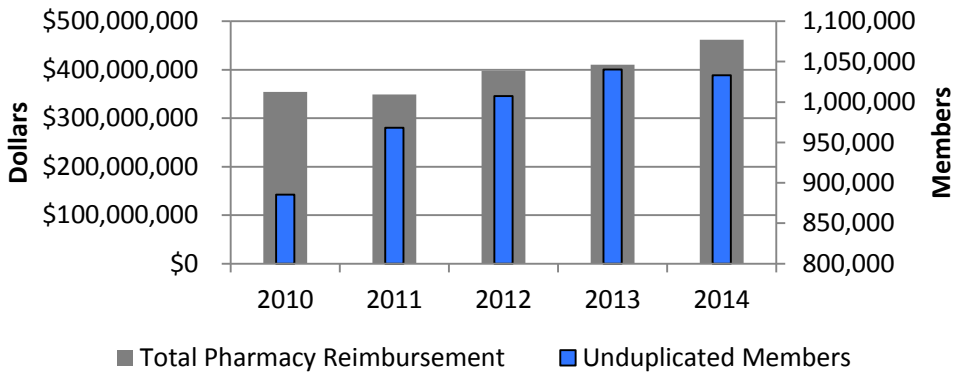
Fiscal Year 2014 Pharmacy Annual Trend Report

Oklahoma Health Care Authority

Introduction

Although the pharmacy benefit is an optional program for Medicaid, all fifty states and the District of Columbia have chosen to include pharmacy coverage for their members. During State Fiscal Year (SFY) 2014, prescription drugs accounted for $461 million of the over $5 billion spent in the SoonerCare program. Over the past five fiscal years, the SoonerCare Pharmacy program has been relatively stable in terms of costs. For the years 2010 and 2011, the rate of change for pharmacy reimbursement was relatively flat. SFY 2012 saw an increase in reimbursement along with an increase in the cost per claim. This occurred after a two year trend in decreasing cost per claim. Several policies were put into place in early 2010 which had an effect on the cost per claim, including a product based prior authorization program for atypical antipsychotic medications, a two brand-name monthly prescription limit, higher member copay amounts, a reduced pharmacy dispensing fee, and lower physician administered and injectable drug reimbursement due to a maximum allowable cost initiative. Additionally, several highly utilized brand name products lost patent protection and became available generically between 2010 and 2014. However, SFY 2014 saw an increase in total pharmacy reimbursement and cost per claim most likely due to some very costly new medications including hepatitis C therapies and general price inflation, especially in the generic market. It is interesting to note that even with a decrease in the number of members and utilizers in 2014, the cost per day while increased from 2013, it is only now greater than the value for SFY 2010.

Fiscal Year	Unduplicated Members	Total Utilizers	Total Claims	Total Pharmacy Reimbursement	Total Days	Cost per Claim	Cost per day
2010	885,238	515,436	5,320,746	$354,293,701	124,139,343	$66.59	$2.85
2011	968,296	553,200	5,782,249	$349,029,291	137,444,282	$60.36	$2.54
2012	1,007,356	579,892	6,334,413	$397,692,844	153,973,718	$62.78	$2.58
2013	1,040,332	600,950	6,479,131	$410,385,880	158,274,398	$63.34	$2.59
2014	1,033,114	573,699	6,378,863	$461,468,656	157,296,100	$72.34	$2.93



