

Risk Adjustment: Adequate for Specialty Medications in Global Bundled Payment 7th Bundled Payment Summit

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“Corporate thinks it’s time we updated our motivational strategies.”

Panel Members

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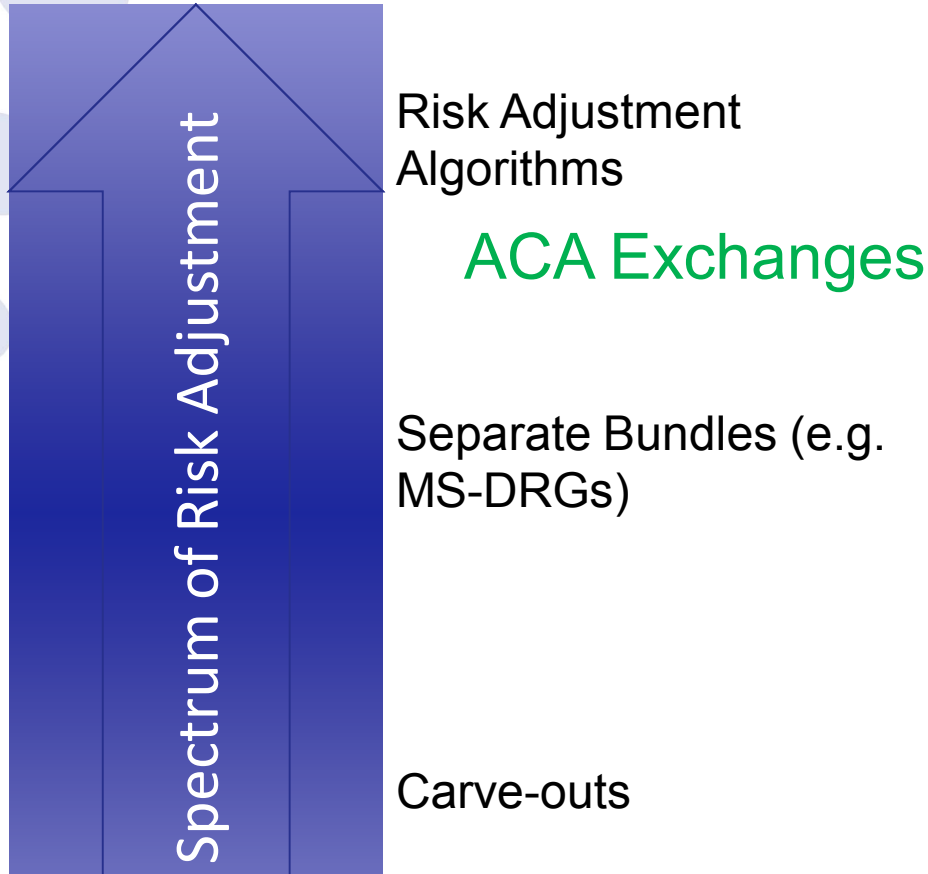
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Accurate risk adjustment requires the incorporation of specialty drug utilization when relevant

- Risk adjustment is essential to appropriately align incentives in value based payment models
- Payers and physicians are incentivized to create barriers to specialty drug access when risk adjustment does not adequately incorporate specialty drug utilization
- The incorporation of specialty drugs into the HHA risk adjustment algorithm significantly improves its predictive ability and eliminates incentives to restrict access

Risk adjustment has many forms that range from the simple to the very complex



- Risk adjustment varies on a number of dimensions including
 - Complexity (e.g. number of services included)
 - Prospective vs. retrospective
 - Settings of care
 - Time duration
 - Number of physicians
 - Bundled Payment vs. Cost Benchmark (e.g. ACOs)

What Risk Adjustment Matters?

- Risk adjustment is essential to prevent distorted incentives for payers and physicians
- Risk adjustment is a critical component for value based payment across all insurance segments
 - Medicare prospective payments (MA plans, Part D plans)
 - Medicare ACO programs
 - ACA exchange

What is the accuracy of risk adjustment in diseases with specialty drug treatment options?

