SUSTAINABLE HEALTH CARE COST GROWTH TARGET ADVISORY COMMITTEE

COMMITTEE OF THE OREGON HEALTH POLICY BOARD

MARCH 26, 2024

Oregon Health Authority

HEALTH CARE COST GROWTH TARGET

AGENDA

- **Agenda Review & Program Updates**
- **Presentation:** Upper Payment Limits (UPLs) in Oregon
- **Presentation:** Multi-State Collaboration in Pharmacy
- **Committee Discussion:** Recommendations for UPLs and Multi-State Collaboration
- **Public Comment** *(approximately 10:15 a.m.)*
- Wrap Up & Next Steps

Oregon Health Authority

HEALTH CARE COST GROWTH TARGET

New Committee Member!

Eli Rushbanks
General Counsel and Director of Policy, Dollar For

PROGRAM UPDATES

COMMITTEE RECRUITMENT

- General recruitment for CGT Advisory Committee membership to fill vacancies created by term turnover in May 2024
- **Applications due Friday, April 26th**

- More information on the recruitment and application process on the CGT Advisory Committee website
- Questions on recruitment? Contact: HealthCare.CostTarget@oha.oregon.gov

Please help spread the word to your networks

ACCOUNTABILITY RULEMAKING

- The Rulemaking Advisory Committee (RAC) has met 3 times to advise OHA on draft rules outlining: criteria for determining reasonable cost growth; performance improvement plans; and financial penalties.

- Meeting recordings and materials are posted online here
- OHA is requesting comment on current drafts by April 3

- **Next RAC meeting:** April 17, 1 – 2:30 p.m.
- Fifth RAC meeting anticipated for May

RAC meetings are open to the public

April Educational Webinar

- Educational webinars will be held throughout 2024 to provide background and more information for the Advisory Committee, Oregon Health Policy Board, and members of the public.
- **April Educational Webinar: Health care cost growth strategies in other states.**
    - Email us if you have specific questions about work in other states to help inform this webinar content.
- Previous webinar recordings are posted online: CGT Advisory Committee website

Save the Date – June 4, 2024

The Oregon Health Policy Board will host the 2024 Annual Cost Growth Target Public Hearing at their June 4 meeting.

- Public hearing may be hybrid (Portland and virtual)
- OHA staff, OHPB liaisons, and Advisory Committee co-chairs will begin working on the proposed agenda and panelists for the public hearing

PRESENTATION:

UPPER PAYMENT LIMITS IN OREGON

Ralph Magrish, Executive Director, Prescription Drug Affordability Board
Jane Horvath, Horvath Health Policy

Oregon Prescription Drug
Affordability Board

Upper payment limit (UPL)

Presentation to the Cost Growth Target Advisory Committee
March 26, 2024

Ralph Magrish MPA
Executive Director, Oregon Prescription Drug Affordability Board & Drug Price Transparency Program
Department of Consumer and Business Services

Jane Horvath
Horvath Health Policy

What is an upper payment limit (UPL)?

- The maximum reimbursement rate above which purchasers throughout the state may not pay for prescription drug products.
- It creates a ceiling on what a payer can pay for a drug. It does not set the price that a manufacturer can charge.

Prescription Drug Affordability Boards across the U.S.

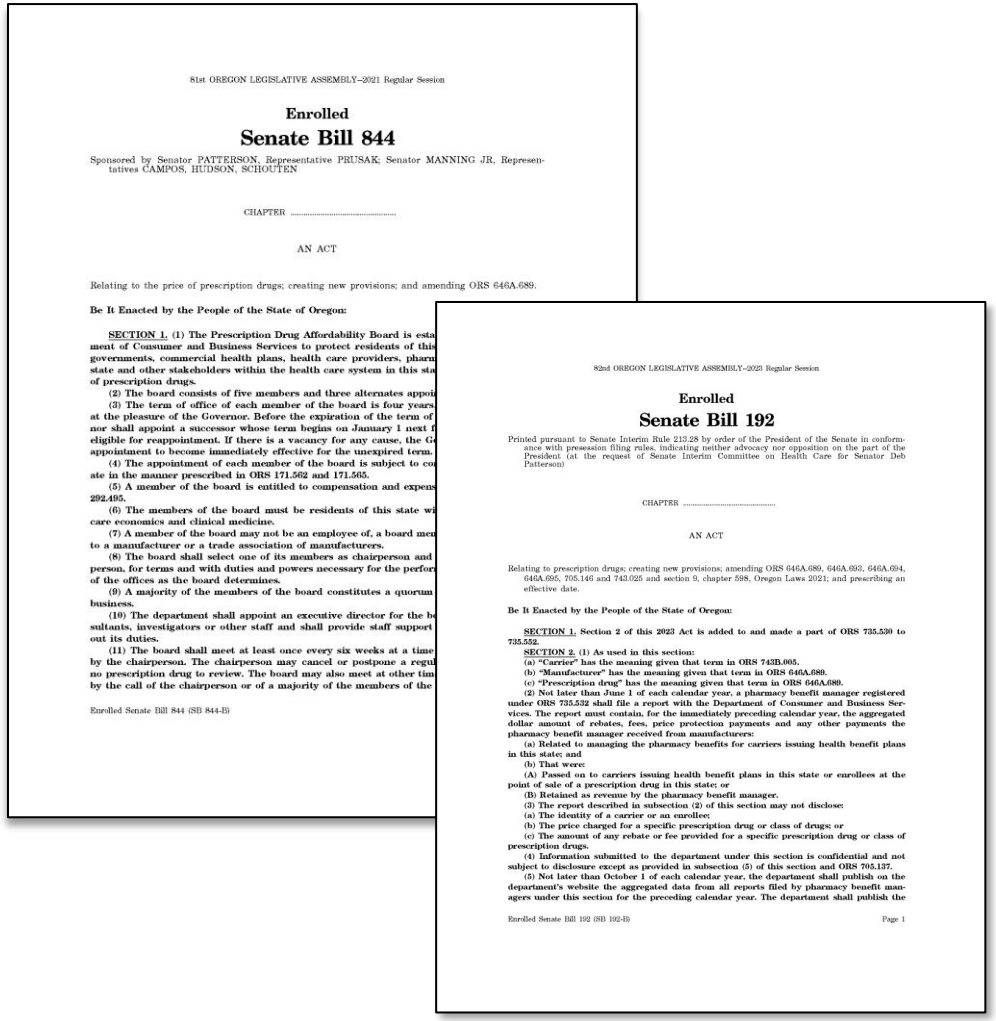
- Boards with upper payment limits
  - **CO, MN, WA** have full UPL authority. **MD, OR, NJ** must return to legislature with a plan
  - **ME, NH, NY** have PDABs but not designed to lower costs statewide
  - **CO** in process of setting UPL for Enbrel, conducting cost review for Cosentyx and Stelara.
  - **MN, VA, MI, IL, PA** PDAB bills include Medicare maximum fair price as statewide UPL (extends Medicare's effort to all residents)

