



**STATE OF WASHINGTON
HEALTH CARE AUTHORITY**

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September 30, 2022

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Dear Jenny, Chelene, and Bob:

I am reaching out to update the communication you received detailing the Health Care Authority's (HCA's) plan to carve out oncology, cystic fibrosis, and HIV medications from the managed care rates and instead reimburse them at the fee for service rates. The rationale for doing this relates to the challenge of incorporating appropriate utilization and cost estimates into the managed care rates. For the high-cost oncology and cystic fibrosis drugs, utilization is relatively rare and not spread evenly across the plans. For the HIV drugs, the legislative direction from the 2022 Supplemental Operating budget required HCA to prohibit prior authorization for this class of drugs beginning in 2023. It is expected that this policy will lead to Medicaid clients switching to and initiating treatment on higher cost prescriptions. In this case, historical utilization and cost patterns cannot be used to predict future costs in a way that can be incorporated into the managed care rates. In working with our actuarial partners, HCA decided to remove this experience from the managed care rates as a means to address both the issue of high cost, low volume drugs, and new policy changes leading to uncertain future utilization and cost patterns. These two challenges could lead to overpaying some plans and under paying others if left unaddressed.

The agency, in developing appropriate managed care rates, had no intent to create significant issues for 340b providers and independent pharmacies, especially any reduction in services that are in place to support some of the state's most vulnerable persons who are also experiencing HIV. We also recognize that the amount of notice given to our community of providers was not enough for you to provide meaningful feedback.

In response to these concerns, HCA intends to pursue an alternative approach in the short term, which we will need to develop and stakeholder over the coming months. We are proposing to keep these prescription drug classes carved out of managed care (given the aforementioned issues with rate development), but instead of reimbursing at FFS, reimbursing through an ASO model. This means that the MCOs will continue to manage the pharmacy benefit and reimburse providers at their

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current rates. HCA will then reimburse MCOs directly for these costs outside for the managed care rates, avoiding the uncertainty of including these drugs within the broader capitation rate. This model had previously been used for prescription drug reimbursement in the managed care program from 2018-2020. Additionally, we will be pursuing a broader conversation about how we reimburse for prescription drugs and finance other critical services, and what is permitted to be paid for through the Medicaid delivery system.

We will continue to communicate closely with our managed care plans so this change in payment methodology will run smoothly in the new year. We will also work with you to establish the best path forward in discussing Medicaid financing around prescription drugs and the funding of support services.

Thank you for taking the time to provide feedback. We appreciate your continued partnership.

Sincerely,



Charissa Fotinos, MD, MSc
Medicaid and Behavioral Health Medical Director

By email

cc: Susan E. Birch, Director, HCA
Dr. Judy Zerzan, Chief Medical Officer, CQCT, HCA
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