Oct 18 2018

Prescription Drug Cost Drivers in WA State, 2014-2017

WA APCD Use Case Scenario

OFM

OFFICE OF FINANCIAL MANAGEMENT

Purpose: Prescription Drug Transparency

- Prescription drug costs represent a large and growing component of total health care costs.
  - Nationally, prescription drugs comprised 12% of personal health care costs in 2016.
- Lack of transparency in drug pricing complicates efforts to reduce health care costs.
- This study aims to increase transparency by:
  - Identifying the 25 costliest prescription drugs in Washington State in 2017,
  - Identifying the 25 prescription drugs with the largest increase in cost from 2016 to 2017
  - Quantify the impact of these high cost drugs on total WA state health care spending.

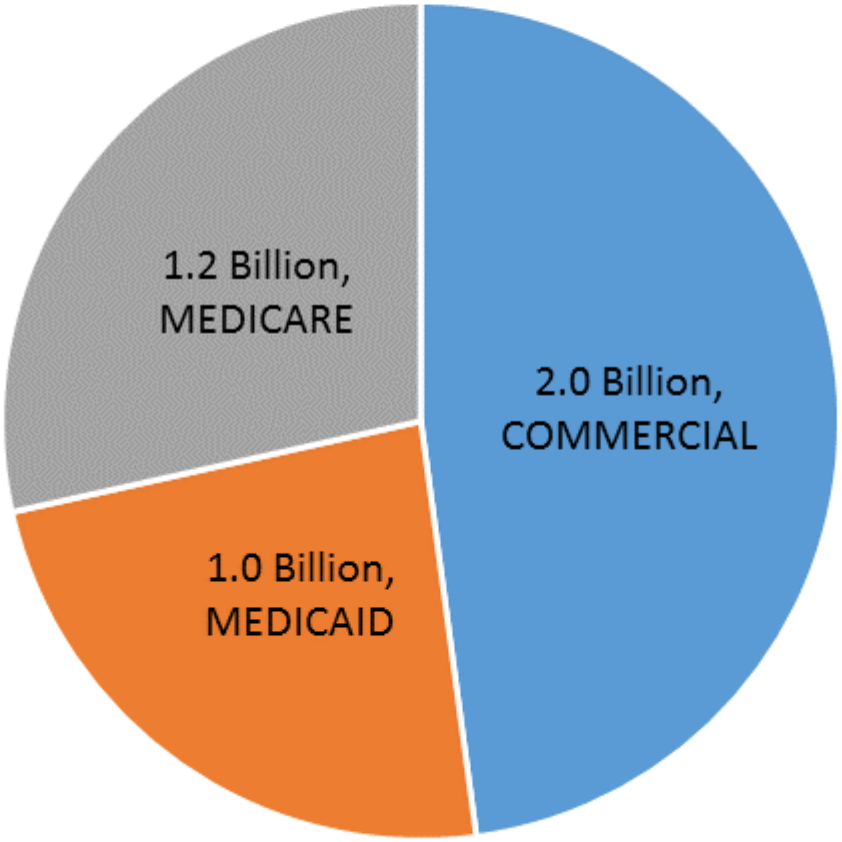
Washington All-Payer Claims Database

- Washington All-Payer Claims Database (WA-APCD) was enacted by Washington State Legislature in 2014

- WA-APCD includes data from:
  - Publicly funded: Medicaid, Medicare Advantage, Medicare Part D, PEBB, and Labor and Industries
  - Commercial plans including group and individual markets.
  - All pharmacy claims
- WA-APCD does not currently include
  - Medicare fee-for-Service (will be added in 2019)
  - Self-funded plans
  - Veterans Administration

- WA-APCD contains comprehensive prescription drug claims data from 2014 - 2017.

Medicaid and Medicare part D comprised half of total drug spending in 2017



House Bill 1541 – Prescription Drug Transparency

Sec. 4. (1) … issuer must submit … prescription drug cost and utilization data for the previous calendar year:

(a) The twenty-five prescription drugs most frequently prescribed by health care providers participating in the issuer's network;

(b) The twenty-five costliest prescription drugs by total health plan spending, and the issuer's total spend for each of these prescription drugs;

(c) The twenty-five drugs with the highest year-over-year increase in prescription drug spending, and the percentages of the increases for each of these prescription drugs; and

(d) A summary analysis of the impact of prescription drug costs on health plan premiums or on spending per medical assistance enrollee under chapter 74.09 RCW, as applicable, disaggregated by the state Medicaid program, public employees' benefits board programs, and the individual, small group, and large group markets.

Approach

- Prescription drug claims filled in 2017 are grouped by NDC product codes.
- Calculate summary statistics by product
  - Number of member-prescriptions
  - total insurer paid amount for each product
- Sort by summary statistic, and select the top 25 products

- Combine data for 2016 and 2017
- By product, calculate change
  - Total paid amount 2017 – Total paid amount 2016.
  - Percent change
- Sort and select top 25 products with largest increase in total paid amount

Challenges

- Define terms
  - "Most prescribed" – Most prescriptions written? Most members with prescriptions?
  - "Prescription drug" –
    - NDC (National Drug Code) – 11 characters, uniquely identifies drug ingredients, manufacturers, delivery method, package form, strength, and dosages.
    - Need a meaningful way to group NDC codes
- Year to year changes
  - New drugs introduced, old drugs discontinued.
  - NDC codes discontinued or recycled.

NDC code structure

- Up to 11 characters, separated by dashes.
  - Full form: 5-4-2 e.g. 01234-0567-08
  - Format varies. Can be 5-3-2, 4-4-2, 5-4-1, etc.
  - May need to add leading zeroes for consistency.
- First segment: labeler code
  - identifies any firm that manufactures, repacks, or distributes the product
- Second segment: product code
  - Identifies a specific formulation, strength, and dosage combination
- Third segment: package code
  - Identifies package form and sizes