- PDAB bills introduced and debated
  - **VA** governor expected to veto PDAB statewide UPL bill that has bipartisan support
  - **MI** PDAB statewide UPL bill passed senate, awaiting action in the house
  - **IL** and **PA** will soon introduce PDAB statewide UPL bills
  - **8 other states** have PDAB bills with Rx cost containment approaches or studies

Horvath Health Policy. Innovations in Healthcare Financing. March 2024

Where is Oregon regarding UPL?

- In 2021, Senate Bill 844, the board's founding legislation, did not include UPL authority.
- In 2022, the Oregon PDAB recommended to the Legislature setting UPLs only for government payers.
- In 2023, Senate Bill 192 directed the Oregon PDAB to study the implementation of UPLs.



81st OREGON LEGISLATIVE ASSEMBLY–2021 Regular Session

Enrolled

Senate Bill 844

Sponsored by Senator PATTERSON, Representative PRUSAK; Senator MANNING JR, Representatives CAMPOS, HUDSON, SCHOUTEN

CHAPTER .....

AN ACT

Relating to the price of prescription drugs; creating new provisions; and amending ORS 646A.689.

Be It Enacted by the People of the State of Oregon:

SECTION 1. (1) The Prescription Drug Affordability Board is esta
ment of Consumer and Business Services to protect residents of thi
governments, commercial health plans, health care providers, pharm
state and other stakeholders within the health care system in this st
of prescription drugs.
(2) The board consists of five members and three alternates appoi
(3) The term of office of each member of the board is four years
at the pleasure of the Governor. Before the expiration of the term of
nor shall appoint a successor whose term begins on January 1 next
eligible for reappointment. If there is a vacancy for any cause, the G
appointment to become immediately effective for the unexpired term.
(4) The appointment of each member of the board is subject to co
ate in the manner prescribed in ORS 171.562 and 171.565.
(5) A member of the board is entitled to compensation and expens
292.495.
(6) The members of the board must be residents of this state wi
care economics and clinical medicine.
(7) A member of the board may not be an employee of, a board mem
to a manufacturer or a trade association of manufacturers.
(8) The board shall select one of its members as chairperson and
person, for terms and with duties and powers necessary for the perfor
of the offices as the board determines.
(9) A majority of the members of the board constitutes a quorum
business.
(10) The department shall appoint an executive director for the b
sultants, investigators or other staff and shall provide staff support
out its duties.
(11) The board shall meet at least once every six weeks at a time
by the chairperson. The chairperson may cancel or postpone a regul
no prescription drug to review. The board may also meet at other tim
by the call of the chairperson or of a majority of the members of the

Enrolled Senate Bill 844 (SB 844-B)

82nd OREGON LEGISLATIVE ASSEMBLY–2023 Regular Session

Enrolled

Senate Bill 192

Printed pursuant to Senate Interim Rule 213.28 by order of the President of the Senate in conformance with presession filing rules, indicating neither advocacy nor opposition on the part of the President (at the request of Senate Interim Committee on Health Care for Senator Deb Patterson)

CHAPTER .....

AN ACT

Relating to prescription drugs; creating new provisions; amending ORS 646A.689, 646A.693, 646A.694, 646A.695, 705.146 and 743.025 and section 9, chapter 598, Oregon Laws 2021; and prescribing an effective date.

Be It Enacted by the People of the State of Oregon:

SECTION 1. Section 2 of this 2023 Act is added to and made a part of ORS 735.530 to 735.552.