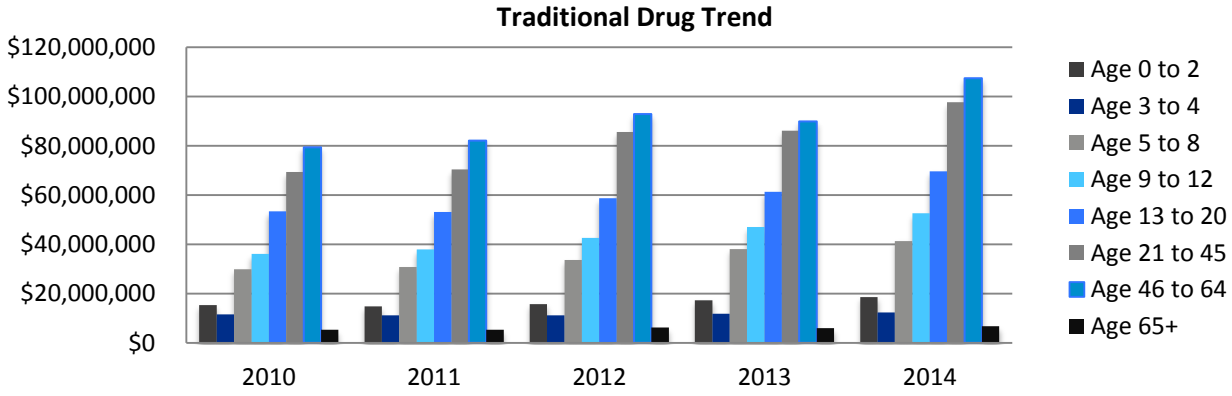
Traditional versus Specialty Pharmacy Products

Traditional pharmaceuticals include products which are typically non-injectable and do not require special transportation, storage, or administration. These products treat many common chronic diseases such as diabetes or hypertension. The traditional pharmaceutical products comprised 88% of the total pharmacy reimbursement costs and were utilized by 99.8% of members. Specialty products, in contrast, are typically injectable and require special handling such as refrigerated transport and special administration techniques. These products include treatments for hemophilia, rheumatoid arthritis, and genetic deficiencies, for example. The specialty pharmaceutical products consisted of only 12% and 0.2% of total pharmacy reimbursement costs and member utilization, respectively.

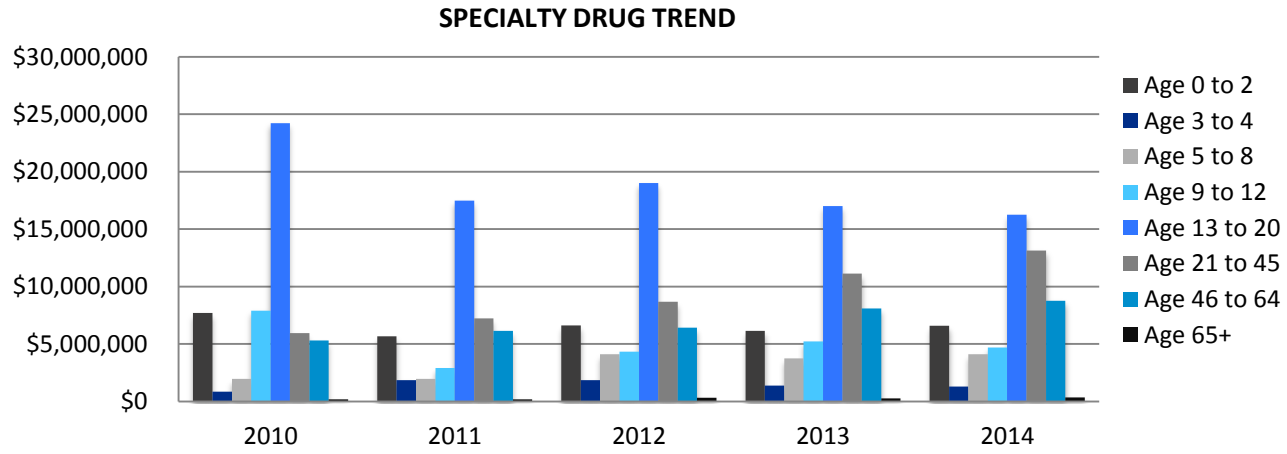
Spending for traditional pharmaceuticals has gradually increased since 2012. Enrollment has continued to increase and is reflected in the increased costs for 2012 through 2014. This is most evident in the 21 to 64 year old age categories.

The top traditional pharmaceuticals for ages 0 to 4 years include antibiotics and anti-asthma products. For ages 5 to 20 years they include treatments for ADHD and other behavioral health-related conditions. Ages 21 to 45 years include behavioral health and chronic pain treatments. Finally, ages 46 years and older include both mental health and other chronic diseases such as hyperlipidemia, diabetes, and hepatitis C.