We selected Rheumatoid Arthritis and Multiple Sclerosis for analysis because they had the top specialty spend

COMPONENTS OF TREND FOR THE TOP 10 SPECIALTY THERAPY CLASSES

RANKED BY 2015 PMPY SPEND

RANK	THERAPY CLASS	PMPY SPEND	TREND		
			UTILIZATION	UNIT COST	TOTAL
1	Inflammatory conditions	\$89.10	10.3%	14.7%	25.0%
2	Multiple sclerosis	\$53.31	3.5%	6.2%	9.7%
3	Oncology	\$49.62	9.3%	14.4%	23.7%
4	Hepatitis C	\$38.44	-2.2%	9.2%	7.0%
5	HIV	\$31.53	4.6%	12.0%	16.6%
6	Growth deficiency	\$7.12	2.8%	2.8%	5.6%
7	Cystic fibrosis	\$6.64	12.5%	40.9%	53.4%
8	Pulmonary hypertension	\$5.85	13.4%	4.8%	18.1%
9	Hemophilia	\$5.79	4.9%	15.4%	20.4%
10	Sleep disorders	\$4.57	5.5%	18.5%	24.1%
	TOTAL SPECIALTY	\$341.21	6.8%	11.0%	17.8%

Source: 2015 Express Scripts Drug Trend Report

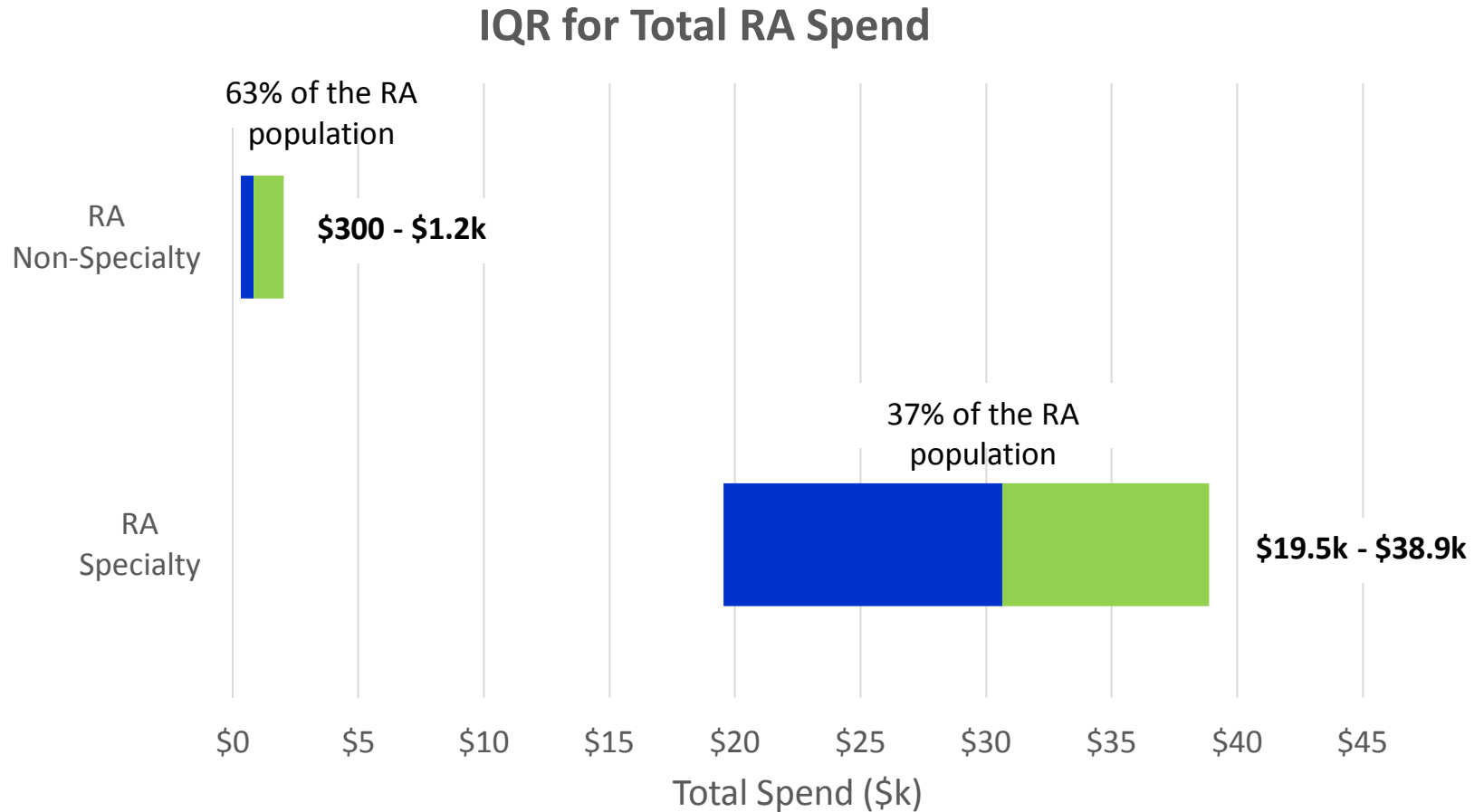
Why focus on HHS-HCC risk adjustment?

