

# Innovative Contracting: One Company's Attempt



## **IHE Innovative Approaches to Industry-Payer Agreements: Payer Perspectives**

April 3rd, 2011

The Fairmont Hotel Vancouver  
Vancouver, British Columbia

*Ambrose Carrejo, Pharm D.*

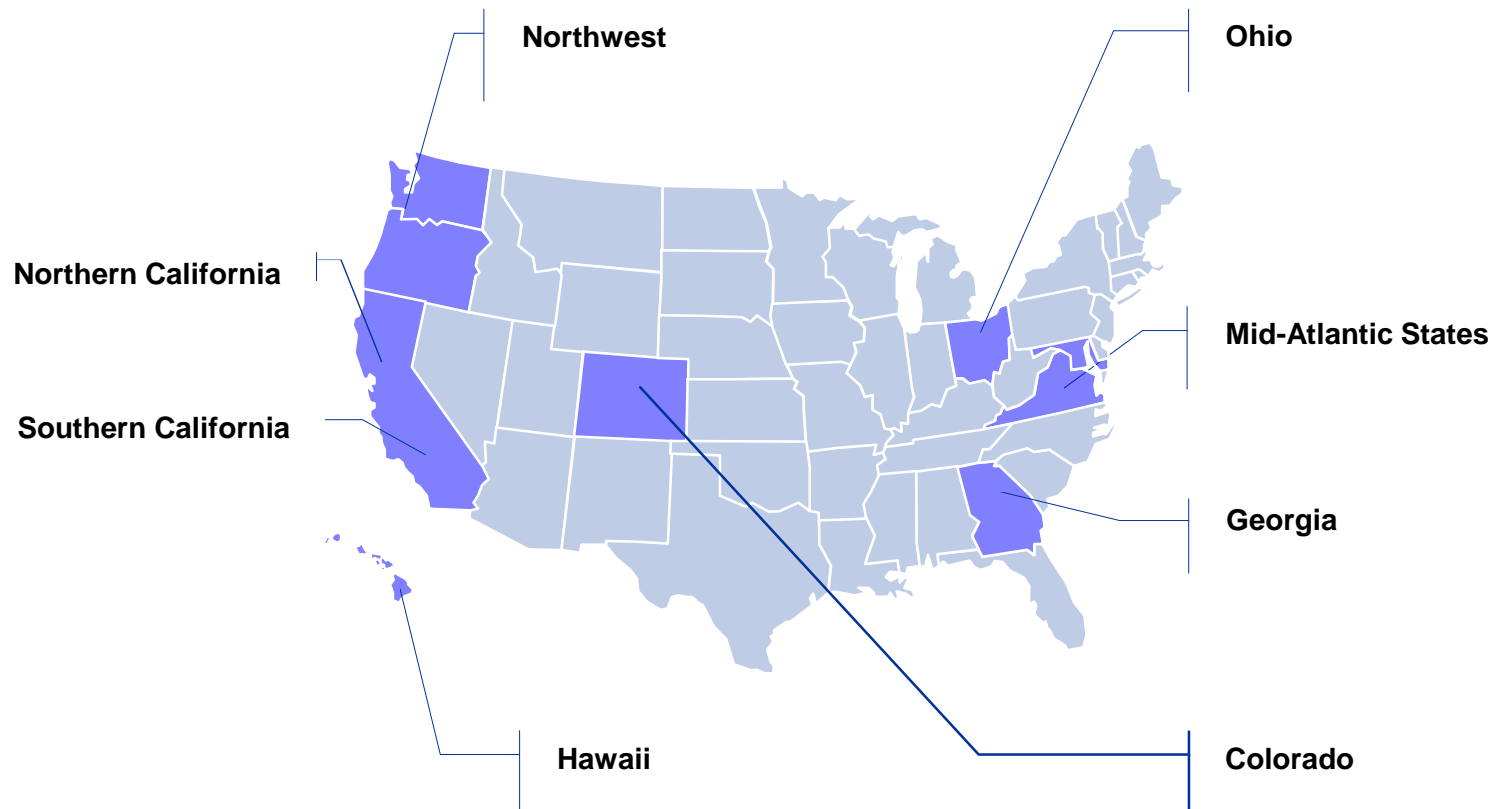
*National Pharmaceutical Contracting Leader, Kaiser Permanente*

