

Department of Planning and Budget 2019 Fiscal Impact Statement

1. Bill Number: HB 2532

House of Origin	<input checked="" type="checkbox"/>	Introduced	<input type="checkbox"/>	Substitute	<input type="checkbox"/>	Engrossed
Second House	<input type="checkbox"/>	In Committee	<input type="checkbox"/>	Substitute	<input type="checkbox"/>	Enrolled

2. Patron: Head

3. Committee: Appropriations

4. Title: DMAS; state plan amendment, value-based purchasing agreements for covered drugs

5. Summary: The proposed directs the Department of Medical Assistance Services (DMAS) to amend the state plan for medical assistance pursuant to Title XIX of the Social Security Act to allow the department to negotiate supplemental rebate agreements involving value-based purchasing arrangements for covered drugs with drug manufacturers.

6. Budget Amendment Necessary: See Item 8.

7. Indeterminate Fiscal Impact

8. Fiscal Implications: DMAS currently collects federal rebates on all drugs dispensed to Medicaid members and negotiates supplemental rebates on select drugs on the DMAS Preferred Drug List/Common Core Formulary. This bill will allow DMAS to negotiate additional value-based supplemental rebates on covered drugs with manufacturers.

Value-based supplemental rebates would link the payment of a drug to its effectiveness and the outcomes it achieves. The Centers for Medicare and Medicaid (CMS) supports innovative strategies to curb rising drug costs and have approved state plan amendments (SPAs) that, permit the state Medicaid programs to enter into tailored agreements with manufacturers on a voluntary basis. With a value-based supplement rebate, the state and manufacturer jointly agree on benchmarks based on health outcomes and the specific populations for which these outcomes-based benchmarks will be measured and evaluated.

Requiring DMAS to create a value-based supplemental rate program for pharmaceuticals would increase administrative costs for the pharmacy benefit administrator to negotiate required supplemental rebate arrangements. Clinical data may need to be collected to evaluate the effectiveness of the drugs under such negotiations and system changes implemented, further increasing administrative expenses. Depending on the type of contract, such as one based on outcomes, additional impartial patient evaluations may be required which would incur physician fees. Because the language of the bill does not specify the extent of the program or type of contract to be utilized and there is limited experience from other states regarding such payment models, DMAS has insufficient information to estimate what resources would be required to comply with HB 2532.

HB2532 would allow DMAS to negotiate supplemental rebate agreements that could increase pharmacy rebate collections. Such collections are utilized to offset Medicaid general fund spending. DMAS cannot estimate the extent to which rebates would increase as such collections would depend on the drugs chosen for the program, terms of the value-based purchasing agreement, results of clinical evaluations to determine drug effectiveness, and each drug's performance against outcomes agreed upon in the contract with the drug manufacturer.

Any changes to the state's supplemental rebate agreement process including value-base supplemental rebates will require an amendment to the state plan and is subject to approval by CMS.

9. Specific Agency or Political Subdivisions Affected:

Department of Medical Assistance Services

10. Technical Amendment Necessary: No

11. Other Comments: None