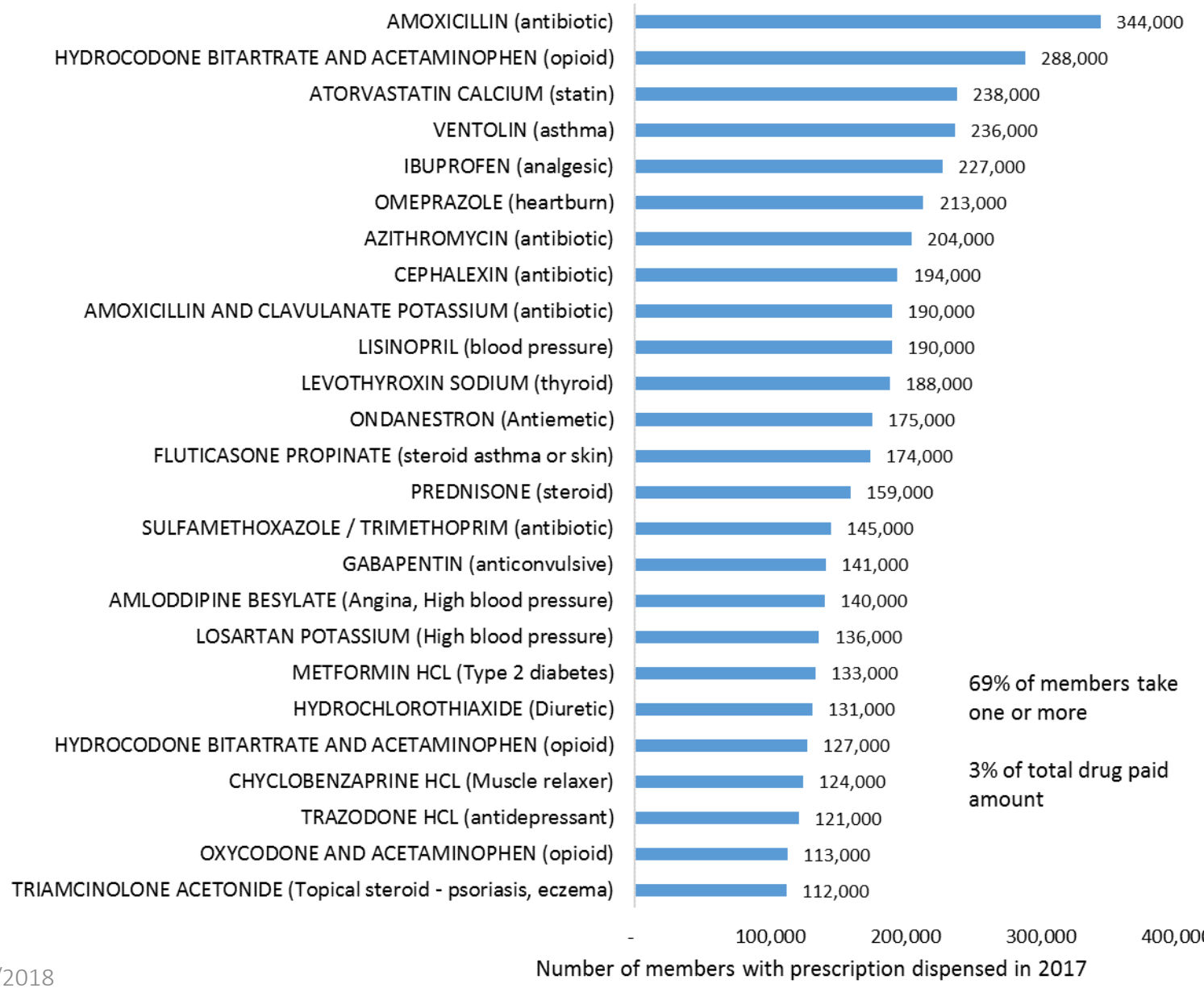
Identifying drugs by name

- Excel workbooks of drug names that can be linked to NDC product codes can be obtained from FDA
  - https://www.fda.gov/Drugs/InformationOnDrugs/ucm142438.htm
- For higher level grouping, VA drug class is useful, though not quite comprehensive (only VA covered drugs are included)
  - https://www.va.gov/opal/nac/fss/pharmPrices.asp
  - Also useful: this data includes price.
- Other groupers are available – e.g. Rxcui / RxNorm
- Whatever source you use, be sure it is updated to match your data source, as NDC codes change.

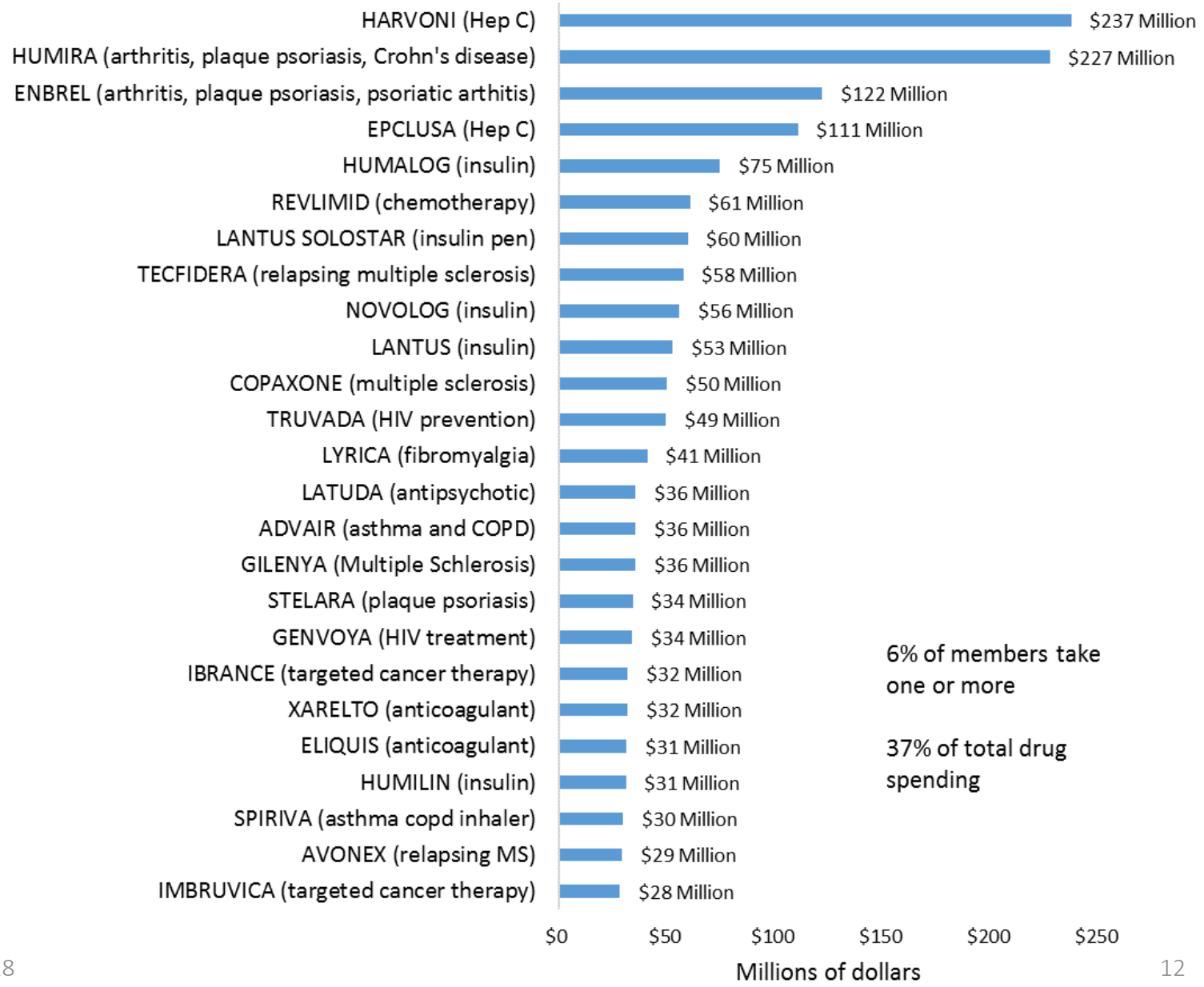
Pharmacy Claim structure

- Beneficiary information
  - Unique identifier – linkable to medical claims
  - Age and sex (no race)
  - Geography (WA-APCD)
- Prescription information
  - NDC code
  - Quantity
  - Days supply
  - Fill date
  - Pharmacy ID
  - Prescriber ID
  - Generic drug name (Medicare part D)
- Financial information
  - Charge, paid, deductible, copay, coinsurance
- Plan information