# Kaiser Permanente's Mission



- Kaiser Permanente exists to provide affordable, high-quality health care services to improve the health of our members and the communities we serve.
- Kaiser Foundation Health Plan, Inc
- Kaiser Foundation Hospitals
- The Permanente Medical Groups

# Kaiser Permanente Regions



# Facts and Figures



- Integrated delivery system plus financing
- 8 Regions
- 8.7 million Members
- 33 Medical Centers, 400+ Medical Offices
- 400+ Pharmacies
- 13,000 Physicians
- 159,700 Employees
- 2010 Revenues: \$45 billion

# 2009 HEDIS Quality Compass

## PMPM Commercial



### 2009 Commercial Outpatient PMPM Cost of Prescriptions

Name	ShortName	ReportingProduct	Rate
Kaiser Foundation Health Plan Inc. - Southern California	Kaiser - CA (Southern CA)	HMO	\$30.62
Kaiser Foundation Health Plan, Inc. - Northern California	Kaiser - CA (Northern CA)	HMO	\$31.78
Kaiser Foundation Health Plan of Hawaii, Inc.	Kaiser - HI	HMO	\$33.79
Kaiser Foundation Health Plan of Georgia, Inc.	Kaiser Georgia	HMO	\$34.32
Aetna Health of California, Inc.	Aetna California	HMO/POS Combined	\$34.44
Kaiser Foundation Health Plan of Ohio	Kaiser - OH	HMO	\$35.58
Kaiser Foundation Health Plan of Colorado	Kaiser - CO	HMO	\$37.49
Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc.	Kaiser-Mid-Atlantic	HMO	\$40.19
CIGNA HealthCare of California, Inc.	CIGNA - CA	HMO/POS Combined	\$40.59
Blue Cross of California dba Anthem Blue Cross	Anthem Blue Cross	PPO	\$41.82
Kaiser Foundation Health Plan of Georgia, Inc.	Kaiser Georgia	POS	\$42.32
Health Net of California, Inc.	Health Net of California. Inc.	PPO	\$44.06
Blue Cross of California dba Anthem Blue Cross	Anthem Blue Cross	HMO/POS Combined	\$44.09
Blue Shield of California	Blue Shield of California	HMO/POS Combined	\$44.58
Group Health Cooperative	Group Health Cooperative	HMO	\$44.87
PacifiCare of California	PacifiCare of California	HMO/POS Combined	\$46.43
Health Net of California, Inc.	Health Net of California. Inc.	HMO/POS Combined	\$47.69
Aetna Life Insurance Company (California)	ALIC California	PPO	\$49.98
Kaiser Foundation Health Plan of the Northwest, Inc.	Kaiser Northwest	HMO	\$53.22
UnitedHealthcare Insurance Company, Inc. (California)	UnitedHealthcare	PPO	\$54.11

# 2010 Quality Report Card

by Office of Patient Advocate (OPA)

