North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES

Update on Transition of Specialty Medications from Medical to Pharmacy Benefit

Board of Trustees Meeting

April 27, 2016

Specialty Drugs Transition Update

At the February Board of Trustees meeting the Board approved the transition of specialty drugs (except oncology drugs) from the medical benefit to the pharmacy benefit in the following phases:

Timeframe		
Phase 1	Self Administered, Hemophilia, IVIG	June 1, 2016
Phase 2	Remaining Rare Diseases	January 1, 2017
Phase 3	Physician Administered	June 1, 2017

Specialty Drugs Transition Update

While the transition efforts have continued, two items have surfaced that have caused Plan staff to revisit the implementation timeline:

- **New PBM Contract** – Both Express Scripts and CVS offer programs to support the transition of drugs from the medical benefit to the PBM. The customer experience for members and providers is different under each PBM's model. Instead of rolling out the program to the first phase of members on June 1st, only to transition them again on January 1, 2017, Plan staff believes it would be better to delay the rollout until the new PBM contract is in place.
- **Medicare Part B Requirements** – The majority of specialty drugs targeted for transition are considered by Medicare to be "Part B", not "Part D" drugs. This means we have to introduce new claims processing rules at the PBM because the drugs currently covered by the PBM are only considered "Part D" drugs.
  - **Coordination of Benefits (COB)** – The PBM must coordinate benefits with Medicare at the point of sale for Medicare Primary Members
  - **"Phantom B" Processing** – The PBM must also follow special Medicare COB rules that are outlined in GS 135-48.38, which require the claim to be processed as if the member had Part B coverage even if they did not enroll in Part B. While both PBMs have standard Medicare COB processing functionality, neither Express Scripts nor CVS has ever processed claims using the "Phantom B" rules and may have to build functionality to support it.

Specialty Drugs Transition Update

The impact of the Medicare COB requirements cannot be overstated:

- In addition to the fact that we consistently have a large number of Medicare Primary members eligible for this program, it is also important to note that we have hundreds of new members becoming Medicare Primary every month. Their Medicare Part A & B statuses can change monthly, which means we need to make sure the current electronic data interface (EDI) can provide the PBM with the information needed to process the claims appropriately.
  - More than 39,000 Medicare Primary members eligible for the program
  - Approximately 1,600 of these do not currently have Part B
- The original data that was reviewed did not include Medicare Primary members. The recent data refresh highlights the fact that Medicare Primary members make up over 40% of the eligible population in the self-administered category alone.
    - 420 Non-Medicare Primary members
    - 297 Medicare Primary members

Next Steps

- Plan staff proposes delaying implementation of the transition of specialty medications from the medical to the pharmacy benefit to allow for:
  - Sufficient due diligence to review impacts and implications related to the Medicare population and determine next steps
  - A single transition for members under the new PBM contract

- Since the Board previously approved this benefit change with Phase 1 effective June 1, 2016, the Board will be asked to vote to delay implementation at the May Board meeting.

Appendix
Feb 5, 2016 Board Presentation

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Transition Specialty Medications from Medical to Pharmacy Benefit

Board of Trustees Meeting

February 5, 2016

Specialty Drugs from Medical to Pharmacy Benefit

Goal:

Transition specialty drugs (except Oncology drugs) from the medical benefit to the pharmacy benefit in staged phases.

Reason:

- Manage Adherence
- Medical Stability
- Manage Drug Spend

Timeframe		
Phase 1	Self Administered, Hemophilia, IVIG	June 1, 2016
Phase 2	Remaining Rare Diseases	January 1, 2017
Phase 3	Physician Administered	June 1, 2017

Rationale for Transition

- Provide the Plan with:
  - Ability to manage spending, trend, and utilization
  - Consistent clinical protocol
  - Consistent benefit design
  - Consistent member cost share
  - Real-time adjudication
  - NDC-level claims
- Impact magnified by specialty drugs in pipeline
  - Add new generics and biosimilar drugs when available and appropriate
  - Add clinical policies including step therapy when appropriate

Phase 1 Medical Specialty Spend and Savings Opportunity

Management Strategy	Therapy	Patients	Paid Amount	Therapy Management Savings	Utilization Management Savings	Total Savings
Self-Administered	Blood Cell Deficiency	404	$5,027,734	$471,601	$422,832	$894,434
	Infertility	16	$3,186	$258	$276	$534
	Incremental Rebates	n/a				$56,560
	Total	**420**	**$5,030,920**	**$471,859**	**$423,108**	**$894,968**
Rare Disease	Hemophilia	7	$963,356	$24,084	$0	$24,084
	Immune Deficiency	94	$4,432,286	$121,001	$173,746	$294,747
	Incremental Rebates					N/A
	Total	**101**	**$5,395,642**	**$145,085**	**$173,746**	**$318,831**
	Grand Total	**521**	**$10,426,562**	**$616,944**	**$596,854**	**$1,213,799**

Data based on medical claims from 8/2014 -7/2015.

Phase 2 Medical Specialty Spend and Savings Opportunity

Management Strategy	Therapy	Patients	Paid Amount	Therapy Management Savings	Utilization Management Savings	Total Savings
Rare Diseases	ALPHA - 1 Deficiency	4	$435,623	$0	$10,847	$10,847
	Enzyme Deficiency	10	$2,507,320	$18,805	$35,102	$53,907
	Pulmonary Hypertension	10	$316,661	$6,523	$15,580	$22,103
	Incremental Rebates					N/A
	Grand Total	24	$3,259,604	$25,328	$61,529	$86,857

Phase 1 & 2 Member and Provider Financial Impact

- **Members**

  In aggregate, member copays* will be reduced approximately $215,000

- **Providers**

  Shift in cost from outpatient providers and office visits to the Pharmacy Benefit Manager and home settings will result in approximately $7,074,873 in savings to the Plan and a potential revenue loss for providers.

  Because the Plan does not have access to the specific rebates the providers may receive on these drugs, we cannot provide an accurate estimate of total provider impact.

* *Copays apply to the Traditional 70/30 and Enhanced 80/20 PPO plans*.

Communication Plan – Phase 1 (June 1, 2016)

- **Communication to Members**
  - ESI to send notification regarding the change to all impacted members
  - ESI will also make outbound calls by a home health nurse to set an appointment and meet with the member
  - SHP will feature this change in Member Focus article and update website accordingly

- **Communication to Prescribers**
  - ESI to send notification regarding the change to all prescribers who have prescribed self-administered immunoglobulin and hemophilia Specialty drugs
  - Any prescriber who has prescribed these drugs in 2014 and 2015
  - ESI will also make outbound calls by Medical Channel Specialty Pharmacist to prescribers and discuss all the prescribers' patients impacted by the change

Specialty Drug Transition Recommendation

To ensure high quality of care for Plan members while reducing overall member and Plan costs, Plan staff recommends the Board approve moving specialty drugs identified for Phases 1 and 2 from the medical benefit to the pharmacy benefit effective June 1, 2016 and January 1, 2017 respectively.

Plan staff will gather additional information on physician administered drugs and request Board approval for Phase 3 at a later date.