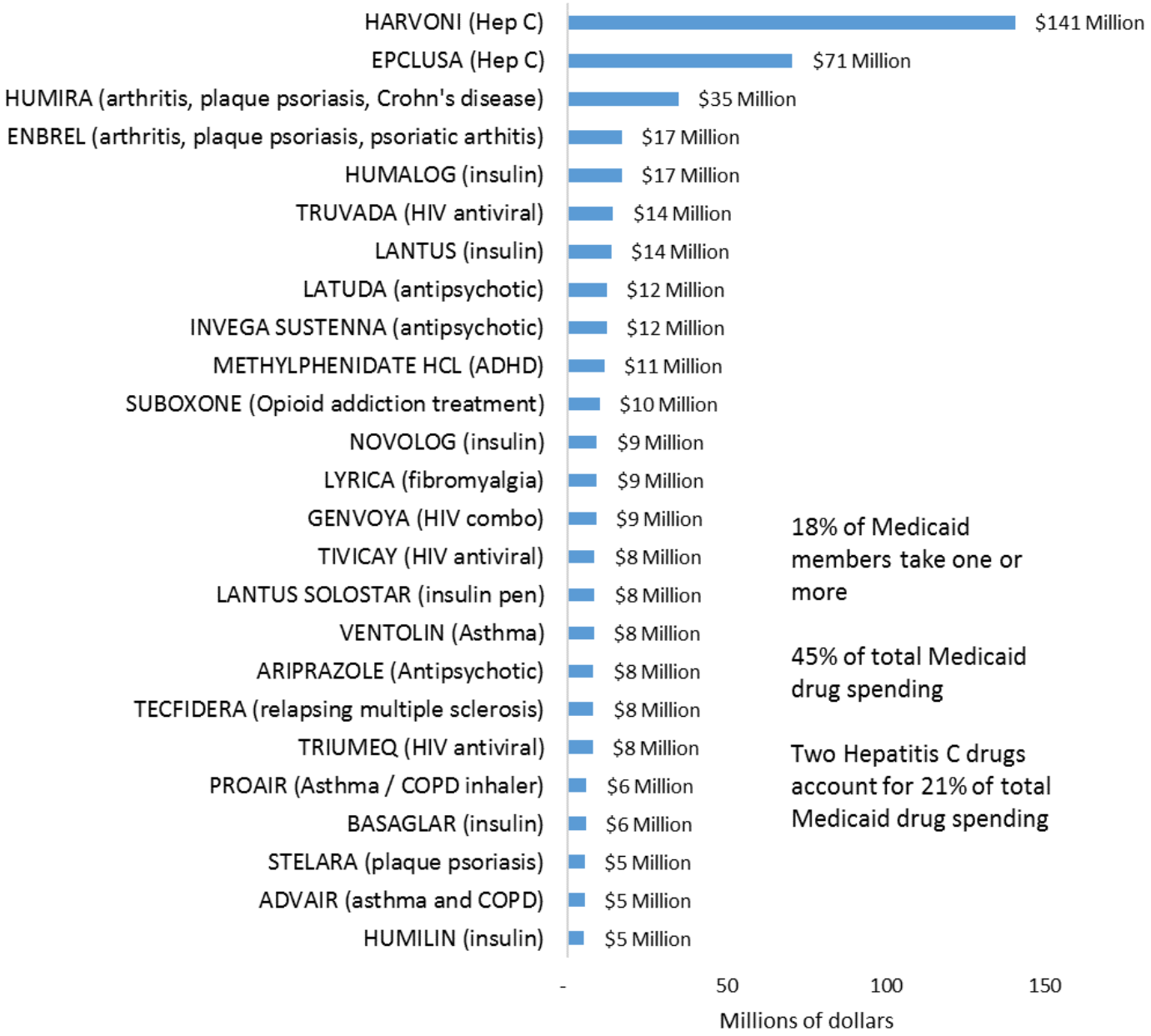
Top 25 most prescribed drugs in 2017 account for a two thirds of all prescriptions, but only 3% of total drug spending.



Top 25 most costly prescriptions in 2017 account for 37% of total drug spending by all payers



Top 25 most costly prescriptions by commercial plans in 2017 account for 45% of total Medicaid drug spending.

