THE STATE OF OKLAHOMA
EMPLOYEES GROUP INSURANCE DIVISION
OFFICE OF MANAGEMENT AND ENTERPRISE SERVICES

HEARING REGARDING CHANGES IN REIMBURSEMENT RATES AND/OR METHODOLOGY FOR HEALTHCHOICE AND DEPARTMENT OF CORRECTIONS PROFESSIONAL PROVIDERS

IN RE: INJECTABLE DRUGS - PROFESSIONAL REIMBURSEMENT

TAKEN IN OKLAHOMA CITY, OKLAHOMA

ON OCTOBER 5, 2012

REPORTED BY: TRENA K. BLOYE, CSR

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A P P E A R A N C E S

EGID OMES ADMINISTRATION MEMBERS:

Frank Wilson, Administrator
Scott Boughton, Legal Counsel
Dr. Frank Lawler, Chief Medical Officer
Teresa South, Director of Provider Relations
Dana Dale, Senior Insurance Auditor
Diana O'Neal, Deputy Administrator of Finance
Paul King, Director of Industry Practice and Compliance
Joe McCoy, Director of Internal Audit
Bo Reese, Deputy Administrator of Administration
Carol Bowman, TPA Liaison

ALSO PRESENT:

Donna Kinzer, Berkeley Research
JoAnna Younts, Berkeley Research

AUDIENCE MEMBERS PRESENT:

Melanie Maxwell, PPOK
Melissa Gonzales, HPES

(Hearing commenced at 11:00 a.m.)

MR. BOUGHTON: Thank you all for coming today. I'm Scott Boughton, legal counsel for the Employee Group Insurance Division of the Office of Enterprise and Management Services. We go by the acronym OMES EGID, or sometimes just EGID. Prior to recent legislative enactment we used to be called the Oklahoma State and Education Employees Group Insurance Board, but we are the same.

We are here today to discuss proposed changes to reimbursement methodology for providers contracted with EGID. We are at this hearing to listen to your views and concerns. This is not an official meeting as defined by the State's Open Meeting Act.

This is a hearing called pursuant to Title 74 Oklahoma statute, Section 1325 which provides, "The Office of Management and Enterprise Services shall schedule a hearing 30 days prior to adopting any major change in the reimbursement rates or methodology. The office shall notify healthcare providers who provide services pursuant to a contract with the office at least 15 days prior to the hearing. The notice shall include proposed changes to the reimbursement rates and methodology. The office shall inform such healthcare providers at the hearing of any proposed changes to the

reimbursement rates or methodology. At the hearing the office shall provide an open forum for such healthcare providers to comment on the proposed changes."

This meeting is being recorded and will be transcribed. The transcript of this meeting, along with EGID's responses to any comments you may make today will be posted on EGID's website the week of October 22nd. There are signup sheets in the back. If you want your presence reflected in the transcript of this hearing, please be sure to sign in.

At this hearing EGID's medical director, Dr. Frank Lawler, will give a PowerPoint presentation on the proposed reimbursement for injectable drugs and related infusion, injection, administration services. This will be followed by public comments.

Dr. Lawler's PowerPoint is available on our website at www.ok.gov\sib\providers. From that web point go to Public Hearings. Any person who wishes to comment after Dr. Lawler's presentation, after you are recognized please come to the center podium and speak directly into the microphone. We ask that you give us your name and any organization you may represent. At this time I would like to recognize our administrator, Frank Lawler -- excuse me -- Frank Wilson.

MR. WILSON: I think you got me.

Melanie, welcome.

At this point I just want to go through some of the introductions for the public record, then we'll get started.

Scott Boughton is the legal counsel for the Employee's Group Insurance Division. Dr. Frank Lawler, our chief medical officer. To my left is Donna Kinzer from Berkeley Research and her associate Ms. JoAnna Younts of Berkeley also. Teresa South is our director of Provider Relations. Then Dana Dale is the senior insurance auditor here at HealthChoice. And the bottom row here to the right, Diana O'Neal is our deputy administrator of Finance; and Paul King, director of Compliance and Industry Practice; Joe McCoy, our director of Internal Audit; and Bo Reese, our deputy administrator of Operations; and Carol Bowman, who is our TPA liaison. I don't know if that's her technical title, because I forgot it again.

MR. REESE: Senior plan analyst.

MR. WILSON: Thank you. Carol works a great deal with HP for TPA, has for years.

With that I just wanted to, again, thank the providers who participated in the task force meetings that we had. The proposed changes that we're looking at here today were the result of several months

of analysis of claim data and research. And the purpose is to address a couple of areas that we feel like are a little bit out of line with industry practice.

And with that I will turn the actual presentation of the proposed changes over to Dr. Lawler.

DR. LAWLER: There are handouts, these are on the website. And with that, we'll get started.

The current HealthChoice reimbursement is such that on August 1st, 2005, HealthChoice changed its injectable drug methodology to an average sales price based approach in order to be in line with Medicare's transition to ASP as mandated by the Medicare Modernization Act.

For physician office or non-facility setting, HealthChoice reimburses Medicare rate plus 35 percent, which works out to 141 percent of average sales price. If an ASP is not established for a particular drug, current practice is to pay average wholesale price plus 10 percent. Drugs for which neither ASP nor AWP are available are allowed at 60 percent of billed charges.

The primary objective of the analysis was to determine whether HealthChoice's reimbursement for injectables is in line with common industry practices. The analytical steps that were taken were to obtain

external consulting services through our consultant, BRG, and data analysis and to identify options for reimbursement approaches that are consistent with industry practices. Another step was to review our current injectable drug reimbursement levels. And we wanted, at the end of the day, to compare our reimbursement levels currently to billed charges, to Medicare rates, and to commercial payer ranges.

