

July 17, 2015

Mr. Gaspar Laca
Acct Director of Government Relations
Regional Government Affairs South US
GlaxoSmithKlein plc
11838 N. 137th Way
Scottsdale, Arizona 85259

Dear Mr. Laca:

I am writing in response to your email dated June 22nd, 2015. In your letter, you requested follow-up on three areas from the recent supplemental rebate pharmacy meeting that was held in May. Your requests are listed below, together with our responses.

1) The contract language or provisions protecting manufacturers from additional rebates beyond a negotiated supplemental rebate with the agency.

If the Contractor or its PBM has an existing rebate agreement with a manufacturer, all outpatient drug claims, including those for provider-administered drugs, for which AHCCCS is obtaining supplemental rebates, must be exempt from such rebate agreements. The contract language that prohibits duplicate discounts is below:

“Pharmaceutical Rebates: The Contractor, including the Contractor’s Pharmacy Benefit Manager (PBM), is prohibited from negotiating any rebates with drug manufacturers for preferred or other pharmaceutical products when AHCCCS has a supplemental rebate contract for the product(s). A listing of products covered under supplemental rebate agreements will be available on the AHCCCS website under the Pharmacy Information section.

If the Contractor or its PBM has an existing rebate agreement with a manufacturer, all outpatient drug claims, including provider-administered drugs for which AHCCCS is obtaining supplemental rebates, must be exempt from such rebate agreements.”

2) The contract language or provision requiring health plans to add a drug for which a manufacturer has entered into a supplemental rebate agreement with AHCCCS.

The AHCCCS Pharmacy and Therapeutics Committee meets quarterly. The Committee advises AHCCCS on drug recommendations, including preferred agents, for inclusion on the AHCCCS Minimum Required Prescription Drug List (MRPDL). Contractors are required to include all agents listed on the MRPDL on their drug lists. The MRPDL information in the AHCCCS Medical Policy Manual, which is incorporated by reference into the AHCCCS managed care contracts at Section D, Paragraph 13 (see <http://azahcccs.gov/commercial/Purchasing/contracts.aspx>). Specifically, Policy 310-V is included below; however, we are in the process of updating this policy to provide additional clarity on preferred medications or therapeutic classes. Please check the AHCCCS website for future updates.

“Policy 310- V:

A. MINIMUM REQUIRED PRESCRIPTION DRUG LIST (MRPDL)

AHCCCS has developed a list of medications that must be available to all members when medically necessary. The MRPDL is available on the AHCCCS website at:
<http://www.azahcccs.gov/commercial/pharmacyupdates.aspx>

1. **AHCCCS has developed the MRPDL to assist providers when selecting clinically appropriate medications for AHCCCS members. The MRPDL is not an all-inclusive list of medications for the AHCCCS FFS and MCO Contractor Health Plans.**
2. **The MRPDL specifies medications that are available without prior authorization as well as medication that have specific quantity limits, or require step therapy and/or prior authorization prior to dispensing to AHCCCS members. The Contractors' medications lists shall include these medications and any additional drugs necessary to meet the needs of the Contractors' specific patient populations. Contractors are required to cover all medically necessary, clinically appropriate, cost effective medications that are federally and state reimbursable."**

3) The agency response to the PhRMA letter, including patient protections and transparency in the process.

We appreciate receiving the PhRMA letter and the "potential" patient protections. As the Agency entrusted with the care of the State's Medicaid population, no one prioritizes patient care more than we do. In fact, many of these patient protections were cited from Medicare regulations and were developed in response to the implementation of the Medicare Part D Prescription Drug Program. Assuring patient protection and care have been a cornerstone of the AHCCCS model since the inception of our program.

The Agency prioritizes transparency in all of its operations. As such, the AHCCCS MRPDL is available on the AHCCCS website (see <http://azahcccs.gov/commercial/pharmacyupdates.aspx>). In addition, Contractors also make their formularies available to the public. AHCCCS also provides information on that web page on the Pharmacy and Therapeutics Committee, including how members of the public, including pharmaceutical manufacturers, may submit their comments for consideration. It is critical that the members of this Committee remain objective in their evaluation and recommendations related to the inclusion and utilization of medications on the AHCCCS formularies. However, as an Agency, we also recognize that pharmaceutical companies have done extensive research in the development of new and emerging drugs. It is for this reason, that the Agency invites representatives from the drug manufacturers to present their research to the Pharmacy and Therapeutics Committee when they are reviewing a specific drug. So, while it would not be appropriate to include drug manufacturers on the Committee itself due to conflict of interests, AHCCCS invites and in fact, encourages manufacturers to present at the Pharmacy and Therapeutics Committee when specific medications and therapeutic classes are evaluated for the supplemental rebate program. As promised in the meeting, companies will receive advance notice when these meetings will be held, so that they have adequate time to make travel arrangements.

For clarification, Federal regulations also state the Agency may place appropriate limits on a service based on such criteria as medical necessity, or on utilization control procedures. AHCCCS and its Contractors employ utilization management tools on the pharmaceutical benefit, including prior authorization, step therapy, and quantity limits to ensure that the least costly, most clinically appropriate drugs are utilized. Federal and state funding are not infinite and as stewards of taxpayer dollars, AHCCCS has a responsibility to manage the services and benefits provided to members, within its available funding. The Agency also has a responsibility to pursue all potential opportunities to reduce its burden on the State General Fund. Arizona is just one of two states that, until recently, were not obtaining supplemental rebates, resulting in a significant loss of revenue to the State of Arizona. It is for this reason that the AHCCCS Pharmacy and Therapeutics Committee is moving forward with the evaluations and recommendations of medications and/or therapeutic classes as candidates for supplemental rebate contracting.

I hope this has provided clarity to the three areas raised in your letter. We look forward to working with PhRMA and to a successful supplemental rebate program that will benefit all AHCCCS members and the State of Arizona.

Sincerely,



Monica Coury
Assistant Director
Office of Intergovernmental Relations

cc: Christina Corieri, Policy Advisor for Health and Human Services, Office of the Governor