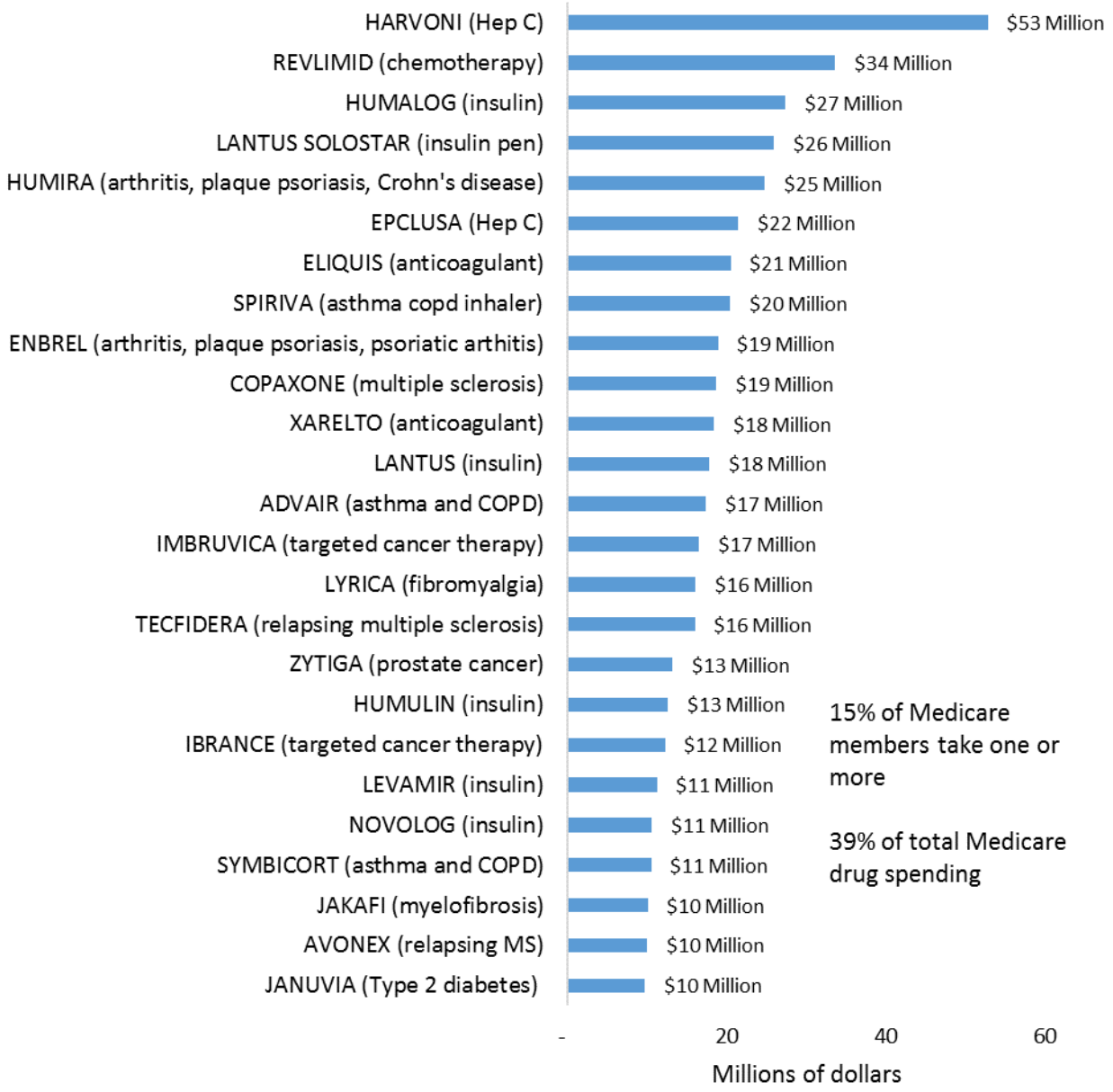


18% of Medicaid members take one or more

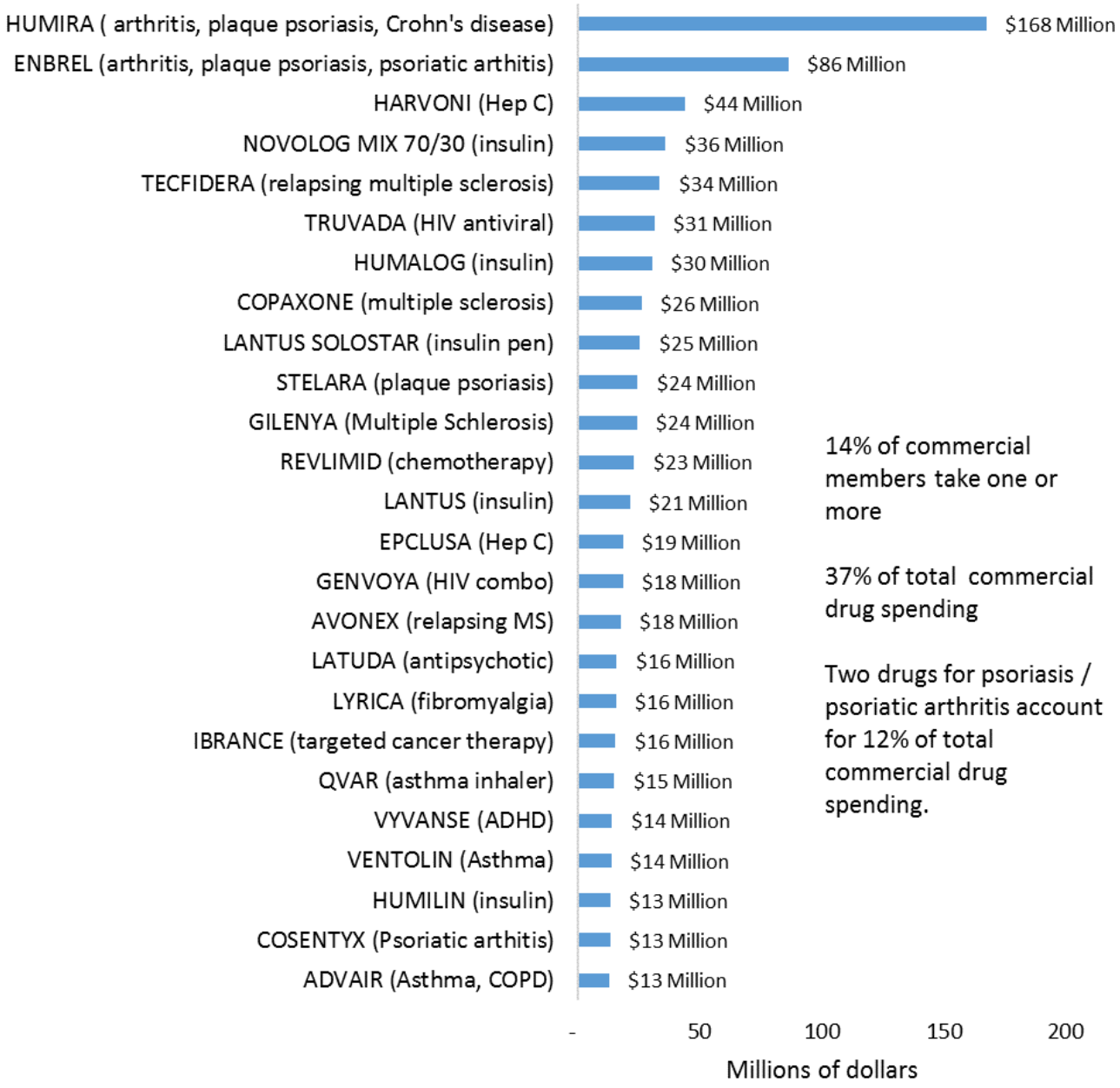
45% of total Medicaid drug spending

Two Hepatitis C drugs account for 21% of total Medicaid drug spending

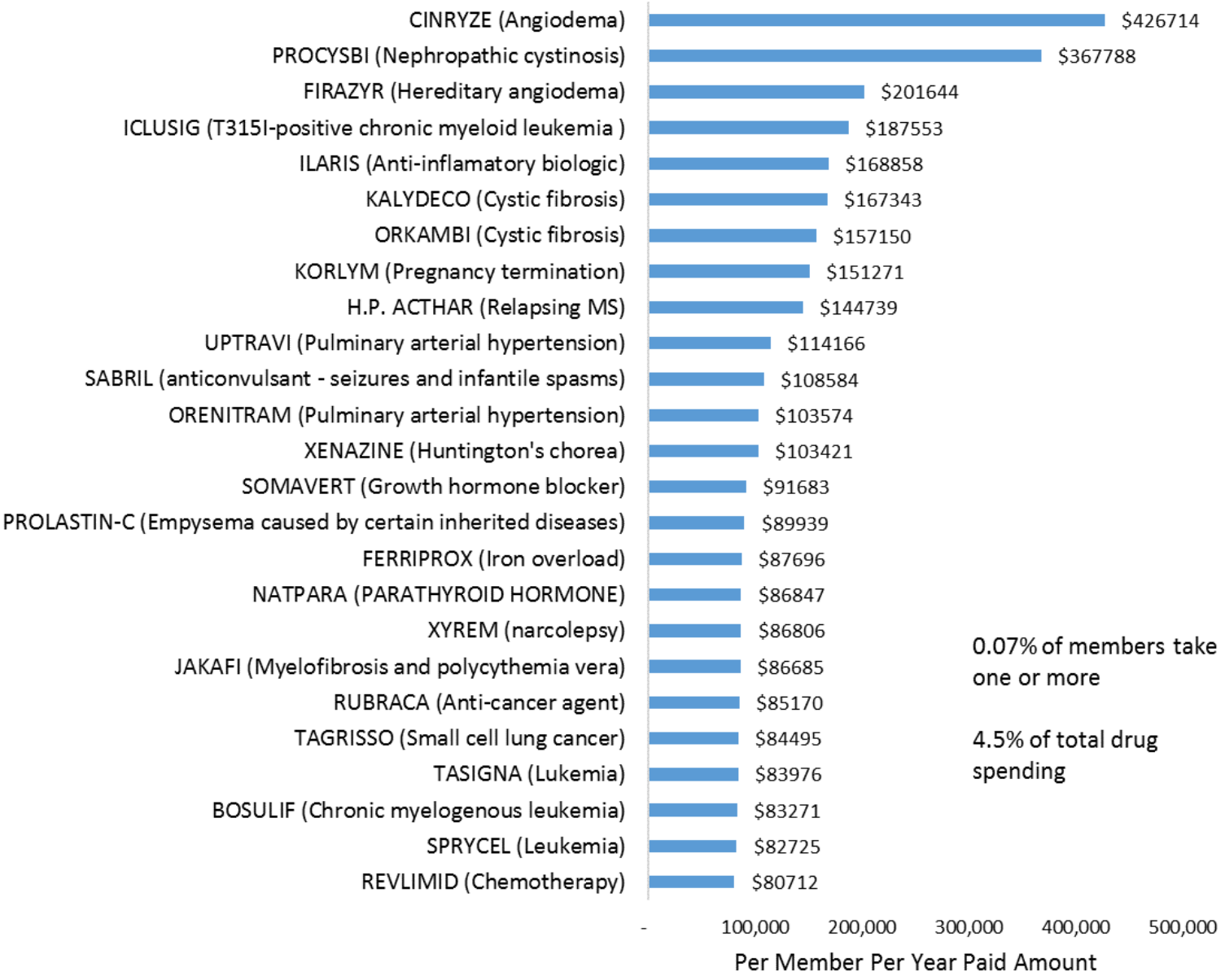
Top 25 most costly prescriptions by Medicare in 2017 account for 39 % of total Medicare drug spending.