- Only public risk adjustment methodology that predicts medical + Rx
 - Medicare uses separate risk adjustment algorithms for medical vs Rx costs
- Used for risk-adjustment in ACA exchanges
- Focuses on a non-elderly population
- Calibrated using MarketScan commercial claims data
- Risk adjustment dialogue is currently focused on this algorithm

Methodology

- We compared disease-related costs predicted by the risk adjustment model to the actual costs as reported by Truven MarketScan
 - We mirrored HHS's approach to identify patient cohorts and calculate costs
- Study compared 2015 and 2018 risk adjustment algorithms
 - 2015 – specialty drugs not included in risk adjustment
 - 2018 – specialty drugs included in select diseases

Specialty drug utilization has a significant impact on the distribution of treatment costs



Current Risk Adjustment Approach for Rheumatoid Arthritis

Elements of Current Risk Adjustment:

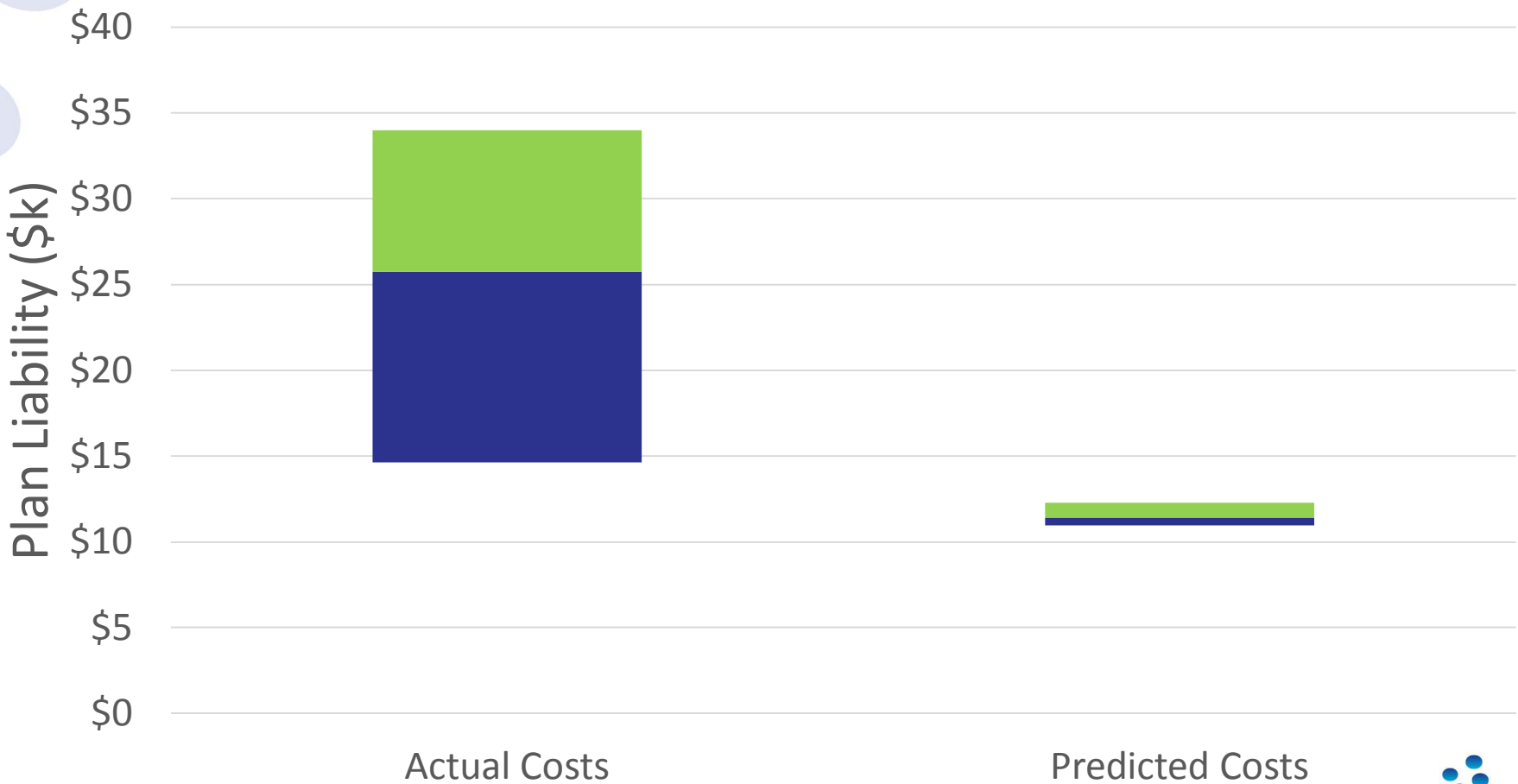
- Baseline risk factor
- Additional points for severe diagnosis
- Adjustment for limited set of interactions

