

**POLITICO PRO HEALTH BRIEFING: MEDICAID AS A DRIVER OF CARE INNOVATION IN THE STATES  
REMARKS AS PREPARED FOR TOM MORIARTY  
TUESDAY, JUNE 13, 2017**

Good morning and welcome. This discussion comes at an important time for health care and the Medicaid program in particular, which today covers one in five Americans.<sup>i</sup>

Putting aside for the moment under what formula Congress will decide to provide resources for the Medicaid program at the end of the health care reform debate, the one thing that will remain constant is the need to deliver more value to patients and taxpayers by improving quality and lowering costs.

I'm delighted to have this opportunity to share our perspective on these issues and ideas for meaningful solutions.

As a company that interacts on a daily basis with patients in nearly 10,000 communities across America, we have learned valuable lessons on how to drive better health outcomes and lower health care costs.

These lessons are particularly important in Medicaid where beneficiaries experience higher rates of chronic disease – and the costs of these diseases are extraordinary.

Thirty-five percent of non-elderly, adult Medicaid beneficiaries have two or more chronic conditions, compared to 24 percent of adults with private insurance.<sup>ii</sup>

Our shared goal is to help people prevent and manage their conditions so they can stay out of the hospital and remain at home. And prescription drugs are more central than ever in treating these diseases. In fact, for 90% of people with chronic and complex diseases, prescription drugs are the “first logical choice for medical intervention.”<sup>iii</sup>

We've learned we need to reach those with chronic diseases – like heart disease and diabetes – in a different way, with more frequent engagement and by being more integrated so the consumer experience is simple, affordable and seamless.

It follows that our strong community pharmacy presence puts us in a position to help patients manage their health more effectively by serving as the front door to health care.

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Getting patients with chronic disease to take their medications as prescribed improves health outcomes and lowers costs by avoiding costly ER visits and slowing the progression of disease.

Through personalized counseling and clinically-effective interventions, pharmacists are a trusted voice in helping patients with chronic conditions like diabetes and cardiovascular disease manage their medications.

In addition to the personal toll on patients, the cost of treating Medicaid beneficiaries with diabetes averages more than \$14,000 on an annual basis – **three** times the total cost for adult beneficiaries without diabetes.<sup>iv</sup>

Our Pharmacists are at the heart of our Transform Diabetes Care program. It is aimed at improving the health of diabetes patients and reducing costs by promoting better lifestyle management, medication adherence and control of A1C.

Patients in the program receive personalized support and one-on-one coaching from pharmacists, comprehensive diabetes visits at MinuteClinic, a connected glucometer, which will share blood glucose levels with a pharmacist-led team and access to digital tools.

Research published in *Health Affairs* has shown that one-on-one counseling between a patient and a pharmacist – like through our Pharmacy Advisor program – improves medication adherence and results in cost savings of \$3 for every \$1 invested in these activities.<sup>v</sup>

While the case for pharmacy management is quite clear, pharmacy benefits are not consistently included in managed care programs, and pharmacy adherence and medication management measures are not always included in Medicaid Quality Programs.

Expanding access to high-quality, low-cost care sites, such as retail clinics and in-home care can help meet primary and preventive care needs while reducing unnecessary and costly visits to the ER.

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Care delivered through retail health clinics costs 80% less and achieves same or better outcomes compared to the ER.<sup>vi</sup>

CVS Health's retail health clinic, MinuteClinic, is an enrolled Medicaid provider in 31 states and D.C. and offers convenient, high quality care at over 1,100 locations.

Through affiliations with 70 major medical systems, we can facilitate joint clinical programs and real-time integration of electronic health records, enabling coordination across providers.

Research shows that patients who use MinuteClinic make fewer ER visits, and overall their health care costs are about 8 percent lower.<sup>vii</sup>

The issue of rising drug prices affects everyone, as patients and as taxpayers, and the impact to the Medicaid program and to state budgets has been significant.

In 2015, Medicaid spent \$57 billion on prescription drugs.<sup>viii</sup>

Recent breakthrough medicines, such as Hepatitis C therapies, offer promise to millions of Medicaid beneficiaries in need, but they also have the potential to exhaust state budgets.

Effective pharmacy management can help states control rising drug costs while providing better care coordination at the member level to achieve better health outcomes.

Our PBM, Caremark, manages prescription drug benefits for 33 Medicaid managed care organizations, serving approximately 20 million members.