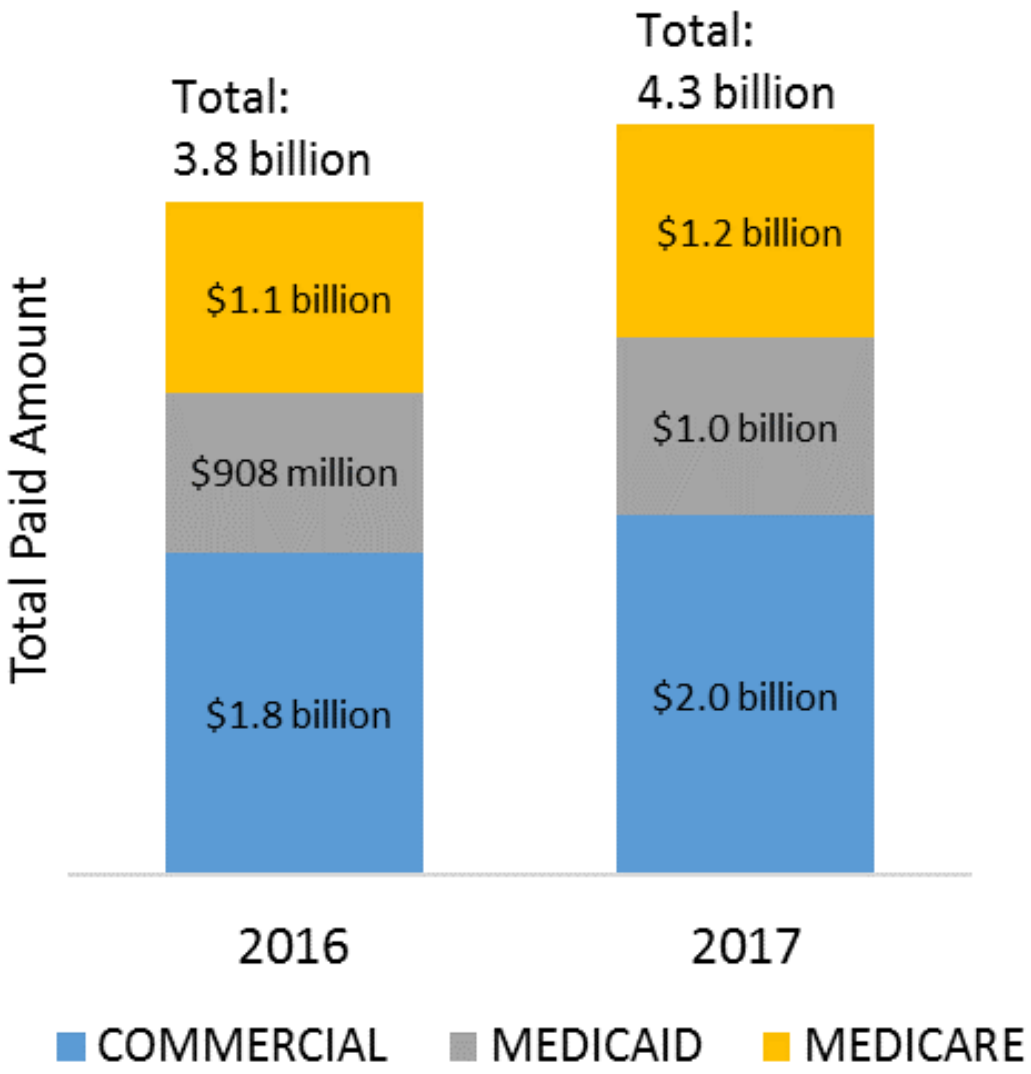
Top 25 most costly prescriptions by commercial plans in 2017 account for 37% of total commercial drug spending.



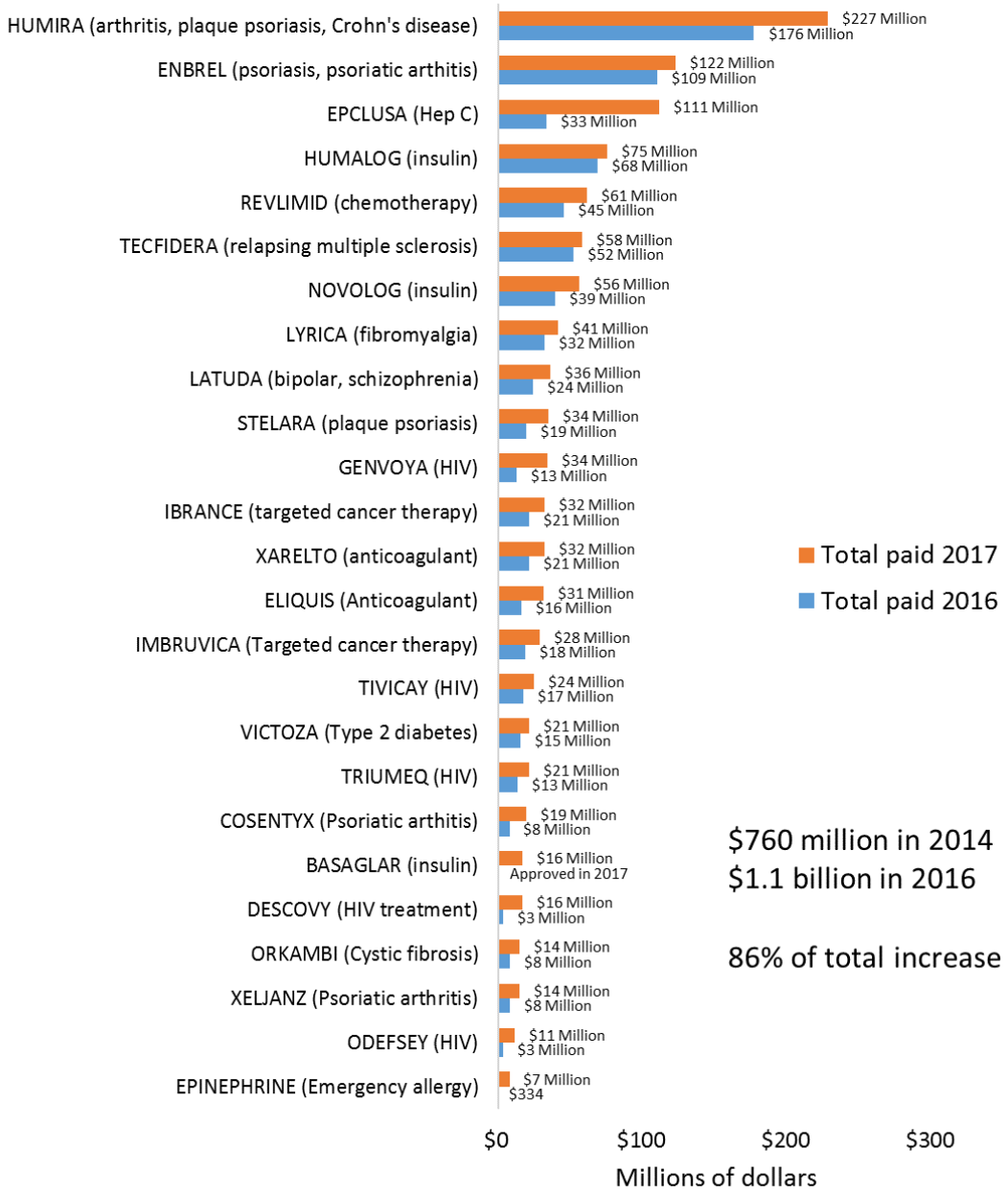
Top 25 per member per year most costly prescriptions having at least 10 member-prescriptions in 2017