Traditional	2010	2011	2012	2013	2014
Age 0 to 2	$15,056,935	$14,436,516	$15,411,667	$17,218,539	$18,580,268
Age 3 to 4	$10,905,932	$10,518,876	$11,083,377	$11,791,096	$12,287,713
Age 5 to 8	$29,222,201	$29,776,928	$33,570,159	$37,972,235	$41,231,725
Age 9 to 12	$35,756,423	$37,058,976	$42,614,490	$47,038,663	$52,587,236
Age 13 to 20	$53,083,333	$53,355,408	$58,635,781	$61,295,659	$69,578,269
Age 21 to 45	$70,495,454	$71,520,949	$85,652,772	$86,146,716	$97,696,715
Age 46 to 64	$80,102,558	$82,695,926	$92,820,612	$89,908,733	$107,430,317
Age 65+	$5,291,230	$5,351,375	$6,137,321	$5,891,280	$6,681,625
	$299,914,066	**$304,714,954**	**$345,926,179**	**$357,262,921**	**$406,073,868**



SPECIALTY	2010	2011	2012	2013	2014
Age 0 to 2	$7,936,685	$5,985,893	$6,920,031	$6,164,339	$6,605,415
Age 3 to 4	$1,439,985	$2,460,323	$1,856,738	$1,386,304	$1,303,351
Age 5 to 8	$2,604,286	$2,918,660	$4,130,658	$3,769,625	$4,115,579
Age 9 to 12	$8,212,873	$3,721,996	$4,342,169	$5,233,654	$4,717,588
Age 13 to 20	$24,498,353	$17,284,359	$19,025,050	$17,008,883	$16,267,713
Age 21 to 45	$4,866,541	$6,147,297	$8,685,855	$11,131,710	$13,142,479
Age 46 to 64	$4,574,712	$5,565,597	$6,421,741	$8,112,318	$8,779,363
Age 65+	$168,491	$140,271	$321,724	$272,005	$347,787
	$54,301,926	**$44,224,396**	**$51,703,966**	**$53,078,838**	**$55,279,275**



Specialty pharmaceutical spending remained comparatively stable throughout the previous five year period. The decrease in 2011 for ages 0 to 2 years reflects changes to the palivizumab prior authorization criteria. However, palivizumab remains as the top specialty pharmaceutical for ages 0-2 years for 2014. For ages 3 to 20 years, growth hormone and hemophilia products were the top specialty pharmaceutical expense. Top specialty pharmaceutical costs for ages 21-45 years included anti-rheumatics and hydroxyprogesterone to prevent spontaneous preterm birth in a high risk pregnancy. After age 45 years, anti-rheumatics remained the top category for specialty pharmaceuticals.

Spending per Member Age Groups by Fiscal Year

Overall PMPY	2010	2011	2012	2013	2014
Overall PMPY	$400.22	$360.46	$394.79	$394.48	$446.68

The Per Member Per Year (PMPY) value reflects the total cost for each age group divided by the unduplicated number of members (total enrollees) for each time period. While 2012 and 2013 were similar, 2014 has seen an increase in all age groups for traditional pharmaceuticals. However, the 46 to 64 years age group had a significant increase which is most likely due to the new and very costly hepatitis C medications that were approved in the last year.

