

HF19 - 0 - Direct Injectable Drugs Reimbursement

Chief Author: **Kelly Morrison**
 Committee: **Health Finance and Policy**
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 Agency: **Human Services Dept**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2021	FY2022	FY2023	FY2024	FY2025
General Fund	-	357	401	413	428	
Total	-	357	401	413	428	428
Biennial Total			758			841

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2021	FY2022	FY2023	FY2024	FY2025
General Fund	-	2	2	2	2
Total	-	2	2	2	2

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Steve McDaniel **Date:** 3/1/2021 12:40:49 PM
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State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2021	FY2022	FY2023	FY2024	FY2025
General Fund	-	357	401	413	428	428
Total		-	357	401	413	428
Biennial Total			758			841
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	357	401	413	428	428
Total		-	357	401	413	428
Biennial Total			758			841
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	-
Total		-	-	-	-	-
Biennial Total			-			-

Bill Description

This bill will allow dispensing pharmacies or specialty pharmacies to bill the Department of Human Services (DHS) for injectable drugs to be administered to fee-for-service Medical Assistance (MA) enrollees in a clinic setting.

Assumptions

This fiscal note assumes that the change in MA pharmacy reimbursement policy would be limited to clinic administration of naltrexone, an injectable drug used to treat opioid dependence or alcoholism. The bill would allow for the dispensing of any injectable drug used to treat substance use disorder, but the current utilization of injectable buprenorphine is too low to estimate an impact.

Under the current reimbursement model, drugs administered in an outpatient setting appear on a single claim which include the drug and the fee for administration. Under this bill, clinicians would be able to order the drug from a retail pharmacy for delivery to the clinic, and the pharmacy would bill DHS for reimbursement, thereby separating payment for the two items and separating the pharmacy claim from the medical claim for administering the drug.

Based on department data, in CY2019 there were 96 distinct members that received 1 or more dose of naltrexone and there were 146 distinct claims, implying an average of 1.5 doses of naltrexone per person. Under the bill language, DHS estimates based on prescribing and marketing practices that the average dosage per person would increase by 4.5 doses to an average of 6 doses per member. This is expected to result in an additional 432 doses per year (96*4.5=432) due to increased utilization.

It is also expected that additional enrollees would begin to receive naltrexone under the bill language. It is plausible that the manufacturer could work with around 15 clinics on expanding the use of naltrexone. It is assumed that each of these clinics would treat 5 new members throughout the year and that each member would receive an average of 6 doses. This is expected to result in an additional 450 doses per year (15*5*6=450) due to expanded usage.

These additional naltrexone doses through the point of sale system would all be paid at the specialty rate which is currently \$1,303. About 66% of the base naltrexone claims were for MA adults without children and it is assumed that this proportion would also apply to all the additional naltrexone claims. Finally, it is assumed that the cost of these additional claims would change over time proportional with changes in projected overall FFS pharmacy costs.

This fiscal analysis also recognizes additional pharmacy rebates on this additional prescription drug use. It is

assumed, based on Section 1927 of the Social Security Act, that rebate percentages are 23.1% for brand and

13.0% for generic drugs. Based on department data on pharmacy use by MA enrollees, about 12.1% of FFS pharmacy use is brand drugs and about 87.9% is generic drugs. This implies a weighted average pharmacy rebate of 14.2%, which

is applied to the projected change in overall pharmacy expenditures.

It is assumed this change would be effective July 1, 2021. This change is assumed to impact billing policy for drugs paid under fee for service MA and has no impact on managed care plans serving MA and MinnesotaCare recipients who set their own billing policies.

This change in payment methodology would separate payment for the drug from the administration. Without the medical and drug costs on the same claim, the only way to verify that the payment for the drug results in administration of a drug to an MA enrollee, is to conduct post payment reviews to ensure appropriate payment of claims. This estimate includes resources to review provider records, conduct investigations, and take action in instances where claims are inappropriately paid. These 2 FTEs would be MAPE 14L and are assumed to be hired in September 2021. In addition to salary costs of \$59,456 in FY2022 and \$79,275 ongoing, this fiscal note assumes fringe benefits at 30% of salary costs and overhead of \$15,150 upfront costs and \$1,275 per month per ongoing.