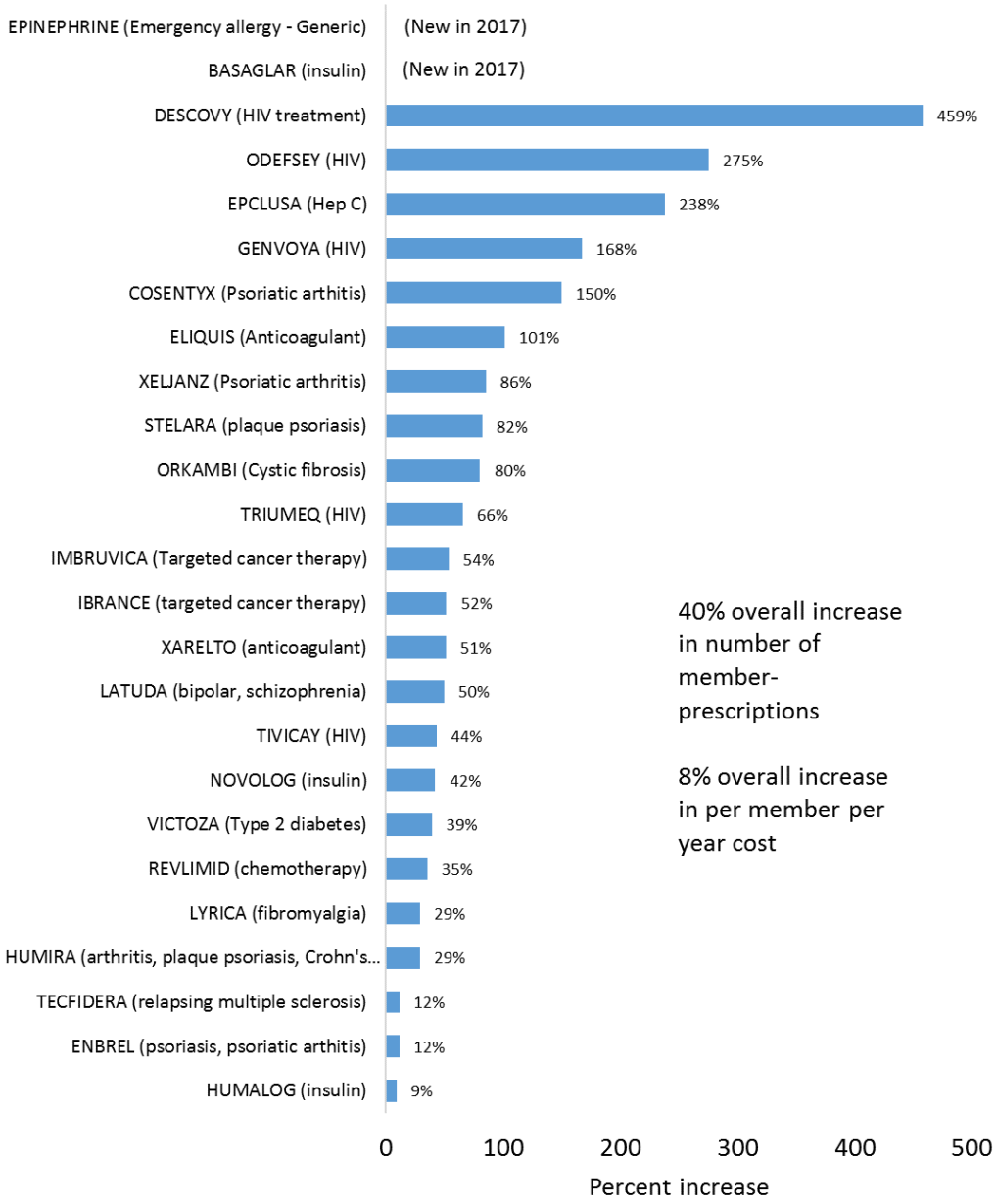
Total drug paid amount increased $444 million (12%) between 2016 and 2017



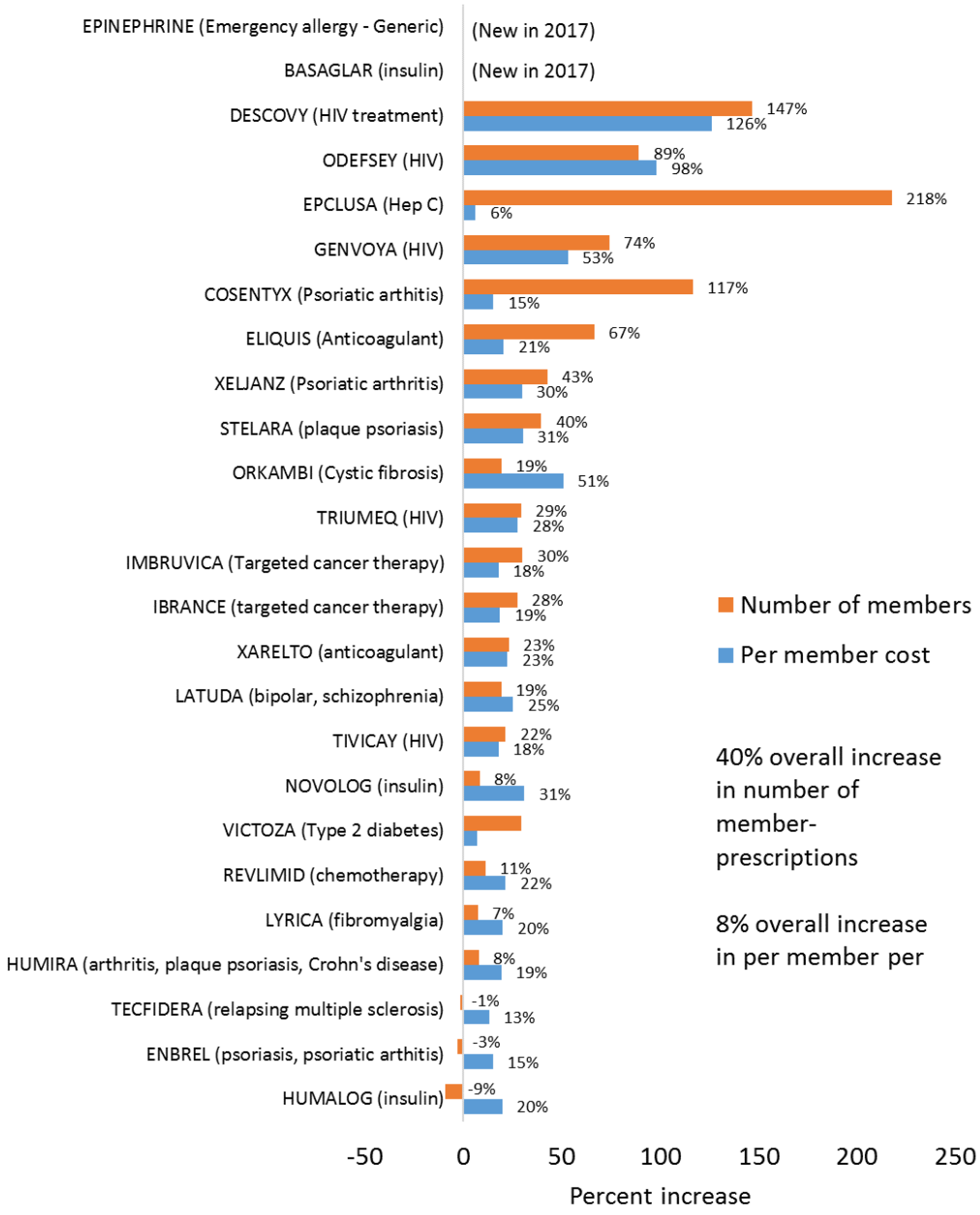
Top 25 prescriptions with largest cost increase account for $383 million increase in total drug spending between 2016 and 2017