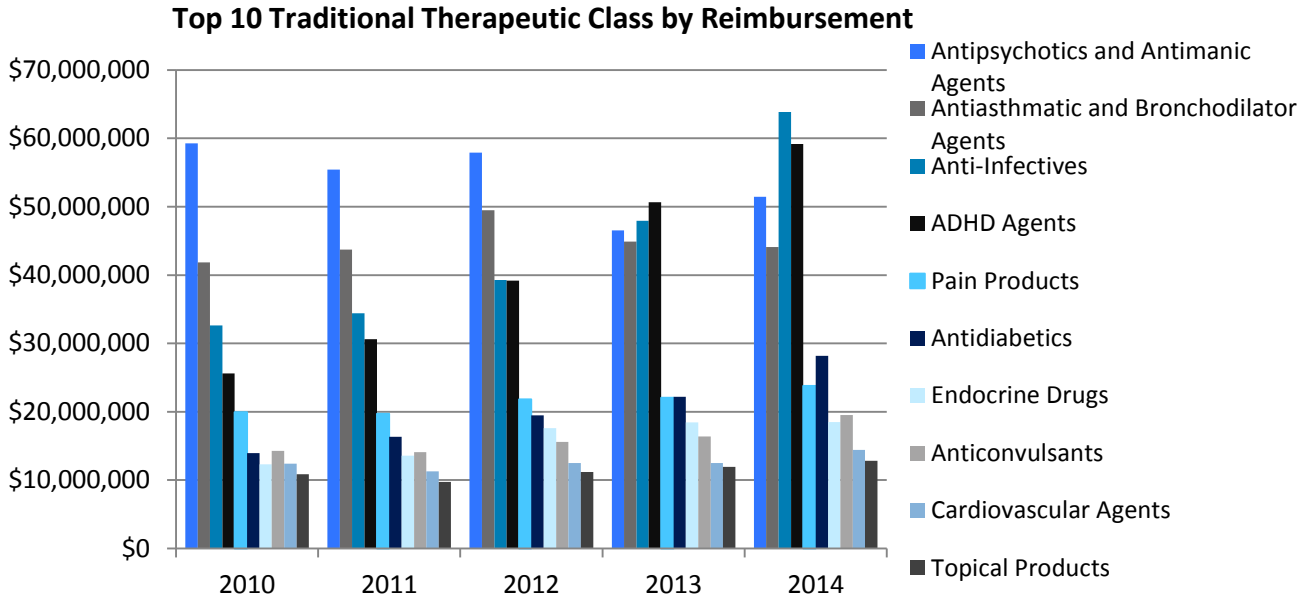
TRADITIONAL PMPY	2010	2011	2012	2013	2014
Age 0 to 2	$134.32	$119.66	$127.50	$142.23	$161.41
Age 3 to 4	$158.36	$141.61	$151.15	$161.19	$176.75
Age 5 to 8	$243.41	$231.78	$254.68	$276.82	$299.12
Age 9 to 12	$347.24	$333.78	$379.97	$404.16	$446.71
Age 13 to 20	$336.01	$314.09	$340.26	$344.53	$389.91
Age 21 to 45	$398.24	$342.88	$363.60	$344.30	$395.07
Age 46 to 64	$991.01	$925.61	$987.97	$928.86	$1081.00
Age 65+	$80.88	$81.00	$91.14	$87.09	$98.55
PMPY ALL AGES	**$338.79**	**$314.69**	**$343.40**	**$343.41**	**$393.06**

The PMPY has stayed relatively the same for the specialty drugs since 2012.
The largest decrease occurred from 2010 to 2011 again in the 9 to 20 year old categories due to a drop in utilization of high-cost hemophilia agents. For ages 21 to 64 years, the PMPY has gradually increased every year as a result of the anti-rheumatic products obtaining new indications, new products, price inflation, and increased utilization.

SPECIALTY PMPY	2010	2011	2012	2013	2014
Age 0 to 2	$70.80	$49.61	$57.25	$50.92	$57.38
Age 3 to 4	$20.91	$33.12	$25.32	$18.95	$18.75
Age 5 to 8	$21.69	$22.72	$31.34	$27.48	$29.86
Age 9 to 12	$79.76	$33.52	$38.72	$44.97	$40.07
Age 13 to 20	$155.07	$101.75	$110.40	$95.60	$91.16
Age 21 to 45	$27.49	$29.47	$36.87	$44.49	$53.15
Age 46 to 64	$56.60	$62.30	$68.35	$83.81	$88.34
Age 65+	$2.58	$2.12	$4.78	$4.02	$5.13
PMPY ALL AGES	**$61.34**	**$45.67**	**$51.33**	**$51.02**	**$53.51**