SECTION 2. (1) As used in this section:
(a) "Carrier" has the meaning given that term in ORS 743B.005.
(b) "Manufacturer" has the meaning given that term in ORS 646A.689.
(c) "Prescription drug" has the meaning given that term in ORS 646A.689.
(2) Not later than June 1 of each calendar year, a pharmacy benefit manager registered under ORS 735.532 shall file a report with the Department of Consumer and Business Services. The report must contain, for the immediately preceding calendar year, the aggregated dollar amount of rebates, fees, price protection payments and any other payments the pharmacy benefit manager received from manufacturers:
(a) Related to managing the pharmacy benefits for carriers issuing health benefit plans in this state; and
(b) That were:
(A) Passed on to carriers issuing health benefit plans in this state or enrollees at the point of sale of a prescription drug in this state; or
(B) Retained as revenue by the pharmacy benefit manager.
(3) The report described in subsection (2) of this section may not disclose:
(a) The identity of a carrier or an enrollee;
(b) The price charged for a specific prescription drug or class of drugs; or
(c) The amount of any rebate or fee provided for a specific prescription drug or class of prescription drugs.
(4) Information submitted to the department under this section is confidential and not subject to disclosure except as provided in subsection (5) of this section and ORS 705.137.
(5) Not later than October 1 of each calendar year, the department shall publish on the department's website the aggregated data from all reports filed by pharmacy benefit managers under this section for the preceding calendar year. The department shall publish the

Enrolled Senate Bill 192 (SB 192-B) Page 1

Senate Bill 192 (2023): what it says

SECTION 3. (1) The Prescription Drug Affordability Board established in ORS 646A.693 shall develop a plan for establishing upper payment limits on drugs sold in this state that are subject to affordability reviews under ORS 646A.694. The plan shall include:

(a) A methodology for establishing upper payment limits;

(b) An analysis of the resources needed by the board to implement the plan;

(c) An analysis of how upper payment limits would be enforced; and

(d) An analysis of how upper payment limits could be implemented with respect to:

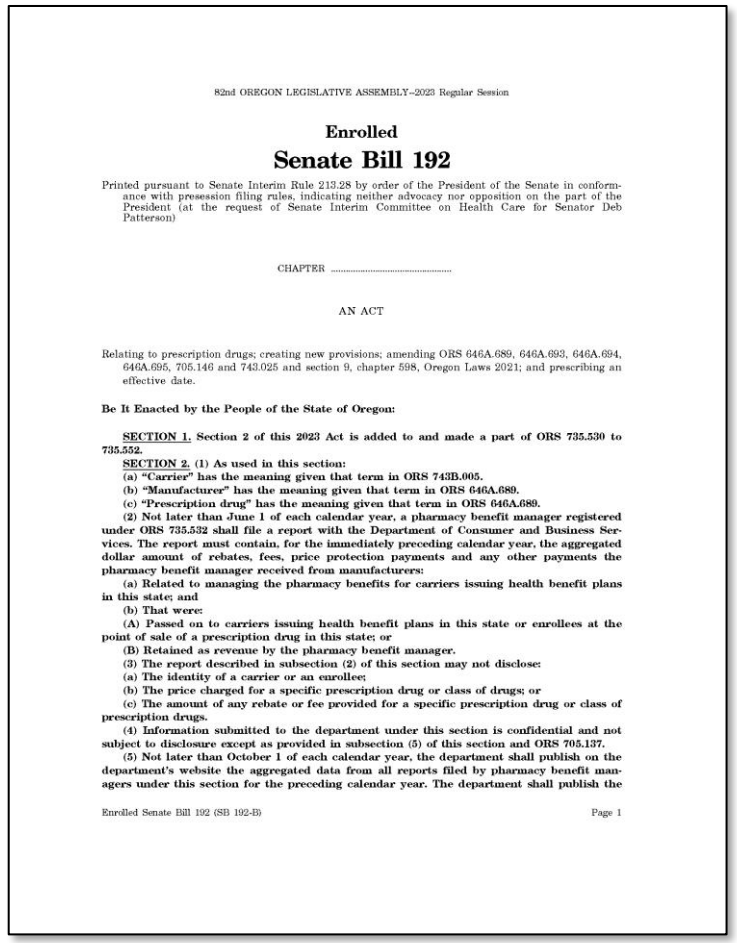
(A) Plans administered by the Public Employees' Benefit Board;

(B) Plans administered by the Oregon Educators Benefit Board;

(C) Other state-administered health benefits;

(D) Health benefit plans, as defined in ORS 743B.005; and

(E) Other forms of insurance that provide pharmaceutical benefits, to the extent permitted by federal law.



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Enrolled Senate Bill 192 (SB 192-B) Page 1

Senate Bill 192 (2023): what it says (continued)

(2) No later than September 15, 2024, the Prescription Drug Affordability Board shall report to the interim committees of the Legislative Assembly related to health, in the manner provided in ORS 192.245, the following information:

(a) A detailed explanation of the plan developed under subsection (1) of this section.

(b) An analysis of potential savings from or costs of implementing the plan with respect to:

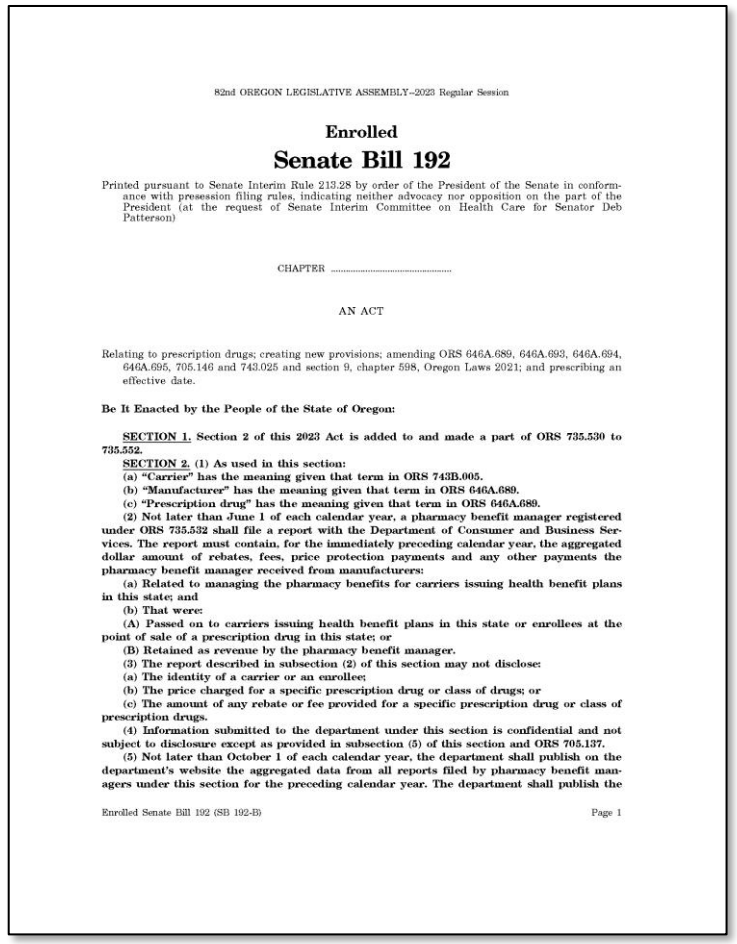
(A) The state;