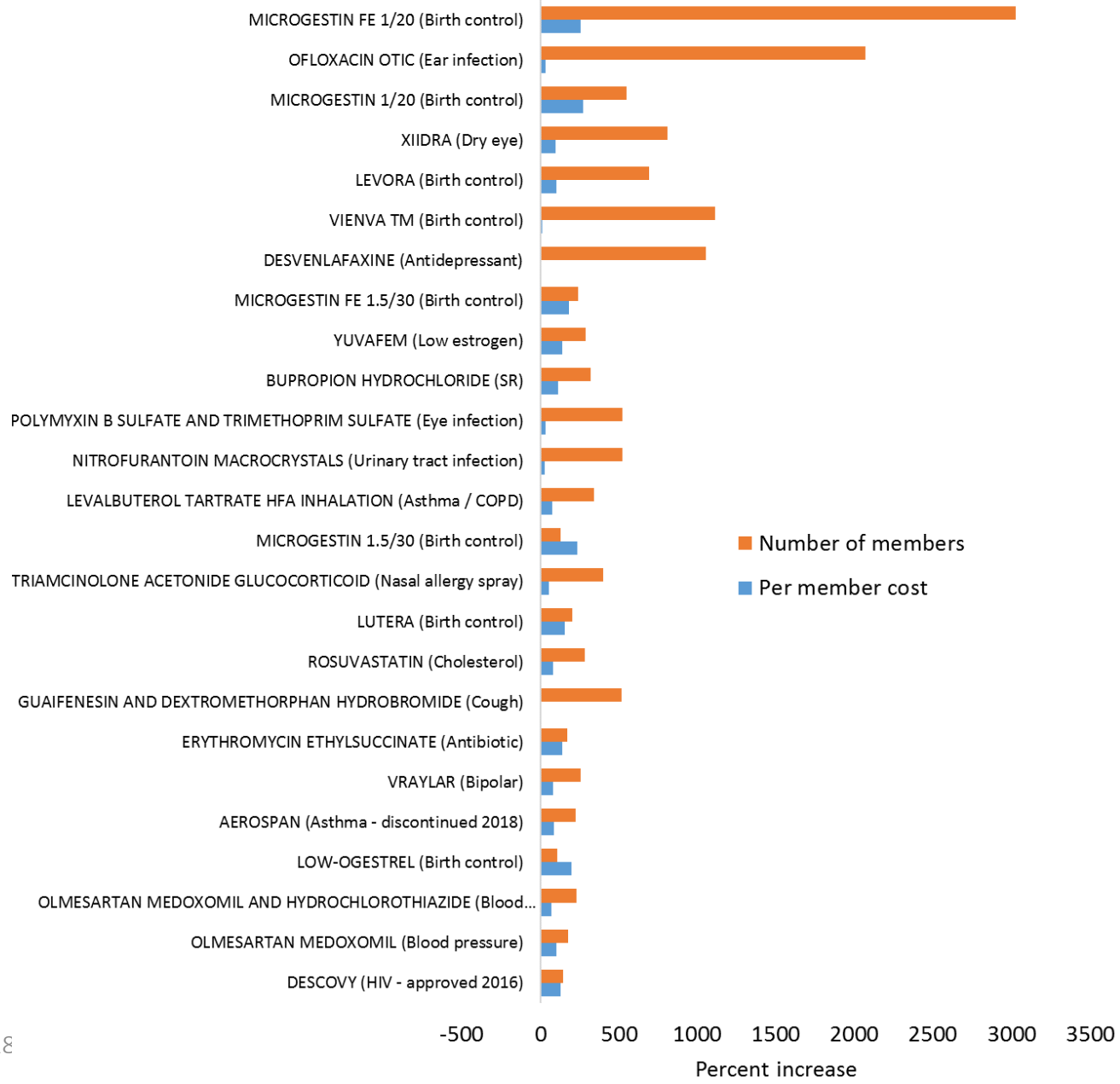
Percent increase for top 25 prescriptions with largest increase in total spending between 2016 and 2017



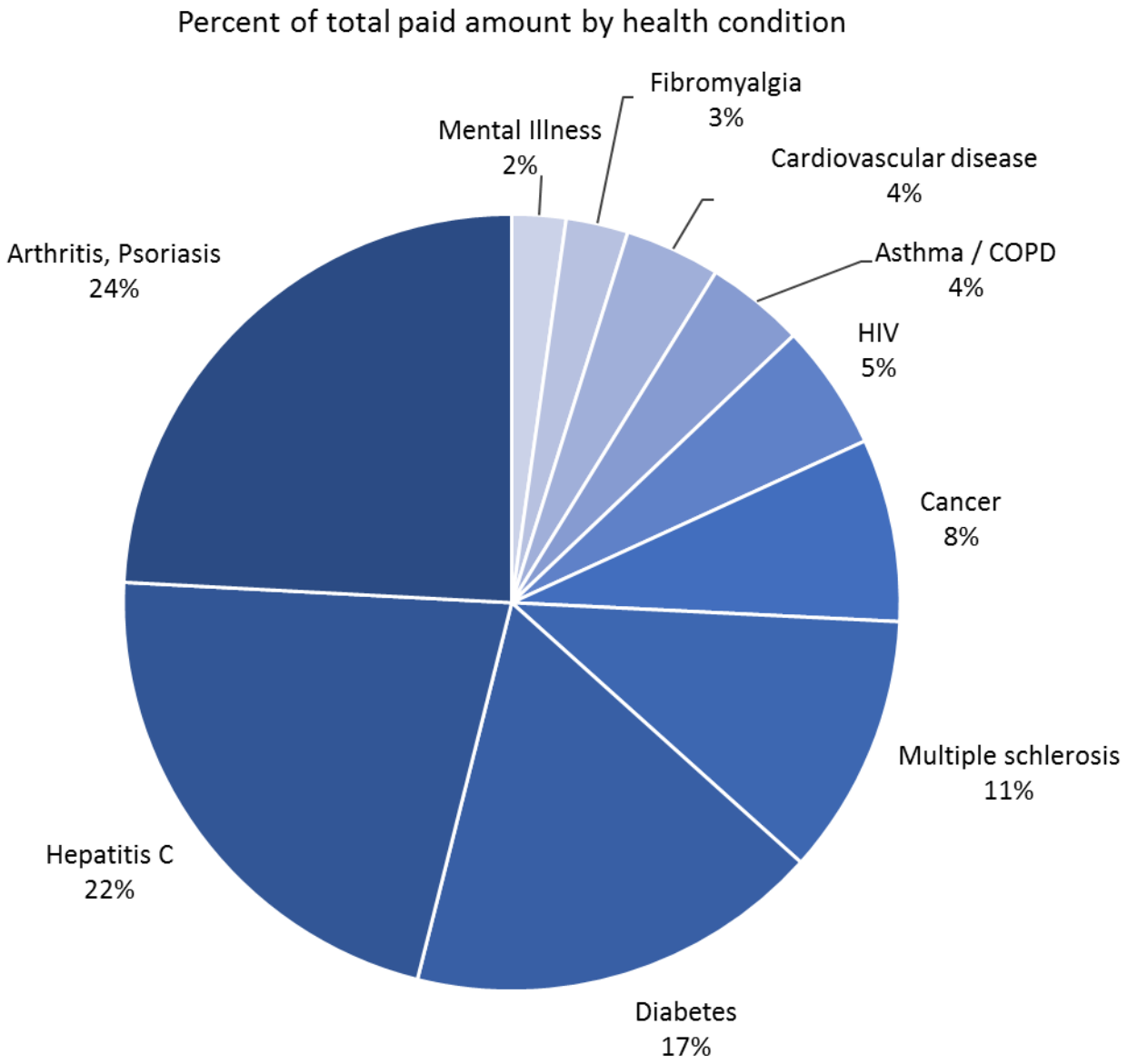
Top 25 Increases in total spending between 2016 and 2017 - changes in cost and utilization