Top 10 Therapeutic Classes by Reimbursement

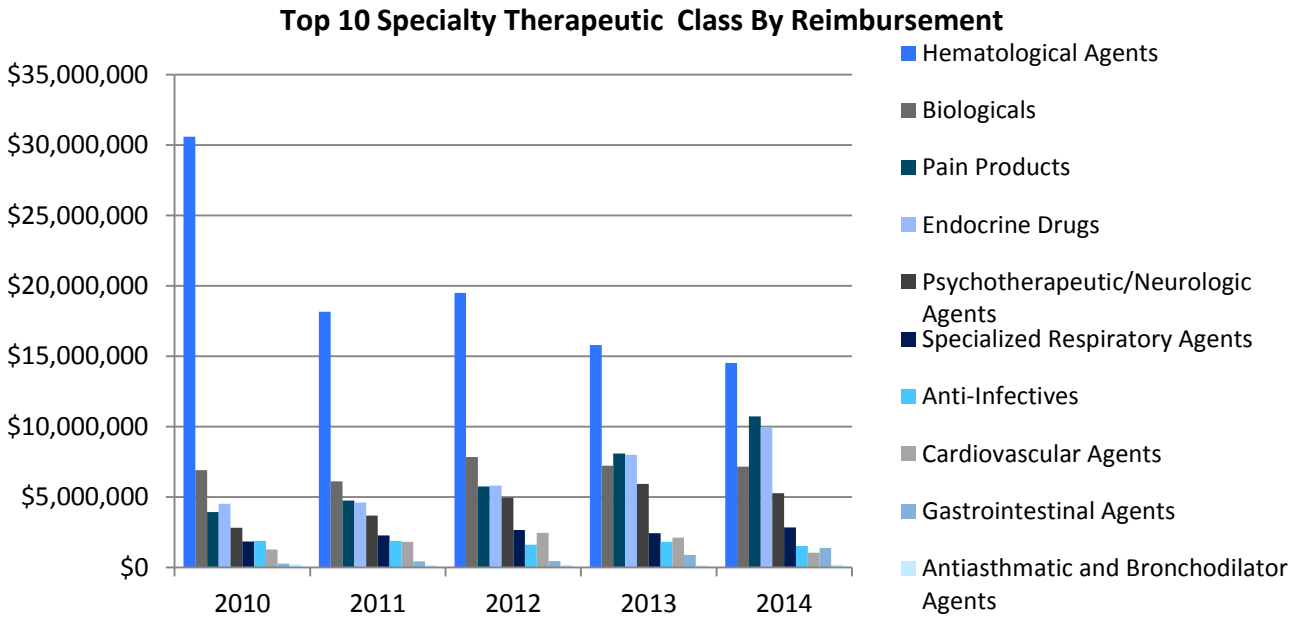
TRADITIONAL	2010	2011	2012	2013	2014
Antipsychotics and Antimanic Agents	$59,270,504	$55,406,483	$57,892,043	$46,541,231	$51,473,184
Antiasthmatic and Bronchodilator Agents	$41,875,966	$43,733,635	$49,470,990	$44,891,925	$44,092,042
Anti-Infectives	$32,614,756	$34,410,879	$39,273,314	$47,917,833	$63,834,132
ADHD Agents	$25,592,789	$30,618749	$39,194,353	$50,667,737	$59,190,755
Pain Products	$19,964,065	$19,720,044	$21,823,996	$22,045,982	$23,785,836
Antidiabetics	$13,951,748	$16,355,696	$19,461,697	$22,207,113	$28,202,879
Endocrine Drugs	$12,314,858	$13,587,130	$17,610,213	$18,456,152	$18,511,515
Anticonvulsants	$14,293,687	$14,081,405	$15,586,326	$16,384,156	$19,529,730
Cardiovascular Agents	$12,387,003	$11,268,901	$12,522,296	$12,489,097	$14,399,628
Topical Products	$10,867,698	$9,739,699	$11,185,310	$11,958,980	$12,816,270



In the traditional category of drugs, antipsychotic medications are typically one of the highest cost categories in the SoonerCare Pharmacy program and continue to be for 2014. However, implementation of a step-therapy Product Based Prior Authorization program and the influx of generically available products have reduced the costs for this category. The cost of the ADHD class has more than doubled since 2010, driven by increased member enrollment, total claims, and the cost per claim, which is a reflection of the manufacturers' price increases, new products on the market, and increased use of multiple agents concurrently. The trend for anti-infective drugs has also been a steady increase due to higher costs for antiviral medications, anthelmintic

medications, and cephalosporin, aminoglycoside, and tetracycline antibiotics. Furthermore, an increase in the cost per claim for the anti-diabetic medications can also be attributed to price inflation, new products and the use of multiple agents concurrently for this disease state.