So What?

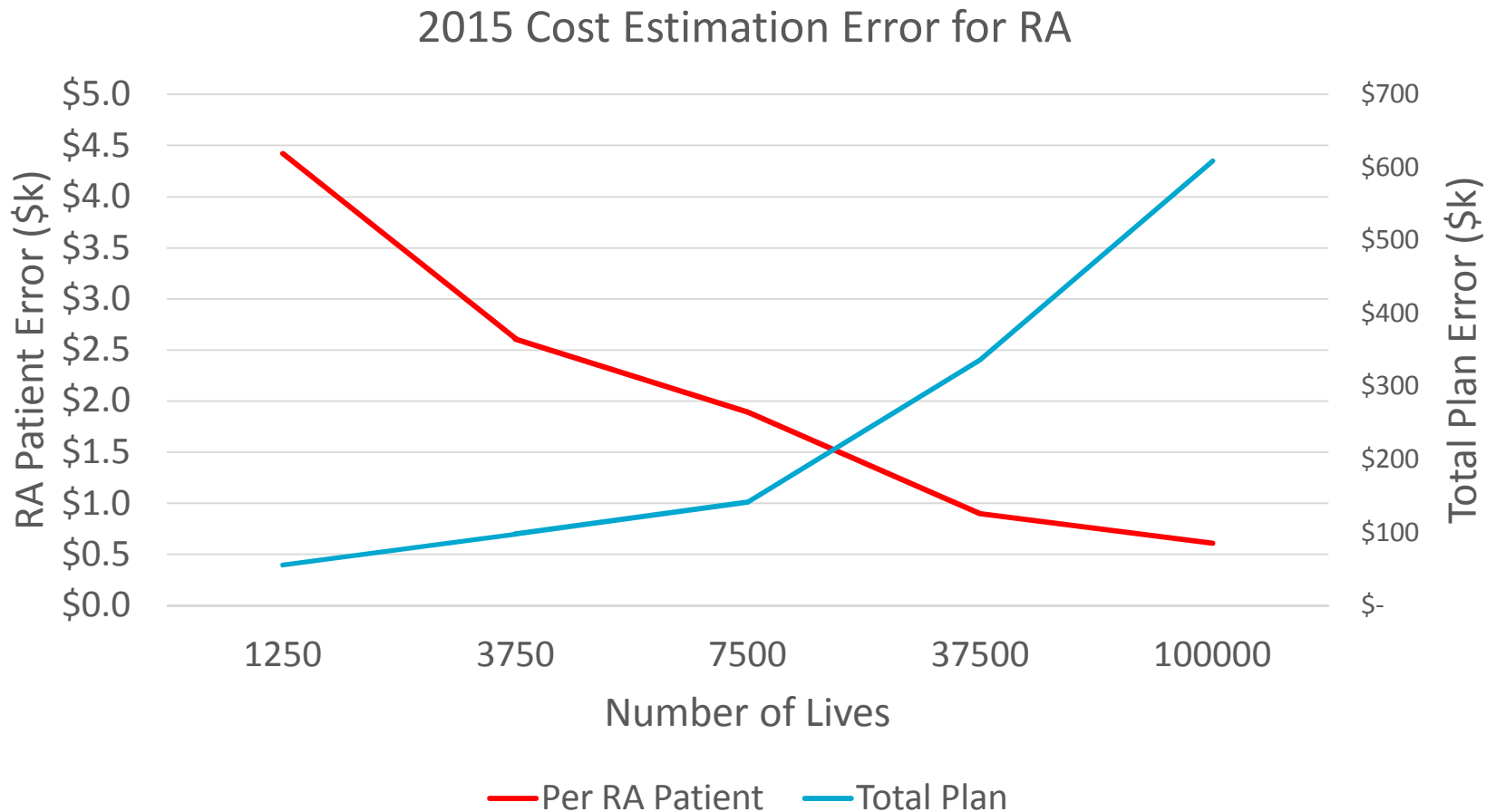
- The risk adjustment algorithm does not distinguish between low cost patients on generics vs. high cost patients on a specialty medication

