

September 29, 2022

Subject: Proposed Removal of Prescription Drugs from Managed Care Contracts

The Washington State Hospital Association is writing to oppose the recent HCA decision to remove certain prescription drugs from the Medicaid managed care contracts effective January 1, 2023. **We request that HCA reconsider and withdraw this change.** The drugs that are scheduled to be removed include antiviral HIV medications, as well as drugs to treat cancer and cystic fibrosis. This change will primarily affect 340B eligible safety net providers such as disproportionate share and cancer hospitals, federally qualified health centers, Ryan White clinics and other entities that serve the majority of the patients that need these drugs. The change will dramatically reduce payment for drugs provided by these entities, eliminating income relied upon to provide specialized services to these vulnerable populations. **The decision to make this change was made without any advance warning or discussion with the impacted entities. The savings from the 340B program supports critical outreach to vulnerable patients and access to outpatient services.**

We disagree with HCA's assertion that the change is needed to comply with the legislative proviso in the 2022 state operating budget.

That proviso states:

(108)(a) \$3,735,000 of the general fund—state appropriation for fiscal year 2023 and \$14,075,000 of the general fund—federal appropriation are provided solely for the authority to provide coverage for all federal food and drug administration-approved HIV antiviral drugs without prior authorization beginning January 1, 2023. (b) Beginning January 1, 2023, upon initiation or renewal of a contract with the authority to administer a medicaid managed care plan, a managed health care system shall provide coverage without prior authorization for all federal food and drug administration approved HIV antiviral drugs. (c) By December 1, 2022, and annually thereafter, the authority must submit to the fiscal committees of the legislature the projected and actual expenditures and percentage of medicaid clients who switch to a new drug class without prior authorization as described in (a) and (b) of this subsection.

We understand the purpose of the legislative proviso is to ensure adequate funding and access to antiviral HIV drugs, **not** to reduce payment for those drugs to safety-net providers. We also believe HCA can obtain the needed information regarding expenditures and utilization from the Medicaid MCOs and their PBMs without needing to carve them out from the managed care contracts. Also, the statement does not explain HCA's decision to also remove oncology, cystic fibrosis and other drugs from the managed care contracts.

We have been told removal of the HIV antiviral and other drugs from the MCO contracts is being proposed in part due to the difficulty in building projected costs into the MCO premiums. HCA staff indicates there is uncertainty regarding expected utilization of certain drugs and concerns that utilization and cost may not be uniformly distributed among the MCOs. We do not believe this necessitates removal from the managed care contracts. The issue of uncertain or variable utilization for specific high-cost services and items have been previously addressed by our state and by other states through retrospective supplemental capitation payments. That would enable MCOs to track services

they pay for and obtain additional capitation payment to offset additional expenses that occur. The process for tracking and payment would meet the proviso's requirements for tracking and estimation of expenditures, but without major disruption to care, billing and payment.

This decision to remove these drugs from the MCO contracts undermines the state's stated commitment to equality, diversity and access by reducing payments for the providers that care for some of the state's most underserved and vulnerable patients. While we recognize HCA's interest in controlling pharmacy costs, it must be done in a manner that does not compromise 340B entities' ability to provide care and access to vulnerable populations. **We would invite additional dialogue on this issue**, but ask you to change the decision to carve-out these drugs from the MCO contracts.

Sincerely,

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