SPECIALTY	2010	2011	2012	2013	2014
Hematological Agents	$30,608,254	$18,172,498	$19,506,014	$15,802,451	$14,520,249
Biologics	$6,905,563	$6,127,857	$7,853,008	$7,231,596	$7,172,074
Pain Products	$3,932,963	$4,762,275	$5,743,446	$8,085,422	$10,740,668
Endocrine Agents	$4,530,978	$4,616,747	$5,825,198	$8,006,778	$9,909,152
Psychotherapeutic/ Neurologic Agents	$2,815,508	$3,695,513	$4,964,755	$5,924,046	$5,285,387
Specialized Respiratory Agents	$1,838,891	$2,282,523	$2,670,374	$2,438,662	$2,849,272
Anti-Infectives	$1,892,236	$1,880,002	$1,621,252	$1,829,626	$1,516,055
Cardiovascular Agents	$1,268,114	$1,827,973	$2,454,321	$2,112,958	$1,040,958
Gastrointestinal Agents	$265,321	$438,726	$462,307	$886,903	$1,390,862
Antiasthmatic and Bronchodilator Agents	$226,237	$163,195	$188,815	$147,437	$203,305



On the specialty side, hematological agents remain the highest cost category in 2014. However, costs for this class have dropped significantly since 2010 due to lower cost per claim for miscellaneous hematologicals, which includes a wide range of drugs such as anti-hemophilic

factor, streptokinase, albumin, and dextran. The other hematological classes, anticoagulants and hematopoietic agents, showed relatively stable costs. Pain products which included anti-rheumatic agents had increased total members and costs per claim. Cardiovascular agents decreased slightly due to a decrease in the number of claims. There has also been a steady increase in the cost and utilization of certolizumab, which is included in the gastrointestinal agents as the criteria for use has been broadened since 2010.