(B) Insurers;

(C) Hospitals;

(D) Pharmacies; and

(E) Consumers.



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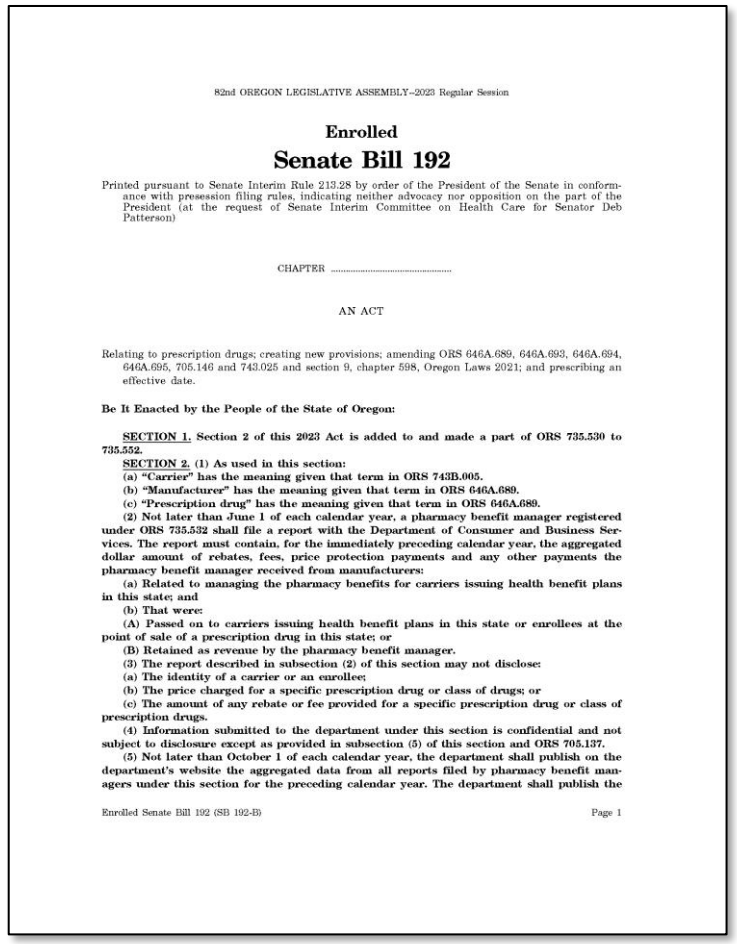
Enrolled Senate Bill 192 (SB 192-B) Page 1

Senate Bill 192 current work status

- Engaged Myers and Stauffer LLC for services to consult and support guided conversations and data analysis with carriers, hospitals, pharmacies, and 340B-covered entities
- Talking with PEBB/OEBB and their actuaries for analysis
- OHA pharmacy director and chief actuary on modeling impact on state funds
- External conversations starting in April
- Consumer engagement



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PDAB forums across Oregon in April, May

- The Prescription Drug Affordability Board is hosting in-person and online community forums across Oregon. The board invites people to learn why drug costs are so high and share stories about medication cost and impact. Find times, locations: dfr.oregon.gov/pdab/

In person:
Portland: April 2
Lincoln City: April 9
Woodburn: April 15 - *Foro en Español*
Medford: April 25 - *ASL interpretation*
Bend: April 30

Online:
May 8 - *ASL interpretation*
May 14 - *ASL interpretation*

SB 192 UPL implementation planning

- ❑ Submit plan to Legislature by Sept. 15, 2024, including:
  - Methodology
  - Analysis of resources, enforcement options, impact on PEBB/OEBB, other state-administered health benefit plans
  - Must include a detailed explanation of the implementation plan, as well as savings and cost analysis for
    - ✓ State
    - ✓ Insurers
    - ✓ Hospitals
    - ✓ Pharmacies
    - ✓ Consumers
    - ✓ 340B-covered entities (not statutorily called out)

SB 192 UPL implementation planning

- Anticipated timeline
  - ✓ Vendor procurement for stakeholder engagement and analytics (October-December 2024)
  - ✓ Communications and outreach (January 2024)
  - ✓ Community input collection and meetings (April-May 2024)
  - ✓ Analytics and report/plan writing (May-June 2024)
  - ✓ Board review and acceptance of report (July-August 2024)
  - ✓ Submission to Oregon Legislature (September 2024)

What comes next after SB 192 deliverable?