Can costs be accurately predicted when specialty drug use is not considered?

IQR for Rheumatoid Arthritis specialty drug users

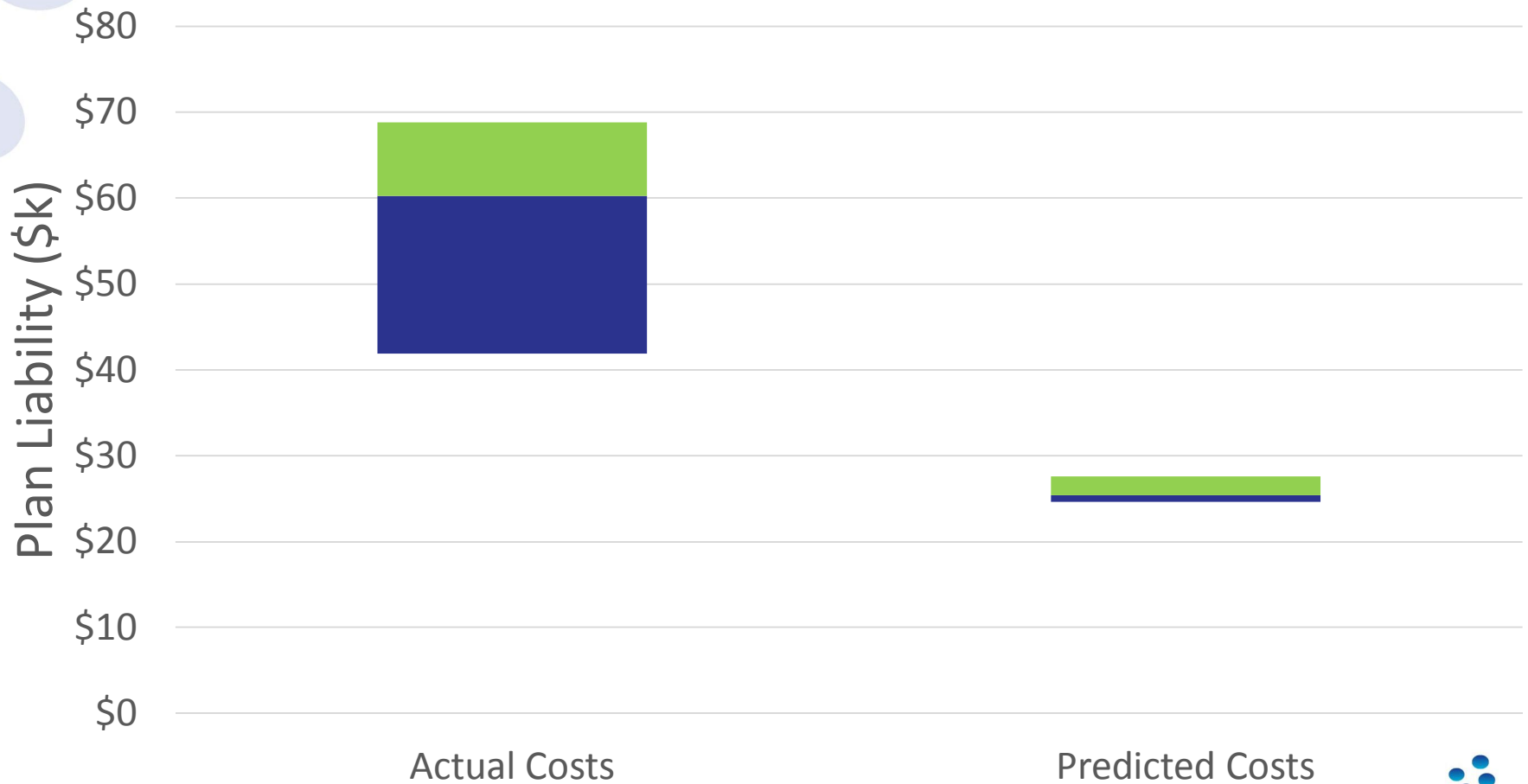


Specialty drug cost estimation errors are systemic and do not decrease with increased population size



Cost estimation errors for specialty drugs are not limited to Rheumatoid Arthritis; rather they are present in all disease states with specialty drug use

