

From: Baker, Jennifer
Sent: Friday, December 14, 2018 3:13 PM
To: OBRIEN Jesse E * DCBS
Subject: Responses to HB 4005 Questions

Jesse,

Here are the responses from Cambia's Rx team regarding the impact of rebates. I have also asked my team to calculate the top 25 drugs allowed and to 25 drug increases without rebates calculated and with rebates calculated. While there is not a dramatic change, there are still some differences. I would like the opportunity to show these to you on Wednesday, if you have time after our IC meeting.

- What impact would the lag in rebate payment have on the calculation of the cost and total plan spending establishing the composition of the required lists? Specifically, if the lists 1 and 2 above were made based on rebates paid as of the time of the rate filing, how different would they be from the lists that could be made after all outstanding rebates for the experience period are resolved? A proxy rebate rate would need to be used to estimate rebate impact for the most recent quarters in which the plan has yet to receive reporting from the rebate administrator. While this doesn't occur frequently, rebate rates may significantly shift at the product level from quarter to quarter and/or some products maybe become rebate eligible and/or lose eligibility in a later quarter (due to formulary placement changes). Thus, the final list accounting for offsetting rebates might look different 1 month following the end of a period vs. 180+ days following the end of the same time period. (Please note that we used a proxy for 2018Q4 in this analysis).
- Do carriers have a means of estimating the volume of outstanding rebates that will and will not be paid that could be used to create reasonable projections of which drugs will prove to be the most costly and the greatest contributors to increased plan spending? Our rebate vendor provides us with quarterly estimate reporting 80 days following the end of the quarter. With a little history under our belt with a new PBM, we can track the historical rebate invoiced to collection rates and apply that reduction across the board to the estimate amounts. Prior to receiving the estimate reports, the best proxy we would have for rebates would be the invoiced amount from the prior period.
- More broadly, if this requirement had been in place in previous recent years, would the rebates that carriers have received been sufficient in size and volume to materially affect the placement of drugs in the required lists 1 and 2 above? If so, please describe the magnitude of the impact. While a few products are outliers, offsetting rebates received didn't have a material impact on products included on the Top 25 by Allowed and Increased Cost list.



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