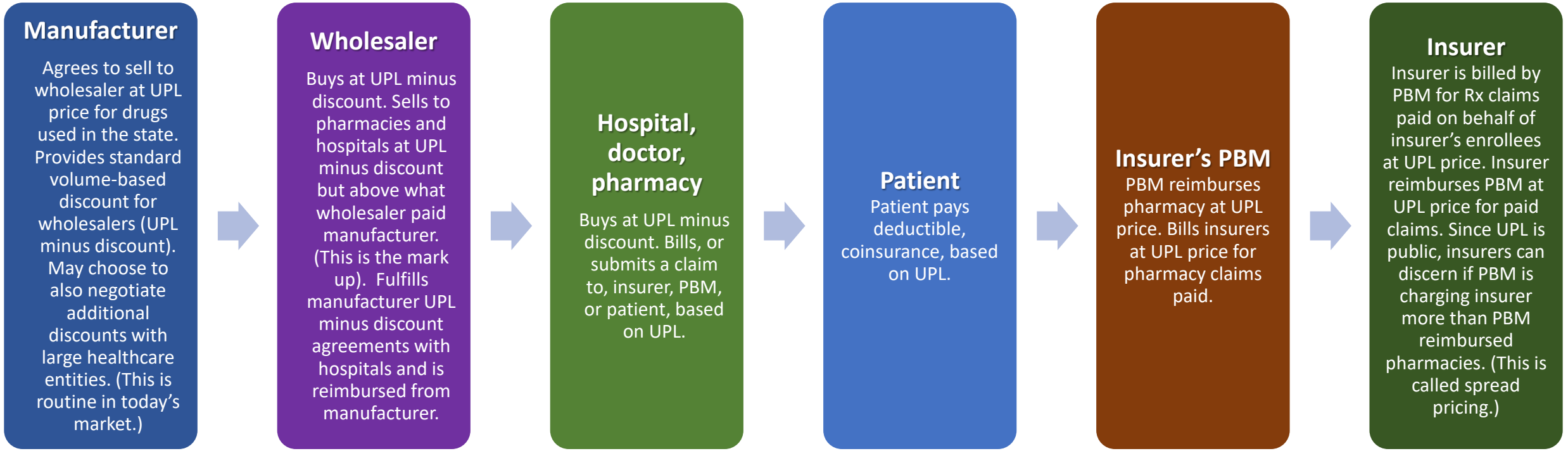
- Goal is a 2025 bill signed into law by the governor that:
  - Benefits Oregonians and Oregon's health care system
  - Appropriately takes egregious profit making out of the system
  - Preserves pharmacy access in Oregon
  - Promotes transparency

UPLs: The good, the good, and the yet to be determined

Presented by Jane Horvath
Horvath Health Policy

Oregon Prescription Drug Affordability Board

Basics of Rx UPL acquisition cost, billing, and payment



Note: UPL replaces WAC, AWP, AAC, EAC etc. UPL is the metric for all financial transactions for the drug.
Like existing metrics, there will be 'UPL minus' in the supply chain.

What would a UPL look like?

- Repurpose manufacturer commercial rebates to a UPL

  WAC minus rebate amount = UPL

- Repurpose manufacturer co-pay assistance to the UPL

  UPL minus some portion of copay assistance = UPL

- Apply UPL to a therapeutic class of products if they behave the same in the market – stymie anti-consumer formulary activity, not single out one class competitor when behavior is not unique
- Make Medicare maximum fair price the statewide UPL
- Use UPL to support biosimilar adoption and undermine PBM manipulation of the market
- These examples are not an exhaustive list

Horvath Health Policy. Innovations in Healthcare Financing. March 2024

Unintended consequences: concerns about UPLs

❑ Cost shifting

- ➢ Manufacturers shift costs
  - If this is true for UPLs, it means this is happening now, which means no one should seek drug discounts because all efforts to control costs raise costs
- ➢ Manufacturers decide price increases across their portfolio of products as a process once or twice a year
  - Manufacturers don't raise price on a product for one health plan because they gave another health plan a great discount
- ➢ Factors that give a health plan ability to extract price concessions don't change

Horvath Health Policy. Innovations in Healthcare Financing. March 2024

Unintended consequences: concerns about UPLs

- **Supply chain cannot adapt to UPL**
  - Supply chain will adapt to Medicare-negotiated prices
  - Wholesalers/manufacturers use chargebacks to deliver product to purchasers at price manufacturer agreed to supply
  - If there is a legitimate product shortage, UPL can be lifted
- **UPL will affect Medicaid**
  - UPL will not affect federal Medicaid rebates
  - Medicaid's leverage to obtain supplemental rebates will not change
- **UPLs will drive more pharmacies out of business**
  - UPLs become actual acquisition cost for purposes of Rx product reimbursement
    - No more under-reimbursement of independent pharmacies
  - Level of discount/margin on pharmacy product purchases does not have to change

Horvath Health Policy. Innovations in Healthcare Financing. March 2024

Current or future UPL collaboration with other states

- Oregon, Washington, Colorado, Maryland, and New Hampshire share info on best practices, recognizing every state has different laws. Programs look same, but are different.
  - MD has UPL authority for government payers
  - CO for both government and commercial
- We all get technical help from Program on Regulation, Therapeutics, and the Law (PORTAL) at Harvard University's Medical School/Brigham Women's Hospital supported by National Academy of State Health Policy (NASHP).
- In early multistate discussions with the Center for Evidence-based Policy at Oregon Health and Science University (OHSU) about supporting our work in evidence review and economic analysis.

