

SF61 - 2A - Direct Injectable Drugs Reimbursement

Chief Author: **Mark Koran**
 Committee: **Health and Human Services 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) Dollars in Thousands	Biennium			Biennium	
	FY2021	FY2022	FY2023	FY2024	FY2025
General Fund	-	-	390	719	740
Total	-	-	390	719	740
Biennial Total			390		1,459

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2021	FY2022	FY2023	FY2024	FY2025
General Fund	-	-	3.5	3.5	3.5
Total	-	-	3.5	3.5	3.5

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:** 3/22/2022 7:52:53 PM
Phone: 651-284-6437 **Email:** steve.mcdaniel@lbo.mn.gov

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	-	-	-	390	719	740
Total		-	-	390	719	740
Biennial Total					390	1,459
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	-	-	390	719	740
Total		-	-	390	719	740
Biennial Total					390	1,459
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	-
Total		-	-	-	-	-
Biennial Total					-	-

Bill Description

106%>Section 1 allows dispensing pharmacies or specialty pharmacies to bill Minnesota Health Care Programs (MHCP) for injectable drugs used to treat substance use disorder or mental illness to be administered to fee-for-service (FFS) Medical Assistance (MA) enrollees in a clinic setting.

Assumptions

Effective Date: After consultation with the Senate, this fiscal note assumes that this bill would be effective January 1, 2023.

This bill is assumed to impact billing policy for drugs paid under Medical Assistance (MA) fee-for-service (FFS), and has no impact on managed care plans serving MA and MinnesotaCare recipients, because plans serving those enrollees set their own billing policies.

Forecast impacts

Injectable drugs used to treat substance use disorder

This fiscal note assumes that the ability to reimburse for injectable drugs used to treat substance use disorder would be limited to the 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, the other injectable drug to which this provision would apply, is too low to estimate an impact.

Based on department data, in CY2019 there were 96 distinct members that received one 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) which represents increased utilization from current recipients of naltrexone treatment.

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), which represents increased utilization attributable to new recipients of naltrexone treatment.

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 in DHS data were for MA adults without children; it is assumed that this proportion would also apply to all additional naltrexone claims outlined above. It is assumed that the cost of these additional claims would change over time proportional with changes in projected overall FFS pharmacy costs.

Injectable drugs used to treat mental illness

This fiscal note assumes that the ability to reimburse for injectable drugs used to treat mental illness would be limited to long-acting injectable antipsychotics, as these are the most commonly used injectable drugs to treat mental illness; this class of drugs has a higher utilization rate than Vivitrol. According to DHS data from FY2021, there were 390 distinct members that received one or more dose of an antipsychotic impacted by this bill. There were 2,763 distinct claims associated with these members, implying an average of 6.9 doses per person. For these antipsychotic drugs, it is not expected that the average dosage per person would change under this bill for current recipients; members already have a variety of methods through which to receive long acting injectables, administration in clinics as well as all enrolled pharmacies, so future utilization for current recipients is not expected to be impacted as a result of this bill.

It is expected that additional enrollees will begin to receive these antipsychotic drugs under the bill language. The expected increase in the number of clinics and new members is identical to that outlined above for drugs used to treat substance use disorder; it is assumed that 15 additional clinics would treat 5 new members throughout the year, and that enrollee utilization for the “new” population would mirror that of the existing population at 6.9 doses per person.

These additional long-acting injectable antipsychotic doses through the point-of-sale system would all be paid at the current average cost of \$879. The proportion outlined above of 66% of the base claims in DHS data for MA adults without children is also assumed to apply to drugs used to treat mental illness. It is again 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 for both types of injectable drugs identified above. Based on Section 1927 of the Social Security Act, rebate percentages are assumed at 23.1% for brand-name drugs, and 13.0% for generic drugs. Based on department data on pharmacy use by MA enrollees, about 12.1% of FFS pharmacy use is for brand-name drugs, with the remainder (87.9%) of use for generic drugs. This implies a weighted average pharmacy rebate of 14.2%, which is applied to the projected change in overall pharmacy expenditures outlined above.

Administrative impacts

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.

The language in the bill requires the commissioner, rather than the administering practitioner and pharmacy, to ensure that claims are not duplicated. Without medical and drug costs on the same claim, the only way to verify that the payment for the drug results in administration of drug to an eligible MA enrollee is to conduct post-payment reviews to ensure appropriate payment of claims. This will require DHS to conduct regular reports to identify duplicate payments.

An FTE (MAPE 14L) in Purchasing and Service Delivery (PSD) will be required to produce reports, which will include pharmacy and professional claims data, and identifying duplicate billing. For those duplicates identified, this FTE will work with the Surveillance and Integrity Review Section (SIRS) on notification to the provider that includes appeal rights. This FTE will also need to assist with supporting the DHS position if an appeal is filed. Produced reports are assumed to be required monthly to prevent large recoveries from SUD providers. This estimate also assumes that if recoveries for overpayments are needed, the overpayment will be collected from the responsible provider that is administering the drug.

A partial (0.5) FTE (MAPE 16L) will also be required in Health Research and Quality (HRQ) to run and analyze monthly reports as outlined above to match pharmacy claims with professional claims to assist with duplication identification.

