



## AHCCCS Payment Modernization - Blog # 13

### Value Based Purchasing for Prescription Drugs

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December 16, 2015

Health care costs [trended higher](#) last year. CMS issued its calculation of [2014 U.S. health care spending](#) recently which shows a 5.3% growth rate compared to 2.9% in 2013.

*The faster growth experienced in 2014 was primarily due to the major coverage expansions under the Affordable Care Act, particularly for Medicaid and private health insurance. The share of the economy devoted to health care spending was 17.5 percent, up from 17.3 percent in 2013.*

Prescription drugs increased 12.2%, by far the highest growth category of those broken out by CMS. In 2013, prescription drug costs increased only 2.4%. Some of the 2014 increase is a result of expanded coverage, but a major source of the increase can be [attributed to hepatitis C drugs Sovaldi and Harvoni](#). The 12.2% increase would have been 7.6% without the introduction of the two drugs.

Sovaldi and Harvoni have accelerated consideration of applying [value based purchasing \(VBP\) to drug pricing](#). Researchers are evaluating various methodologies for determining value.

*Each (effort) aims to convert evidence about the improvement in patient outcomes a drug provides into a price for that drug compared with other treatment options.*

[Medicaid MCOs](#) through the Medicaid Health Plans of America are considering proposing policy strategies which would enable them to negotiate the price they pay for drugs much like they negotiate with providers. Some analysts point out that without value based payment for drugs the ability to effectively design [bundled payment](#) will be inhibited. Commercial insurers such as UnitedHealth and Humana have entered [performance based purchasing](#) arrangements with companies for certain disease categories. At a recent HHS forum on pharmaceutical access, [Medicaid constraints](#) to operationalizing prescription drug value based purchasing were discussed, as were statutory and regulatory barriers.

Although numerous [VBP options](#) have been proposed, and despite rising costs, [payers have so far had limited success](#) in paying for prescription drugs based on costs and outcomes. Prescription drug costs are projected to [rise almost 10% in 2015](#).

## Do Medicare Costs Tell the Story?

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December 16, 2015

It has been widely assumed that regional Medicare cost variation was generally reflective of the health care costs in general. However, a [recent analysis of commercial claims](#) information demonstrates that there are significant limitations to drawing conclusions about the health care costs in a region from Medicare claims alone. Whereas Medicare costs are largely a function of utilization and efficiency, other payers' costs are driven by price and utilization. The paper has already resulted in calls for increased provider [anti-trust enforcement and price controls](#).

## Caring for Patients with Complex Needs

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Although we often compare the U.S. healthcare system unfavorably with other developed countries, one challenge they apparently share with us is the inability to consistently and adequately care for persons with high needs/high costs. Primary Care [Physicians in the nine countries studied](#) felt care coordination was insufficient. They feel even less prepared to care for persons with complex needs when [patients have severe mental illness or SUD](#). And they are all concerned with a lack of adequate communication among specialists, hospitals, EDs, and post-acute providers mostly due to EHR interoperability challenges. However, among the countries studied, the U.S. had

*The highest incidence of chronic disease and spends 50-150 percent more on health care per capita than the other nine countries in the survey. This survey highlights another unwanted distinction: US primary care doctors felt among the least prepared to treat people with multiple chronic conditions and reported being among the least prepared to manage conditions associated with aging outside of hospital or nursing home settings.*

## Top 10 Trends

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A consulting group recently presented what they believe will be the [top 10 health care trends](#) in 2016. Of note, the list includes “behavioral health no longer on the back burner”.

**Happy Holidays!**