Horvath Health Policy. Innovations in Healthcare Financing. March 2024

Oregon Prescription Drug
Affordability Board

Questions and discussion

Ralph Magrish MPA
Executive Director, Oregon Prescription Drug Affordability Board & Drug Price Transparency Program
Oregon Department of Consumer and Business Services
Ralph.M.Magrish@dcbs.oregon.gov

Jane Horvath
Horvath Health Policy

PRESENTATION:

MULTI-STATE COLLABORATION

Heidi Murphy, Oregon Prescription Drug Program Operations Manager, OHA

ArrayRx

State-backed pharmacy benefit solutions

Becoming a new member of the state consortium

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Outline

- Origins: How and why Oregon and Washington created a PBM solution to address increasing drug costs
- State challenges with traditional PBM services
- ArrayRx approach and experience

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Who is ArrayRx?

- Comprised of public servants
- Embrace solutions that are founded in transparency and accountability
- Being effective stewards of public resources
- Procured via Oregon’s Procurement policies and procedures

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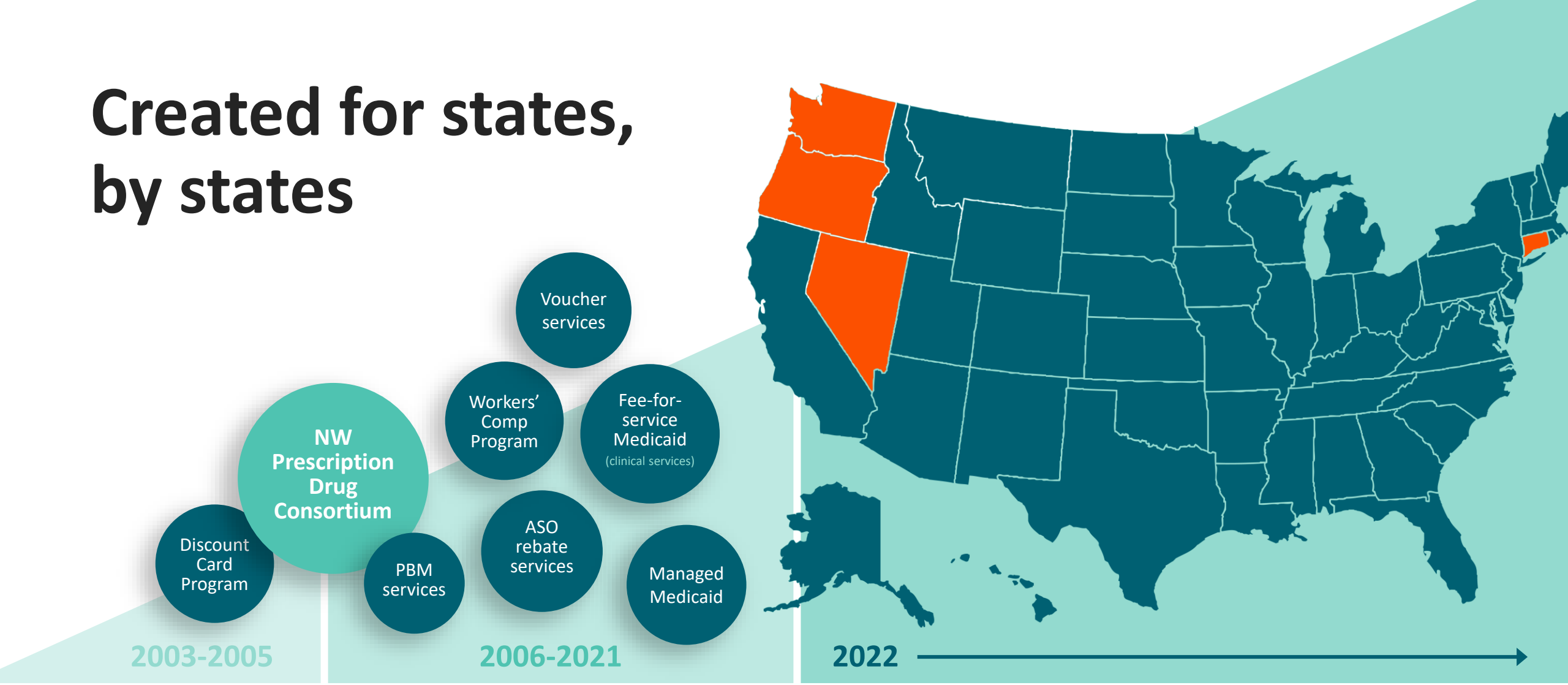
Created for states, by states



OR & WA establish prescription discount card programs in their states

OR & WA collaborate to offer a variety of **pharmacy solutions** in their states

The "Consortium" rebrands to ArrayRx to share successful programs and services beyond the Pacific Northwest

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ArrayRx

ArrayRx Steering Committee

Trevor Douglass, DC, MPH
Director, OR Prescription Drug Program & Pharmacy Purchasing, OR Health Authority

Andrew Gibler, PharmD
Clinical Pharmacy Policy and Programs Manager, OR Health Authority

Heidi Murphy, BSc
Pharmacy Purchasing Operations Manager, OR Prescription Drug Program, OR Health Authority

Kevin Haley, PharmD
Director of Pharmacy Services, OR Health Authority, OR State Hospital

Beth Slamowitz, PharmD
Senior Policy Advisor on Pharmacy, NV Department of Health and Human Services

Leta Evaskus, MFA
Operations Manager, WA Prescription Drug Program, WA Health Care Authority

Jaymie Mai, PharmD
Pharmacy Director, WA Department of Labor and Industries

Donna Sullivan, PharmD, MS
Chief Pharmacy Officer, WA Health Care Authority

William Hayes, PharmD, CCHP
Director of Pharmacy, WA State Department of Corrections

Stephanie Krieg, MS
Marketing and Communications Representative Healthcare Policy and Benefit Services CT Office of the State Comptroller