Expenditure and/or Revenue Formula

	CY 2019	FY 2022	FY 2023	FY 2024	FY 2025
Base Payments					
Base increase in naltrexone claims:					
Increased utilization	432				
Expanded usage	450				
Total base increase in claims	882				
Specialty rate	\$1,303				
Total base increase in payments	\$1,149,246				
MA Adults Without Children					
MA adults without children % base	66%				
Base increase MA adults without children	\$755,669				
Total FFS pharmacy costs	\$32,574,402	\$27,571,208	\$25,948,419	\$26,100,917	\$27,146,957
Percent increase for added naltrexone	2.32%	2.32%	2.32%	2.32%	2.32%
Total Rx Cost (adults without children)		\$639,603	\$601,958	\$605,495	\$629,761
Federal share %		91.50%	90.00%	90.00%	90.00%
Federal share %		\$585,237	\$541,762	\$544,946	\$566,785
State share		\$54,366	\$60,196	\$60,550	\$62,976
Overall change in FFS pharmacy		\$639,603	\$601,958	\$605,495	\$629,761
Weighted avg pharmacy rebate percent		14.22%	14.22%	14.22%	14.22%
Total Rx Rebates (adults without children)		(\$90,965)	(\$85,611)	(\$86,114)	(\$89,565)
Federal share %		90.00%	90.00%	90.00%	90.00%
Federal share %		(\$81,869)	(\$77,050)	(\$77,503)	(\$80,609)
State share		(\$9,097)	(\$8,561)	(\$8,611)	(\$8,957)
Other MA					
Other MA % base	34%				

Base increase other MA	\$393,577				
Total FFS pharmacy costs	\$161,966,189	\$169,709,478	\$187,755,727	\$198,433,806	\$210,973,074
Percent increase for added naltrexone	0.24%	0.24%	0.24%	0.24%	0.24%
Total Rx Cost (other MA)		\$412,394	\$456,246	\$482,194	\$512,664
Federal share %		50.51%	50.51%	50.51%	50.51%
Federal share %		\$208,300	\$230,450	\$243,556	\$258,947
State share		\$204,094	\$225,796	\$238,638	\$253,717
Overall change in FFS pharmacy		\$412,394	\$456,246	\$482,194	\$512,664
Weighted avg pharmacy rebate percent		14.22%	14.22%	14.22%	14.22%
Total Rx Rebates (other MA)		(\$58,651)	(\$64,888)	(\$68,578)	(\$72,912)
Federal share %		50.51%	50.51%	50.51%	50.51%
Federal share %		(\$29,625)	(\$32,775)	(\$34,639)	(\$36,828)
State share		(\$29,026)	(\$32,113)	(\$33,939)	(\$36,084)
Fiscal Summary (State Share)		FY 2022	FY 2023	FY 2024	FY 2025
Total Pharmacy Cost		\$258,460	\$285,992	\$299,187	\$316,694
Total Pharmacy Rebates		(\$38,123)	(\$40,674)	(\$42,551)	(\$45,040)
Total MA State share		\$220,337	\$245,318	\$256,636	\$271,653

Fiscal Tracking Summary (\$000's)						
Fund	BACT	Description	FY2022	FY2023	FY2024	FY2025
GF	33	MA Grants	220	245	257	272
GF	11	Operations Admin (FTE 2,2,2,2)	202	229	229	229
GF	REV1	FFP @ 32%	(65)	(73)	(73)	(73)
		Total Net Fiscal Impact	357	401	413	428
		Full Time Equivalent	2	2	2	2

Long-Term Fiscal Considerations

Local Fiscal Impact

References/Sources

DHS February 2021 Forecast

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