IQR for Multiple Sclerosis



2018 (Revised) Risk Adjustment Approach for Rheumatoid Arthritis

Elements of Revised Risk Adjustment:

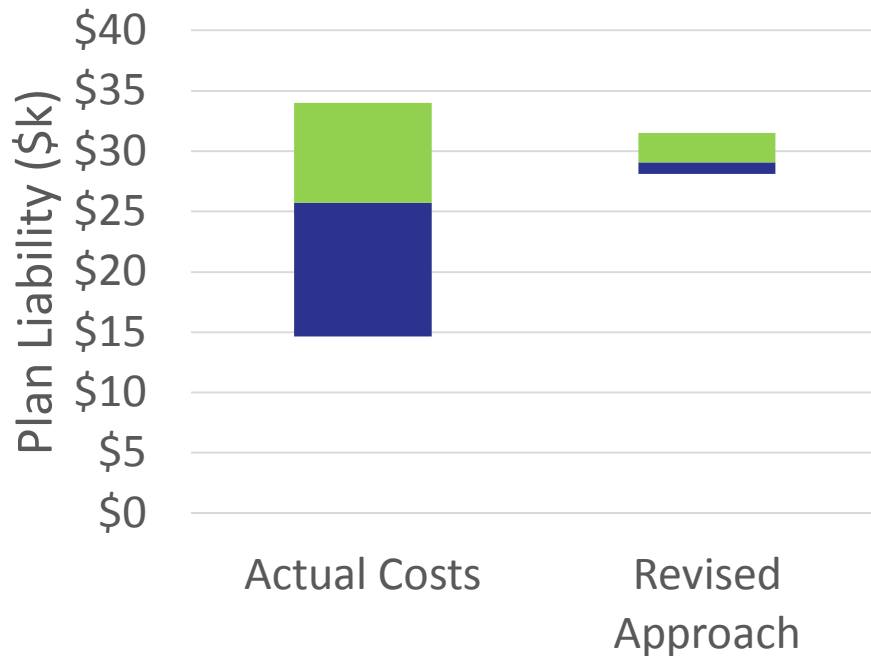
- Baseline risk factor
- Additional points for severe diagnosis
- Adjustment for limited set of interactions
- Adjustment for immunomodulators and immunosuppressants

So What?