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ArrayRx

Pharmacy services are complex and confusing

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ArrayRx

ArrayRx's objectives

- **Collaborate** to identify solutions for pharmacy purchasing in the public sector
- **Leverage** group's purchasing power effectively
- **Public official oversight** validating transparency, audit rights and market check
- **Resource** to other public sector stakeholders in participating and prospective states

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Program services

PBM Services

Discount Card

Voucher Programs

ASO Rebate Services

Medicaid Programs

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ArrayRx operating principles

Predictability

- Fixed administration fee
- Aggressive network guarantees
- Most favored nation

Transparency

- Pass-through pricing
- 100% rebate pass-through
- Comprehensive reporting

Auditability

- State oversight and governance
- Annual market checks
- Financial audits

= Working for states

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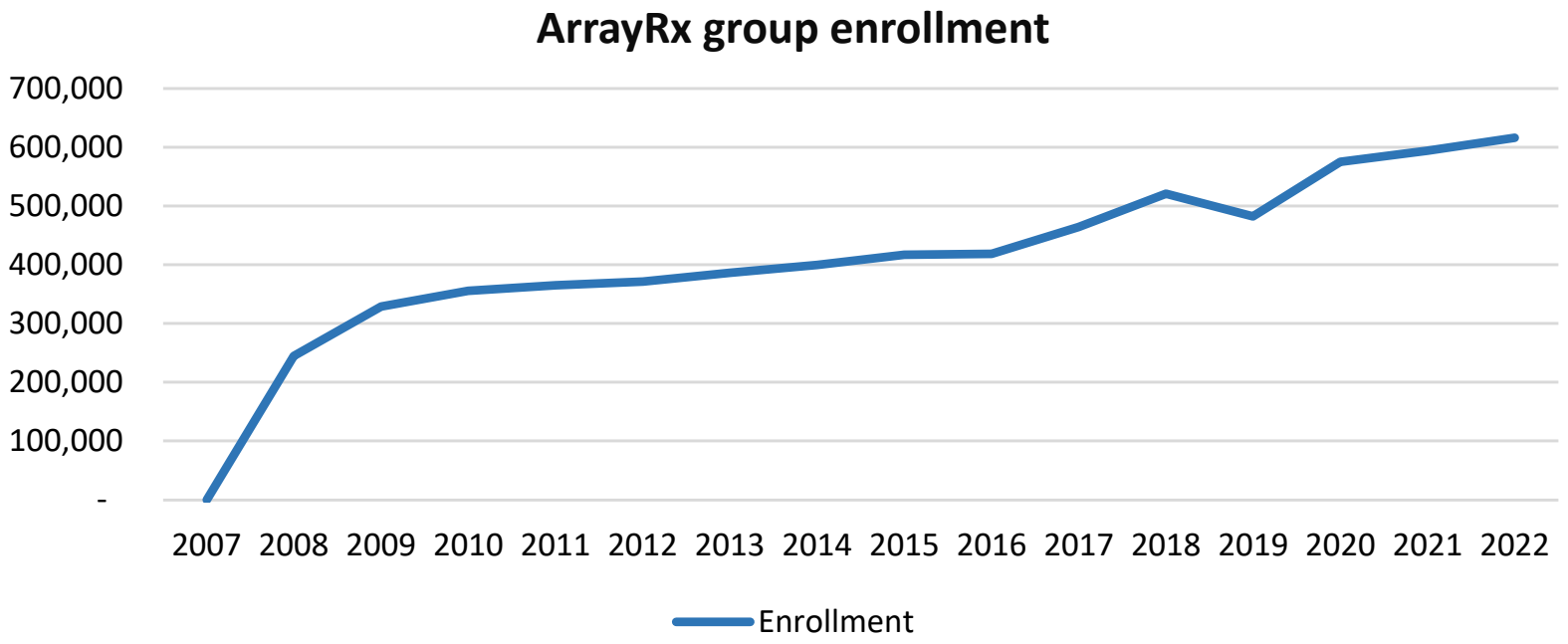
ArrayRx

Our vision:

To be the most trusted pharmacy solutions provider in the industry

Over a decade of sustained growth

- More than 650,000 people served by public employee, commercial employer, Managed Medicaid, and facility programs



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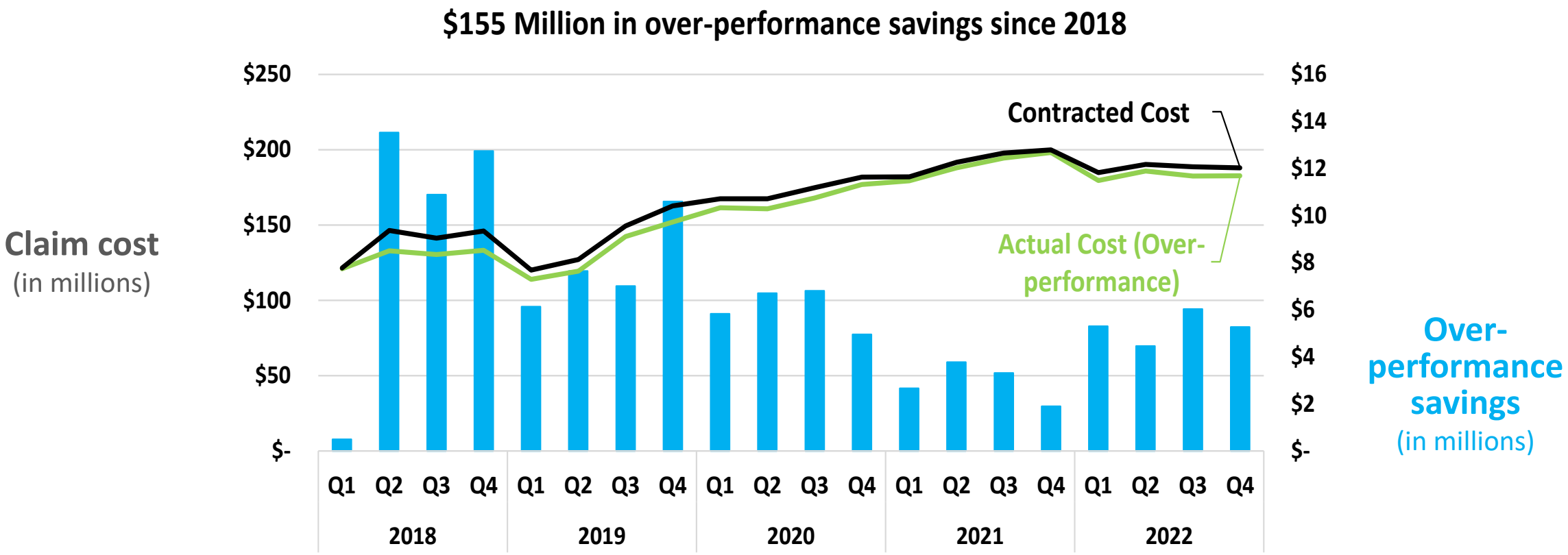
ArrayRx

