A Targeted Review of Value-Based Pricing Arrangements in Medicaid Programs

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BACKGROUND

Recent guidance from the Centers for Medicare and Medicaid Services (CMS) changed the "best price" reporting rules to ease the development of value-based pricing arrangements (VPAs) between health technology developers and payers both within and outside Medicaid programs.

There is limited available documentation on the current use of these arrangements.

METHODS

A targeted literature review was conducted to identify and characterize previously implemented Medicaid VPAs.

VPAs are defined as those in which the price, level, or nature of reimbursement were tied to future measures ultimately related to patient quality or quantity of life.

Databases (Google, JMCP, Embase, Pubmed, and grey literature) were searched using a combination of search terms "Medicaid" plus "value-, outcomes-, performance-based contracts, agreements, or arrangements."

Publications that discussed Medicaid, FDA-approved pharmaceutical or FDA-approved prescription digital therapeutics (PDTs), and search terms were included.

Cases were characterized in terms of the state involved, therapeutic area, product type, and agreement details.

Interviews with a state Medicaid chief pharmacy officer, public information officer, and health policy associate were conducted to create a list of challenges Medicaid programs face in developing VPAs.

RESULTS

Fourteen Medicaid VPAs for 6 therapies across 4 states were publicly identified (**Table 1**).

Oklahoma (OK) was the first Medicaid program to develop a pharmacy VPA in 2018, followed by Michigan (MI), Massachusetts (MA), and Colorado (CO) in subsequent years (**Table 1**).

All 4 states entered into an arrangement with Novartis for Zolgensma for spinal muscular atrophy (**Table 1**).

Other drug and digital therapies publicly identified were Aristada, Orbativ, Entresto, reSET and reSET-O (**Table 1**).

Table 1. Publicized Medicaid VPAs

Year	State	Therapeutic Area	Product Name(s)	Product Type	Manufacturer	Outcomes Measure	Reference
2018	OK	Neuroscience	Aristada	Drug	Alkermes	Patient adherence	1
2018	OK	Infectious Disease	Orbativ	Drug	Melinta	Net costs to state	1
2018	OK	Neuroscience	Fycompa	Drug	Eisai	Reduce hospitalizations	1
2018	OK	Neuroscience	Invega Trinza, Invega Sustenna	Drug	Janssen/J&J	Overall population adherence	1
2020	OK	Cell and Gene	Zolgensma	Drug	Novartis	Event of death or permanent ventilation	4,7
2020	MI	Cell and Gene	Zolgensma	Drug	Novartis	NA	6
2020	MA	Cell and Gene	Zolgensma	Drug	Novartis	NA	4
2021	MA	Addiction	reSET, reSET-O	PDT	Pear	Increase substance abstinence and outpatient treatment retention	2
2022	OK	Addiction	reSET, reSET-O	PDT	Pear	NA	3
2022	CO	Cardiovascular	Entresto	Drug	Novartis	Reduce hospitalizations by 20%	5
2022	CO	Cell and Gene	Zolgensma	Drug	Novartis	NA	5

Abbreviations: CMS, Centers for Medicare and Medicaid Services; VPA, value-based pricing arrangement; PDT, prescription digital therapeutic; OK, Oklahoma; CO, Colorado; MA, Massachusetts; MI, Michigan; NA, Not available

Table 2. Barriers for Medicaid Programs to Implement VPAs

Barriers[10-12]	
Appropriate endpoints that are easily measurable	Differing perspectives on the value of a product
Willingness to assume risk with potentially low return on investment	Variable payment models (fee-for-service vs managed care) among states
Limited budgets, resources, and expertise to collect data and analyze outcomes	Agreement upon contract design and contractual perceptions
Binding, long-term contracts	

RESULTS CONTINUED

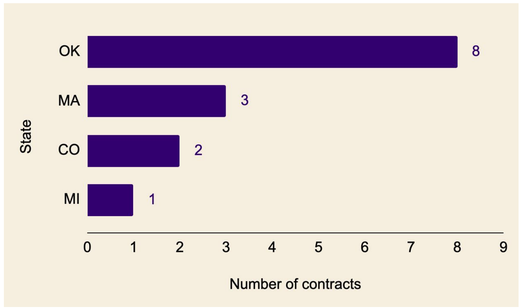
Of the publicly known pharmacy Medicaid VPAs, OK has implemented 8, MA with 3, CO with 2, and MI with 1 (**Figure 1**).

Many challenges exist in developing Medicaid pharmaceutical VPAs (**Table 2**).

State offices may be interested in creating contracts associated with drug classes versus individual products and developing alternative payment models for high-cost drugs.

According to 2022 meeting minutes, MA and MI have reviewed multiple potential agreements. It is likely that many remain unpublished due to the sensitive nature of pricing contracts.

Figure 1. VPAs for Each Participating State Medicaid Program



CONCLUSIONS

This is the first study to review Medicaid VPAs in the United States.

Four states in the United States (8%) have implemented a Medicaid VPA to date.

Many challenges exist in creating these contracts.

Medicaid programs and manufacturers have demonstrated a willingness to engaged in these VPAs.

REFERENCES

For full reference list and pdf of poster, please scan the QR codes to the right.

Poster

References