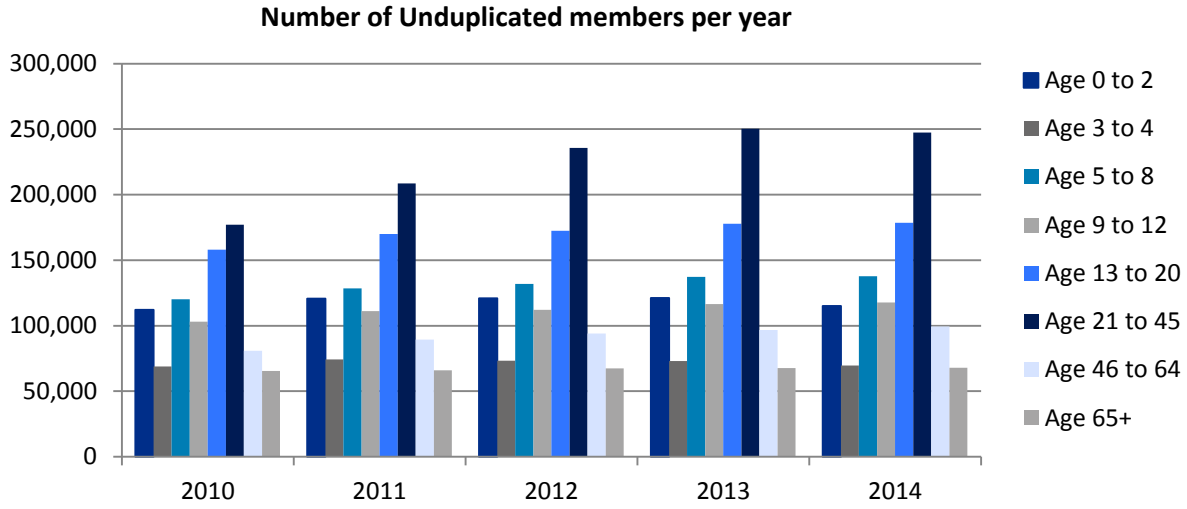
Top 10 Drugs by Reimbursement				
2010	**2011**	**2012**	**2013**	**2014**
1.Aripiprazole	1.Aripiprazole	1.Aripiprazole	1.Aripiprazole	1. Aripiprazole
2.Quetiapine	2.Quetiapine	2.Quetiapine	2.Methylphenidate	2. Sofosbuvir
3.Coagulation Factor VIIA	3.Methylphenidate	3.Montelukast	3.Albuterol	3. Albuterol
4.Montelukast	4.Montelukast	4.Methylphenidate	4.Amphetamine/ Dextroamphetamine	4. Methylphenidate
5.Albuterol	5.Albuterol	5.Albuterol	5.Dexmethylphenidate	5. Lisdexamfetamine
6.Olanzapine	6.Olanzapine	6.Amphetamine/ Dextroamphetamine	6.Guanfacine	6. Guanfacine
7.Methylphenidate	7.Lisdexamfetamine	7.Olanzapine	7.Lisdexamfetamine	7. Amphetamine/ Dextroamphetamine
8.Oxycodone	8.Budesonide	8.Budesonide	8.Budesonide	8. Insulin Glargine
9.Budesonide	9.Oxycodone	9.Lisdexamfetamine	9.Paliperidone ER Inj	9. Dexmethylphenidate
10.Fluticasone-Salmeterol	10.Fluticasone-Salmeterol	10.Palivizumab	10.Fluticasone	10. Paliperidone ER Inj

Total Enrollment

Enrollment saw a slight decrease from last year likely due to the Federal Poverty Level (FPL) eligibility limit decrease for the SoonerPlan (Family Planning) and for full scope pregnancy benefits, effective January 1, 2014. Nevertheless, enrollment has increased by approximately 150,000 members over the past five years. Typically Medicaid enrollment is counter-cyclical with the economy. When the economy is good, Medicaid enrollment goes down but as the economy worsens, Medicaid enrollment goes up. A new online enrollment process has streamlined the ability to apply for SoonerCare services by providing access to the eligibility portal 24 hours a day. If an individual is found to be eligible they are given an identification number and can print a card for immediate access to medical and pharmacy services.

Members*	2010	2011	2012	2013	2014
Age 0 to 2	112,097	120,649	120,877	121,060	115,113
Age 3 to 4	68,866	74,279	73,329	73,151	69,520
Age 5 to 8	120,055	128,473	131,811	137,173	137,845
Age 9 to 12	102,974	111,029	112,152	116,386	117,720
Age 13 to 20	157,982	169,871	172,327	177,910	178,445
Age 21 to 45	177,016	208,586	235,570	250,210	247,288
Age 46 to 64	80,829	89,342	93,951	96,795	99,384
Age 65+	65,419	66,067	67,339	67,647	67,799
	885,238	**968,296**	**1,007,356**	**1,040,332**	**1,033,114**

*Excludes Insure Oklahoma membership



Conclusion

Over the past five years, reimbursement to pharmacies by SoonerCare increased annually after SFY2011. This is expected as price inflation and new products came to market after the corrections made in SFY2010 in response to the economic recession. Even though costs have risen, they have not risen in direct proportion to the increase in membership, indicating cost-effective management measures were successful. The goal of the SoonerCare program is to provide members with the most appropriate healthcare in a fiscally responsible manner. For the pharmacy benefit this is accomplished by the use of a robust prior authorization program, limiting the number of total prescriptions and the number of brand name prescriptions allowed each month for non-institutionalized adults, continuous product pricing maintenance, and prescriber outreach and education. Constant market review and response to changes such as the introduction of new Hepatitis C treatments, growth of the specialty market, and introduction of biosimilars is necessary. SoonerCare will continue to strive to bring value-based pharmacy services to the citizens it serves.