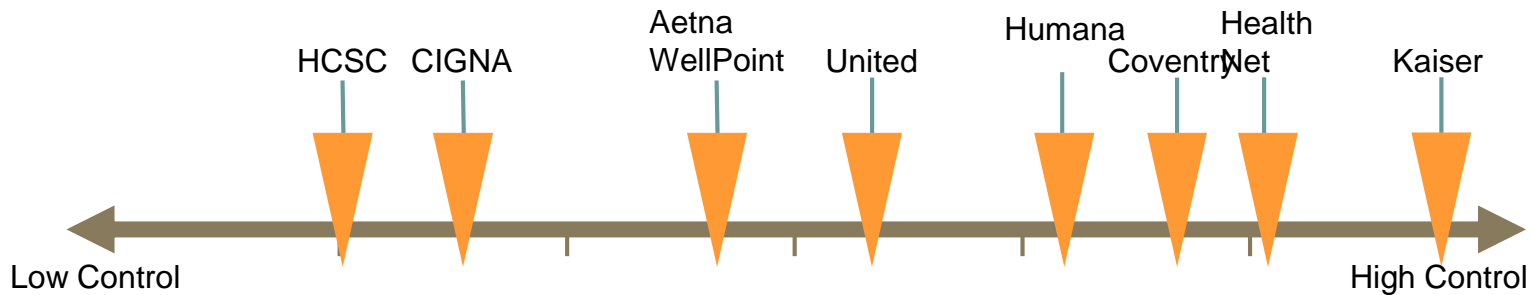


## HMO Ratings At-a-Glance

- ★★★★★ Excellent
- ★★★★ Good
- ★★★ Fair
- ★ Poor

	Meeting National Standards of Care	Members Rate Their HMO
<a href="#">Aetna Health of California, Inc.</a>	★★★★	★★★★
<a href="#">Anthem Blue Cross - HMO</a>	★★★★	★★★★
<a href="#">Blue Shield of California - HMO</a>	★★★★	★★
<a href="#">CIGNA HMO</a>	★★★★	★★
<a href="#">Health Net of California, Inc.</a>	★★★★	★★★★
<a href="#">Kaiser Permanente - Northern California</a>	★★★★★	★★★★
<a href="#">Kaiser Permanente - Southern California</a>	★★★★★	★★★★★
<a href="#">PacifiCare of California</a>	★★★★	★★★★★
<a href="#">Western Health Advantage</a>	★★★★	★★★★★