Administrative resources will also be required for SIRS, including 2 SIRS Investigators (MAPE 14L). These positions will investigate claims duplication identified by HRQ. This is a new investigation type that would require documentation to be verified from multiple entities as well as verification of that an individual received the medication.

All of the above FTEs are assumed to require an up-front administrative cost of \$15,150, and ongoing monthly

administrative costs of \$1,275. Fringe benefits are estimated at 30% of salary. FTEs are assumed to begin in October of 2022 for appropriate onboarding ahead of the January 2023 effective date.

Lastly, resources will be needed in the Operations Administration to account for increased costs to the Office of Administrative Hearings, which will handle provider appeals. This is estimated to cost \$7,000 in FY23 to reflect the hiring and on-boarding period, and \$26,000 per year thereafter.

Systems impacts

No IT systems changes would be required to implement this change as alterations to the Medicaid Management Information System (MMIS) would be manual and could be completed within existing resources.

Expenditure and/or Revenue Formula

	Base	FY 2022	FY 2023	FY 2024	FY 2025
Base Payments					
Base increase in drug claims:					
Increased utilization	432				
Expanded usage	964				
Total base increase in claims	1,396				
Weighted average cost	\$1,147				
Total base increase in payments	\$1,600,882				
MA Adults Without Children					
MA adults without children % base	66%				
Base increase MA adults without children	\$1,052,635				
Total FFS pharmacy costs	\$27,293,685	\$30,868,098	\$35,677,110	\$35,050,767	\$36,077,272
Percent increase for added Rx drugs	3.86%	3.86%	3.86%	3.86%	3.86%
Phase-in		0.00%	33.33%	100.00%	100.00%
Total Rx Cost (adults without children)		\$0	\$458,653	\$1,351,802	\$1,391,391
Federal share %		90.00%	90.00%	90.00%	90.00%
Federal share		\$0	\$412,787	\$1,216,621	\$1,252,252
State share		\$0	\$45,865	\$135,180	\$139,139
Overall change in FFS pharmacy		\$0	\$458,653	\$1,351,802	\$1,391,391
Weighted avg pharmacy rebate percent		14.22%	14.22%	14.22%	14.22%
Total Rx Rebates (adults without children)		\$0	(\$65,230)	(\$192,255)	(\$197,885)
Federal share %		90.00%	90.00%	90.00%	90.00%
Federal share		\$0	(\$58,707)	(\$173,029)	(\$178,096)
State share		\$0	(\$6,523)	(\$19,225)	(\$19,788)
Other MA					
Other MA % base	34%				
Base increase other MA	\$548,247				

Total FFS pharmacy costs	\$153,276,312	\$176,379,770	\$189,695,181	\$198,240,981	\$208,972,398
Percent increase for added Rx drugs	0.36%	0.36%	0.36%	0.36%	0.36%
Phase-in		0.00%	33.33%	100.00%	100.00%
Total Rx Cost (other MA)		\$0	\$226,171	\$709,079	\$747,464
Federal share %		56.20%	50.79%	50.79%	50.79%
Federal share		\$0	\$114,872	\$360,141	\$379,637
State share		\$0	\$111,299	\$348,938	\$367,827
Overall change in FFS pharmacy		\$0	\$226,171	\$709,079	\$747,464
Weighted avg pharmacy rebate percent		14.22%	14.22%	14.22%	14.22%
Total Rx Rebates (other MA)		\$0	(\$32,166)	(\$100,846)	(\$106,305)
Federal share %		56.20%	50.79%	50.79%	50.79%
Federal share		\$0	(\$16,337)	(\$51,220)	(\$53,992)
State share		\$0	(\$15,829)	(\$49,626)	(\$52,313)
Fiscal Summary (State Share)		FY 2022	FY 2023	FY 2024	FY 2025
Total Pharmacy Cost		\$0	\$157,164	\$484,118	\$506,966
Total Pharmacy Rebates		\$0	(\$22,352)	(\$68,852)	(\$72,101)
Total MA State share		\$0	\$134,812	\$415,266	\$434,865

Summary

Fiscal Tracking Summary (\$000's)						
Fund	BACT	Description	FY2022	FY2023	FY2024	FY2025
GF	33AD	MA Grants	0	39	115	119
GF	33FC	MA Grants	0	95	299	316
GF	13	HCA Admin - FTEs (0,1.5,1.5,1.5)	0	160	183	183
GF	11	OPS Admin - FTEs (0,2,2,2)	0	209	239	239
GF	11	OPS Admin	0	7	26	26
GF	REV1	FFP@32% (FTEs only)	0	(120)	(143)	(143)
		Total Net Fiscal Impact	0	390	719	740
		Full Time Equivalents		3.5	3.5	3.5

Long-Term Fiscal Considerations

Changes are ongoing.

Local Fiscal Impact

References/Sources

DHS February 2022 Forecast

Agency Contact: Elyse Bailey, 651-402-7046

Agency Fiscal Note Coordinator Signature: Elyse Bailey

Phone: 651-431-2932

Date: 3/22/2022 5:30:34 PM

Email: elyse.bailey@state.mn.us