For ASP -- the objective of the analysis, to continue, is that HealthChoice developed proposed rates based on data analysis and on consultant recommendations. We also established a provider task force to obtain feedback on the analysis and recommendations. Task force members were identified by reviewing utilization and by key members of their provider community.

For ASP-priced drugs, HealthChoice proposes a reimbursement allowable of 120 percent of average sales price. The rationale behind that is that Icore's trend report, which is based on a national survey of payers, found that the most prevalent markup over ASP is 10 percent. The Journal of Managed Care Pharmacy documents that the increasing use of ASP-based approaches, with mark-ups averaging 9.4 percent over ASP for non-oncologists, 10.3 percent over ASP for oncology

groups.

If reimbursement is tied to Medicare Part B drugs rather than the ASP, the equivalent of 120 percent of ASP equals 113 percent to 114 percent of Medicare.

For non-ASP priced drugs, for drugs that are -- that do not have a published ASP, HealthChoice proposes 100 percent of average wholesale price. The rationale is that typical payer industry practice for non-ASP drugs is to establish reimbursement rates at AWP minus percentage. For example, AWP minus 15 percent, or to establish a fee schedule based on AWP.

If there is no ASP or AWP published for a specific CPT or HCPCS code then HealthChoice proposes that claims above a threshold of $500 to be evaluated manually. For claims in which the billed charges are $500 or less, the current practice of reimbursing 60 percent of billed charges will be continued.

For claims above that threshold providers will be required to submit the drug name, the generic name, the NDC or national drug code, the strength, dosage administered and the route of administration in order to price using average wholesale price. Vaccines were not addressed in this analysis and will continue to be reimbursed under current methodology.

We did get feedback from our task force. One of the comments was that the proposed rates are well below other commercial Oklahoma payers. Our response is that national pricing trends are appropriate indicators for drug costs, because acquisition costs are not determined locally.

Secondarily, based on an analysis of coordination of benefits for our members who have other plans as primary and us as secondary, we were able to determine that a large majority of the codes reviewed were at 120 percent of ASP or below.

Another comment was that the proposed rates are below cost. Our response is that because average sales price is an average, some providers are able to provide pharmaceuticals below the average selling price, while others are only able to purchase the drugs priced above average.

Medicare implemented the Part B Competitive Acquisition Program or CAP, through which CAP-electing physicians can obtain Part B drugs administered in their offices at competitive pricing. In addition, for any particular drug in which the provider's cost significantly exceed the reimbursement, the provider should contact EGID provider relations to seek an exception process based upon supporting

documentation of the costs.

Another task force comment was that the increased costs suggests that members are being diagnosed at a higher rates of illnesses which are treated by injectables. Utilization issues should be addressed first. Our response is that utilization is a result of factors between the provider and the member. However, we welcome the opportunity to work with providers who are willing to identify utilization issues that we can address and better manage based on objective outcome measures and standards of care.

Another task force comment was that there should be no disparity between the reimbursement for professional providers and facility providers with respect to injectables. Our response is we recognize the need for parity between these two groups, and the proposed rates will provide relative parity for injectable drugs between facilities and professionals.

Another task force comment was that reductions in reimbursement should be offset with increases in other rates such as administration codes. Our response is that administration fees for professional providers will be addressed in this methodology change. HealthChoice proposes increasing the administration fees from 120 percent to 180 percent

of Medicare for injections, which is 963xx series, and 130 percent to 190 percent of Medicare for infusions, which is the 964 series of CPT codes.

Another task force comment was that due to significant financial impact of this change please consider a two-year phase-in period. Our response is HealthChoice will implement the proposed rates over a two-year phase-in period. For 2013, 130 percent of average sales price will be used. And for 2014, 120 percent of average sales price will be used.

In conclusion, these reimbursement levels will fall within a common commercial level payment range and are significantly above Medicare rates. The proposed rates will provide relative parity for injectable drugs between facilities and professionals over the two-year phase-in period.

And lastly, there is a table of 20 codes. And this is for your perusal. It tells what has been done and what is proposed for these 20 codes.

And I'll turn it back over to Mr. Boughton.

MR. BOUGHTON: As I said earlier we're going to take public comment now. Does anybody want to speak at this time, give us your input?

(No response.)

MR. BOUGHTON: I don't believe so. Administrator Wilson, back to you.

MR. WILSON: Again, I want to thank the providers who participated in the task force and all of their feedback in helping develop the proposed recommendations. Again, the goal is to bring certain areas of our reimbursement in line with the industry. Hopefully, this will accomplish that.

With that, I have nothing further. That concludes this meeting.

(Hearing concluded at 11:15 a.m.)

C E R T I F I C A T E

STATE OF OKLAHOMA)
) SS:
COUNTY OF OKLAHOMA)

I, Trena K. Bloye, Certified Shorthand Reporter for the State of Oklahoma, certify that the foregoing transcription is a true and correct transcript of the proceedings; that I am not an attorney for nor a relative of any said parties, or otherwise interested in the event of said action.

IN WITNESS WHEREOF, I have hereunto set my hand and seal of office on this the 15th day of October, 2012.

Trena K. Bloye
State of Oklahoma
Certified Shorthand Reporter
CSR # 1522
My Certificate Expires DEC 31 2012

Trena K. Bloye, CSR
State of Oklahoma CSR No. 1522