A recent report by The Menges Group found that greater utilization of PBM tools in Medicaid could save federal and state governments over \$51 billion over ten years.<sup>ix</sup>

We also see promising results through Ohio's Medicaid program, which by 2011, had included nearly all of its pharmacy benefits into managed care plans. CVS Caremark worked with these plans, including Molina and CareSource, to use PBM tools, such as medication management for chronic disease, to drive higher quality care and reduce costs.

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As a result, Ohio spent 13.3 percent less – on average – than states without prescription drugs in their managed care system and earned higher average quality scores than the national and state averages.

These strategies can play a significant role in delivering value, but Medicaid programs need to be structured in a way that reward and incentivize better outcomes.

Without a Federal standard, a patchwork of different quality measurements and incentives exist across the states, resulting in a significant burden to the health care system, stifling innovation and limiting the ability to address major public health issues, such as the opioid epidemic.

A study conducted in 2013 identified nearly fourteen-hundred measures being used across the 48 Medicaid quality measure sets.<sup>x</sup>

Utilizing a consistent set of quality measures combined with meaningful incentives will help to ensure better health outcomes and savings for the Medicaid program.

We see evidence of this approach in the Medicare Star ratings program, which uses a standard set of core measures, including medication adherence for certain chronic conditions and meaningful performance incentives.

Federal collaboration with the states can help create alignment of quality measures and incentives in managed Medicaid, unlocking the best aspects of the public and private sectors and spurring innovation.

We must also recognize the important role that pharmacy management and medication utilization play in health outcomes and the total cost of care, particularly for those with chronic disease.

Including pharmacy programs and incentivizing medication adherence ultimately delivers better value to patients and taxpayers through better health outcomes and lower costs.

Thanks for your time this morning. I'll turn it back over to Joanne to get the panel discussion underway.

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<sup>i</sup> Kaiser Family Foundation. (2017, January 3). Medicaid Pocket Primer. Retrieved from: <http://kff.org/medicaid/fact-sheet/medicaid-pocket-primer/>

<sup>ii</sup> Kaiser Family Foundation. Analysis of 2015 NHIS Data. Retrieved from: <http://kff.org/medicaid/issue-brief/10-things-to-know-about-medicare-setting-the-facts-straight/>

<sup>iii</sup> Orszag, J., & Green, K. (2011, December 5). The Economic Benefits of Pharmacy Benefit Managers. Retrieved from <https://www.sec.gov/Archives/edgar/data/1170650/000095012311101989/y93719exv99w2.htm>

<sup>iv</sup> Garfield R, Damico A. (2012 January). Medicaid Expansion Under Health Reform May Increase Service Use And Improve Access for Low-Income Adults With Diabetes. Health Affairs. Retrieved from: <http://content.healthaffairs.org/content/31/1/159.full#ref-8>

<sup>v</sup> Brennan, T. A., Dollear, T. J., Hu, M., Matlin, O. S., Shrank, W. H., Choudhry, N. K., & Grambley, W. (2012). An Integrated Pharmacy-Based Program Improved Medication Prescription And Adherence Rates In Diabetes Patients. Health Affairs, 31(1), 120-129. doi:10.1377/hlthaff.2011.0931

<sup>vi</sup> Mehrotra A, Liu H, Adams JL, Wang MC, Lave JR, Thygeson NM, et al. "Comparing Costs and Quality of Care at Retail Clinics With That of Other Medical Settings for 3 Common Illnesses."

<sup>vii</sup> *American Journal of Managed Care*. 2014;20(10):794-801; *Annals of Internal Medicine*, v. 151, no. 5, Sep 1, 2009, p. 321-328.

<sup>viii</sup> Centers for Medicare and Medicaid Services. (2016, November 14). Medicaid Drug Spending Dashboard. Retrieved from: <https://www.cms.gov/Newsroom/MediaReleaseDatabase/Fact-sheets/2016-Fact-sheets-items/2016-11-14-2.html>

<sup>ix</sup> The Menges Group. (2016, October). Medicaid Pharmacy Savings Opportunities: National and State-Specific Estimates. Retrieved from: <https://www.pcmnet.org/wp-content/uploads/2016/10/menges-medicare-savings-report-october-2016.pdf>

<sup>x</sup> Reinhalter, K., Bailit, M. B. (2013, September 10). The Significant Lack of Alignment Across State and Regional Health Measure Sets.