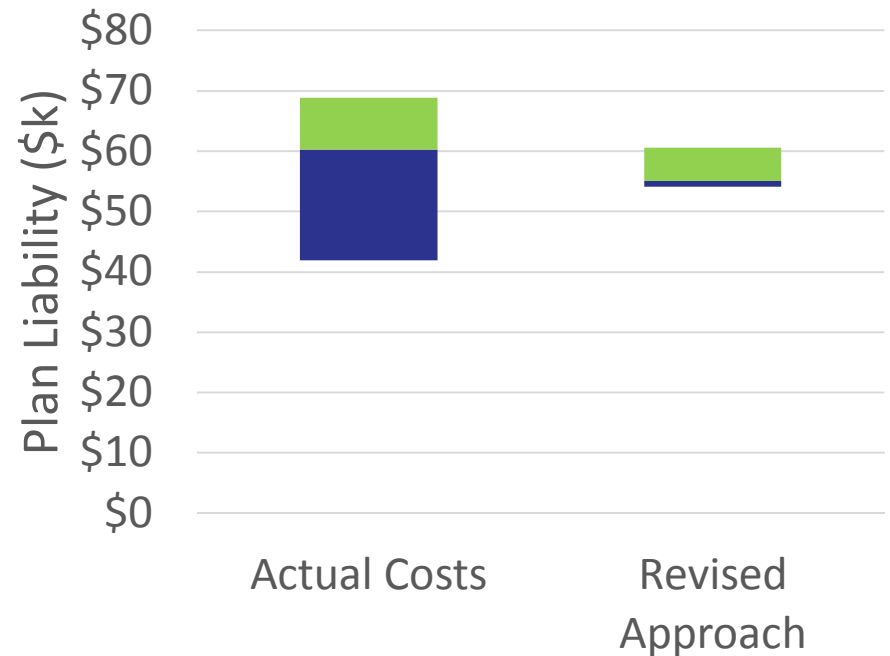
- The risk adjustment algorithm now includes an additional adjustment for the presence of specialty
- However, this adjustment also applies to generics in the immunomodulatory and immunosuppressant classes

The inclusion of specialty drugs into the risk adjustment algorithm significantly increased prediction ability

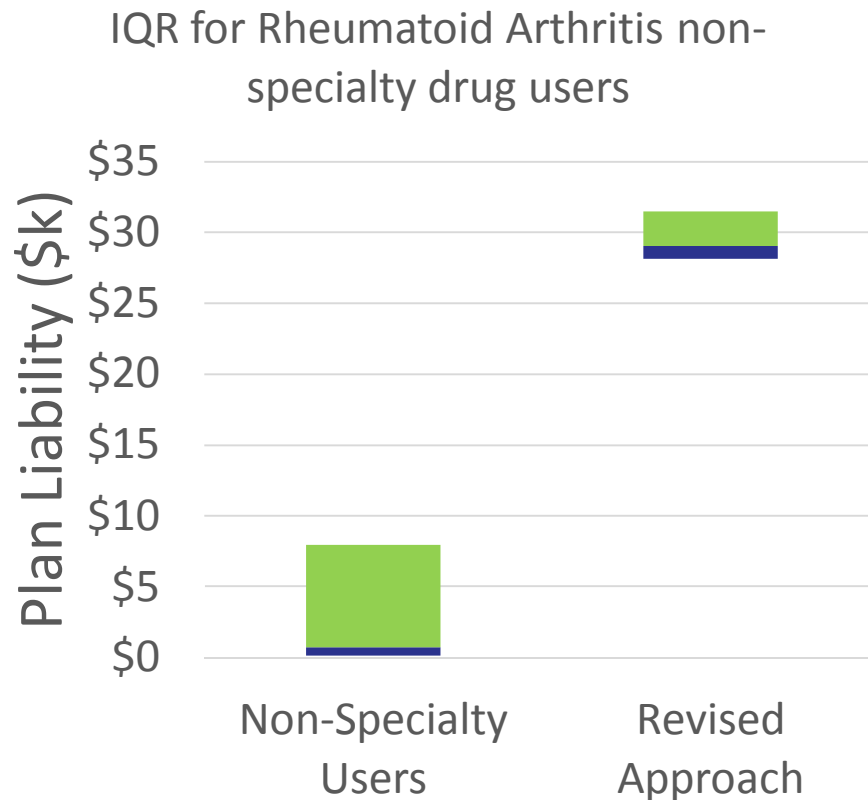
IQR for Rheumatoid Arthritis specialty drug users



IQR for Multiple Sclerosis specialty drug users



The inclusion of specialty drug utilization into risk adjustment is not without challenges



- Utilization based metrics create induced utilization concerns
- Incorporation of drug based utilization metrics into risk adjustment requires that drugs with similar costs be grouped together

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