 M | 137 | \$13.6 k |
| Orkambi (Cystic Fibrosis) | \$1.2 M | 61 | \$20.4 k |
| Kalydeco (Cystic Fibrosis) | \$1.1 M | 47 | \$23.9 k |
| Afinitor (Cancer) | \$864.4 k | 76 | \$11.4 k |
| Orfadin (Metabolic) | \$499.7 k | 7 | \$71.4 k |
| Viekira Pak (Hepatitis C) | \$393.7 k | 21 | \$18.7 k |
| Benefix (Hemophilia) | \$307.6 k | 13 | \$23.7 k |
| Actimmune (Other) | \$239.1 k | 5 | \$47.8 k |
| Uptravi (Hypertension) | \$98.7 k | 5 | \$19.7 k |
| Epclusa (Hepatitis C) | \$37.4 k | 3 | \$12.5 k |

The majority of rebates are collected at the state level on behalf of the CCOs and the Fee-For-Service population, and are used as revenue to fund the Oregon Health Plan. CCOs can negotiate and collect supplemental rebates from manufacturers; however, supplemental rebates are small in comparison to the federally mandated Medicaid rebates the state collects.