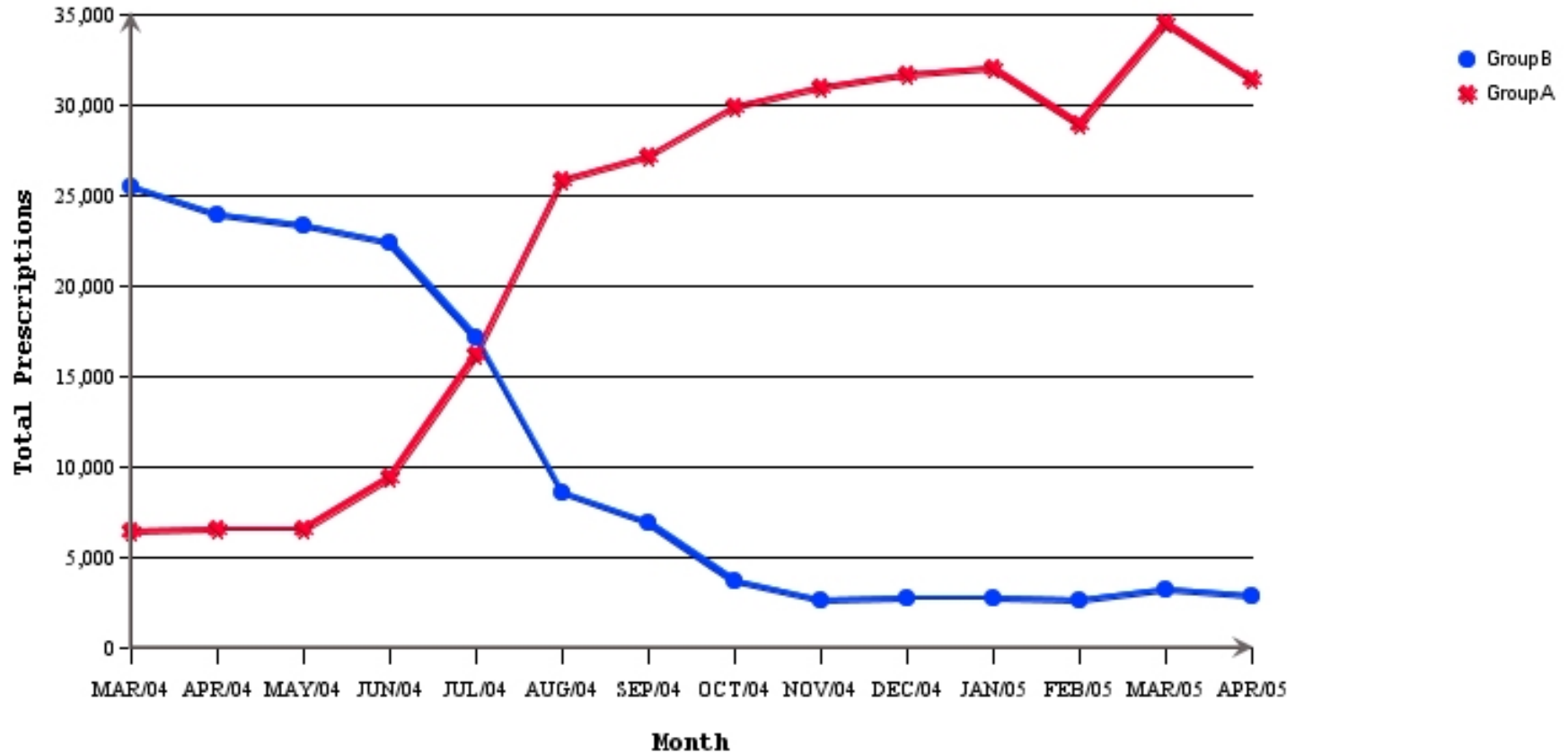
# Pharmacy Management



- Almost all of Kaiser's enrollment is fully insured
- The copay spread between preferred and nonpreferred tiers for the key plans is \$10–\$25 (compared to an industry average of approximately \$20) The generic copay for all leading plans is \$10; Some leading plans also offer zero dollar copay programs, or generics for no copay.
- The generic utilization rate ranges from 60–80%+ for these key plans, with Kaiser at the highest rate because it is highly integrated and United at the lowest rate because of significant regional variation.

# PPIs

## TOTAL PRESCRIPTIONS TREND FOR CALIF. NORTH



Report generated On : Aug 7, 2008 3:53:48 PM  
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# Innovative Pharmaceutical Contracts



- Januvia – Cigna
- Actonel- Manufacture agreed to reimburse health insurance companies for patients who suffer a non-spinal bone fracture while taking their drug.
- Aciphex- Daycon of 1
- Others

# Barriers?



- Risk is undefined, then ASP or Best Price can become issues.
- If risk is well defined, the payout can be calculated and one is better off negotiating a deep discount.

# Best Price



The Medicaid rebate program, established by the Omnibus Budget Reconciliation Act of 1990, has reduced government spending on outpatient prescription drugs. Under the rebate formula, pharmaceutical manufacturers rebate the states at least 15.1% of the wholesale price of brand-name drugs that Medicaid beneficiaries purchase as outpatients. The rebate is often higher than the minimum because of a "best-price" provision that gives Medicaid access to the lowest price paid by any other purchaser in the United States.

*Congressional Budget Office, January 1996*

**HOW THE MEDICAID REBATE ON PRESCRIPTION DRUGS AFFECTS PRICING  
IN THE PHARMACEUTICAL INDUSTRY**

# Average Selling Price (ASP)



- Affects infused medications covered by Medicare Part B
- Reimbursement trails two quarters and is ASP+6%
- Discounting results in a lower ASP, and subsequently lower reimbursements to purchasers.

# Health Care Reform



- Medicaid Best Price increased to 23.1%
- The Government now can invoice manufacturers for Managed Medicaid utilization.

# What Will it Take?



- A medication with significant Medicare Part D use.
- Molecular entity with good evidence in a relatively small number of patients.
- Willingness to share the risk.
- Both sides have a high likelihood to benefit.
- Outcome must be easily measurable