Value of pass-through over-performance



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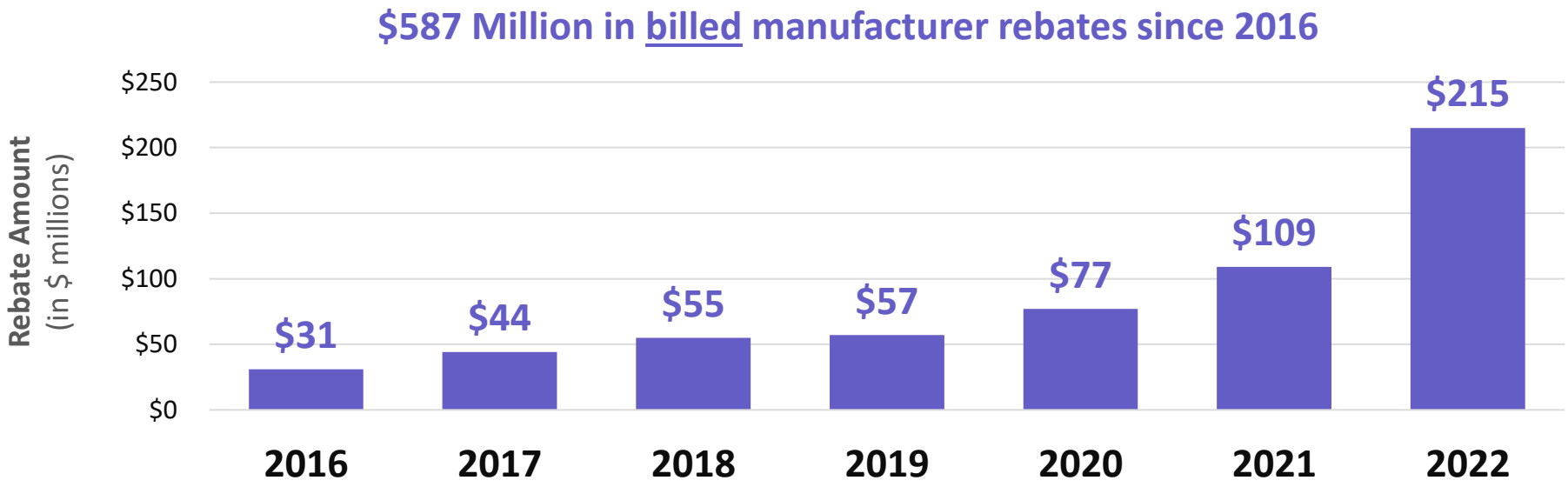
ArrayRx

Rebate Pass Through

- From 2016 to present we have passed through $523 million in rebates to our participating programs (over $100 million/year)



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ArrayRx

Pharmacy solutions for public purchasers

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ArrayRx

Ongoing initiatives

- Developing options for managing high-cost therapeutics
- Investigating approaches that address pharmaceutical supply chain
- Seeking out innovation with valued partners
- Addressing pharmacy access and pharmacy deserts

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Any public entity can participate

ArrayRx programs are made for:

- States
- School districts
- Utility districts
- Cities
- Counties
- Interlocal cooperatives
- And more…

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ArrayRx

Email us at: **info@arrayrxsolutions.com**

Learn more at

ArrayRxSolutions.com

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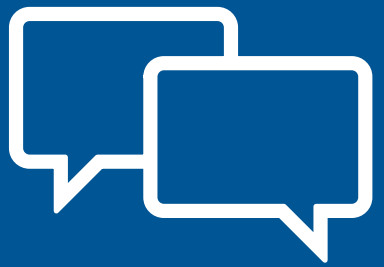
Committee Discussion



PUBLIC COMMENT

10:15 a.m.

GUIDANCE FOR PROVIDING PUBLIC COMMENT

- If you signed up in advance to provide spoken public comments, we will call on you to share your comments
- You will have two minutes to provide your comments
- Please state your name and organization or affiliation (if any)

WRAPPING UP

APRIL EDUCATIONAL WEBINAR

TBD

CGT ADVISORY COMMITTEE MEETING

April 23, 2024; 9:00 a.m. – 10:30 a.m.

Topics:

- Cost Growth Drivers – State and Federal Legislation
- Cost Equity Framework