Pay for Performance & the Changing Landscape for Pharmacy: A Panel Discussion

Panelists:

Mark Conklin, Pharmacy Quality Solutions
Alex Cruz, Healthfirst
Crystal Lennartz, Health Mart
Jesse McCullough, Rite Aid Corporation
Pharmacy Quality Alliance

- Develops measures of safe and appropriate medication use;
- Advocates for implementation of measures in federal, state and commercial programs, where appropriate
- Consensus-based, non-profit alliance with >180 member organizations, including:
  - Health Plans & PBMs
  - Pharmacies & professional associations
  - Federal agencies (CMS, FDA)
  - Pharmaceutical manufacturers
  - Consumer advocates
  - Technology & consulting groups
  - Universities
Healthfirst

- Founded in 1993 by a number of voluntary and public hospitals in the New York metropolitan area
- A not-for-profit health benefits company that offers low- or no-cost health insurance programs in our New York service areas
- A growing health plan in New York with over 1.2 million members
- Product offerings in Medicaid, Medicare, long term care, and commercial products offered on the New York State Dept. of Health (Exchange)
- 4-Star Medicare Advantage plan with 127,000 members
Health Mart is an independent pharmacy franchise with over 4,500 pharmacies in all 50 states.

Health Mart pharmacists provide personalized care and takes the time to:
- Help patients understand their prescription-drug coverage
- How to safely manage medications
- How to take advantage of lower-cost medication options

Health Mart pharmacists partner with their patients, and their patients’ other healthcare providers, to help them manage and improve patients’ health.
Our mission is to improve the health and wellness of our communities through engaging experiences that provide our customers with the best products, services and advice to meet their unique needs.

- One of the nation's leading drugstore chains
- Over 4,500 stores in 31 states and District of Columbia
- Strong presence on both the East and West Coasts
  - Largest chain on the East Coast

- Expanded offerings
  - Rite Aid Health Alliance
  - Health Dialog
  - Redi-Clinic
Pharmacy Quality Solutions (PQS) is the leading provider of performance management services for payer and pharmacy organizations.

Through its support of outcomes-focused performance programs, PQS fosters an environment where prescription drug plans and community pharmacies engage in strategic relationships to address improvements in the quality of medication use.

EQuIPP is the core application managed by PQS

60,000+ pharmacies are connected to EQuIPP, which hosts performance information for prescription drug plans representing 20M+ covered lives.
The Drivers in Healthcare

- Medicare is the world’s largest VBID/VBP laboratory
  - Strong political tailwind
  - Medicaid, state exchanges, commercial purchasers following on heels of Medicare

- Star Ratings drive the market, and bar is rising

- Precipice for payors, providers and vendors
Federal Value-based Payment Goals

Medicare Fee-for-Service

GOAL 1: 30%
Medicare payments are tied to quality or value through alternative payment models (categories 3-4) by the end of 2016, and 50% by the end of 2018.

GOAL 2: 85%
Medicare fee-for-service payments are tied to quality or value (categories 2-4) by the end of 2016, and 90% by the end of 2018.

NEXT STEPS:
Testing of new models and expansion of existing models will be critical to reaching incentive goals.
Creation of a Health Care Payment Learning and Action Network to align incentives for payers.

STAKEHOLDERS:
Consumers | Businesses | Payers | Providers | State Partners

Set internal goals for HHS
Invite private sector payers to match or exceed HHS goals

Sylvia Burwell Jan 26, 2015 HHS Announcement--NEJM Article/Meeting/Press Release

Star Ratings Drive the Market

- Medicaid, exchanges already following MA approach
- MA plans beat commercial in HEDIS/PQA metrics
- <4 Star: Competitive disadvantage
- <3 Star: Stand to lose sponsorship

<table>
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<tr>
<th>Star Rating</th>
<th>Complaints/1,000</th>
<th>% Disenroll Annually</th>
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<td>0.91</td>
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Why Health Plans Invest in Star Ratings Improvement

**MA-PD Plans**
- Additional Revenue
  - CMS publishes benchmark rates (i.e. average monthly costs to care for a Medicare member)
  - MA-PDs submit bids to CMS that they can manage their members for a lower cost than the benchmark
  - CMS pays a portion of the difference between the benchmark and the bid as a rebate back to the plans
  - Plans that score a 4-Star rating or above can receive additional bonus payment
  - Calculation Example
    - Benchmark is $750
    - Bid is $700
    - Plan has 10,000 members and scores a 4-Star rating (provides plans with 5% bonus and 65% rebate of the difference)
    - Plan receives over $6.5M in rebate/bonus payment
- Marketing opportunities
- Extended open enrollment periods
- Penalty for consistent poor performance

**PDP Plans**
- Marketing opportunities
- Extended open enrollment periods
- Penalty for consistent poor performance
Health Plans’ Response

- Formularies, clinical strategies, network contracts, marketing/promotions, all aligning with Star Ratings measures

- Plans are making significant investments in “Drive to 5”

- Recognizing the importance of engagement strategies with pharmacy networks
  - Pay for Performance (P4P) – pharmacies may be eligible for bonus payment based on star performance
  - Preferred pharmacy networks based partly on star performance
Pharmacy Value-Based Networks

- Quality and Value have become key criteria for selection of preferred pharmacies
  - Minimum quality expectations spelled out in preferred contracts
  - May lead to adjustment of DIR rates
  - Quality scores could be used to identify pharmacies that can fill geographic gaps in existing networks

- Some PBMs are creating Quality-Based Networks or Value-Based Networks
  - May be a subset of preferred pharmacy network
  - May include requirements / incentives related to quality
Pharmacy Pay-for-Performance Programs

- **Inland Empire Health Plan (IEHP)**
  - Launched in October 2013 based on Star measures plus asthma and GDR
  - *Achieved significant improvement in performance and has extended program*
  - Pharmacies receive bonus depending on their performance:
    - 3-star attainment = small bonus
    - 5-star attainment = large bonus

- **Healthfirst of NY**
  - Program launched October 2014 based on PDC-adherence measures
  - Combination of payment for program commitment and for reaching performance goals as measured by EQuIPP

- **Caremark-SilverScript**
  - Ongoing program based on PDC-adherence and other quality measures
  - Started with combination of payment for gap closures delivered through Mirixa and bonus on reaching performance goals as measured by EQuIPP
  - Quality scores may affects DIR adjustment for reimbursement

- **Humana**
  - Pilot program launched in late 2015 in Texas and Florida with limited group of chain and independent pharmacies
  - Could expand if pilot is successful
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<tr>
<th>Measure</th>
<th>Trend</th>
<th># of Patients</th>
<th>Performance Score</th>
<th>Versus Goal</th>
<th>Gap</th>
<th>Versus Others</th>
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Jumping into Value-based Models with Pharmacy Partners