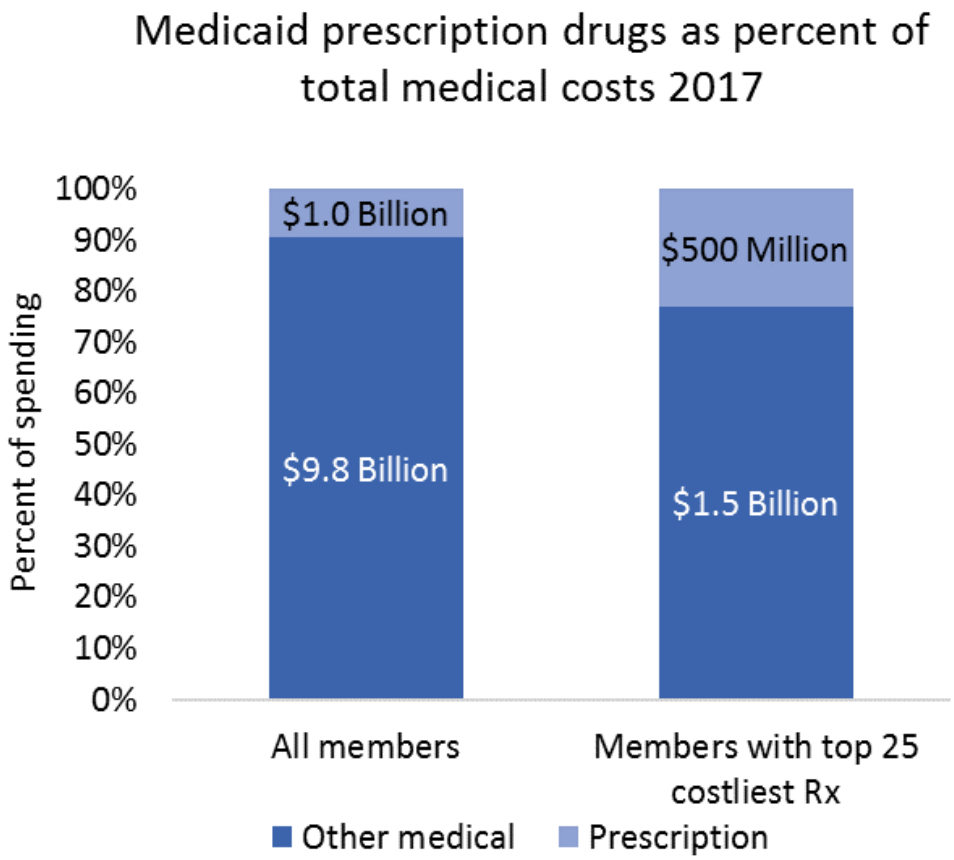


Top 25 with largest percent increase in total spending between 2016 and 2017 having at least 100 members each year- changes in cost and utilization



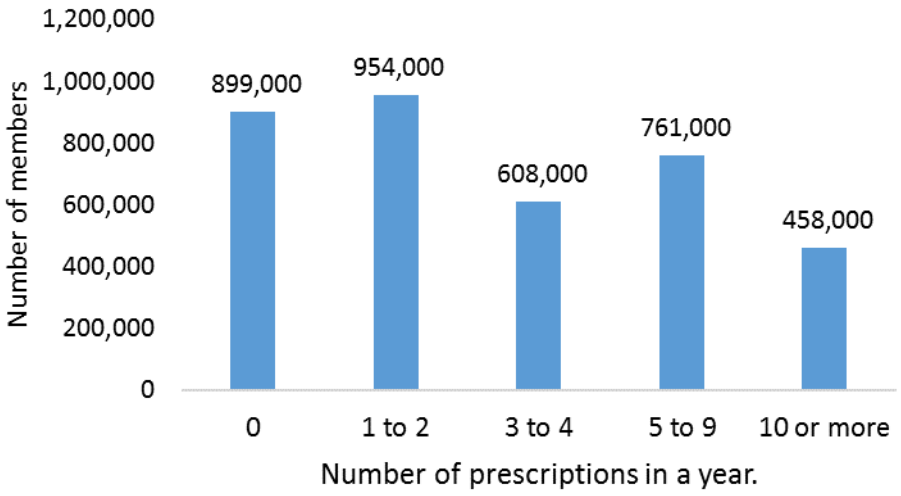
Medical conditions treated by the top 25 most costly drugs in 2017



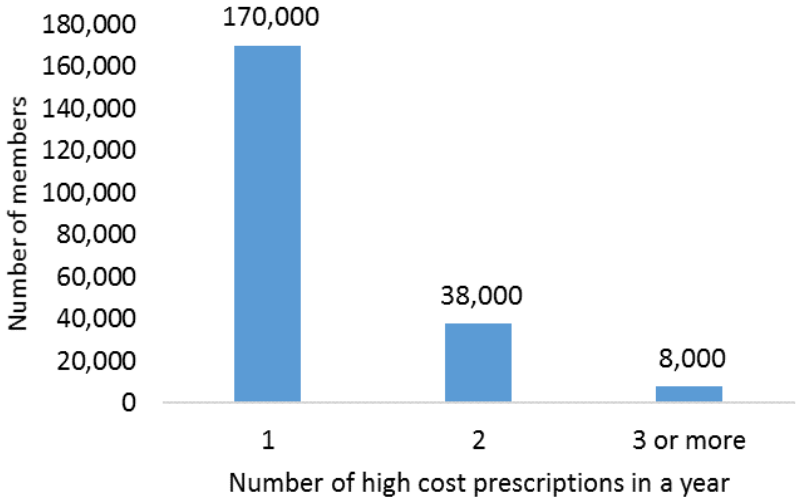


- Members taking the top 25 high cost drugs account for 18% of total Medicaid spending.
- Note: WA AMCD includes all pharmacy claims, but currently does not include Medicare fee-for-service, or commercial self-insured plans.

Three fourths of all members have at least one prescription in 2017, 28% have five or more.



Among members with top 25 high cost prescriptions in 2017, 14% have two or more



Key Findings Summary

- Top 25 most costly prescriptions in 2017 account for 37% of total drug spending by all payers
  - 45% for Medicaid, 39% for Medicare
- Two Hepatitis C drugs account for 21% of total Medicaid drug spending
- Total drug paid amount increased $444 million (12%) between 2016 and 2017
  - Top 25 drugs with largest cost increase account for 86% (383 million) of total cost increase
  - Question remains: does this represent new costs, or substitution?
- Total cost increase of top 25 drugs was driven by increased utilization of emerging drugs.
  - 40% increase in number of members with prescriptions
- Increases in price also contribute to total cost
  - 8% increase in per-member-per-year cost for top 25 drugs

Recap - Strengths

- Data on cost and utilization (but not price)
- Unique ID linking medical, pharmacy and provider.
  - Able to follow a cohort
  - Can assess comorbidity, polypharmacy of individual members
  - Can assess cost and utilization by provider or geography
  - Can assess quality of care by provider or geography

Recap - Limitations

- Claims, not medical records.
  - Procedures not specifically paid for are not listed on claim – e.g. hospital administered medication.
- Database missing some key components (Medicaid FFS, self-insures, VA)
- Physician administered drugs not included
- Claim cost data does not account for rebates
- Member ID linkage not perfect.
- Coding changes make year-to-year comparisons difficult.

Any Questions?