Fiscal Estimate - 2015 Session

[X] Original [ ] Updated [ ] Corrected [ ] Supplemental

LRB Number **15-2675/2**	Introduction Number **AB-0311**

Description
Billing the Medical Assistance program for prescription drugs by certain entities

Fiscal Effect

State:

- [ ] No State Fiscal Effect
- [ ] Indeterminate
  - [ ] Increase Existing Appropriations
  - [ ] Decrease Existing Appropriations
  - [ ] Create New Appropriations
  - [ ] Increase Existing Revenues
  - [ ] Decrease Existing Revenues
  - [ ] Increase Costs - May be possible to absorb within agency's budget [ ] Yes [ ] No
  - [X] Decrease Costs

Local:

- [ ] No Local Government Costs
- [ ] Indeterminate
  1. [ ] Increase Costs [ ] Permissive [ ] Mandatory
  2. [ ] Decrease Costs [ ] Permissive [ ] Mandatory
  3. [ ] Increase Revenue [ ] Permissive [ ] Mandatory
  4. [ ] Decrease Revenue [ ] Permissive [ ] Mandatory
  5. Types of Local Government Units Affected
     [ ] Towns [ ] Village [ ] Cities
     [ ] Counties [ ] Others
     [ ] School Districts [ ] WTCS Districts

Fund Sources Affected

[X] GPR [X] FED [ ] PRO [ ] PRS [ ] SEG [ ] SEGS

Affected Ch. 20 Appropriations

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Fiscal Estimate Narratives

DHS 9/1/2015

LRB Number **15-2675/2**	Introduction Number **AB-0311**	Estimate Type **Original**
Description Billing the Medical Assistance program for prescription drugs by certain entities		

Assumptions Used in Arriving at Fiscal Estimate

Federal law provides to certain entities the ability to purchase outpatient prescription drugs at a reduced cost under what is typically referred to as the 340B program. Entities that are eligible to participate in the 340B program include Disproportionate Share Hospitals, Children's Hospitals, Critical Access Hospitals, Federally Qualified Health Care Clinics, HIV clinics and Family Planning Clinics. In the federal law there are two sections that bring in Family Planning Clinics into the 340B program. First, there is a reference to family planning clinics that receive Title X grants. A family planning clinic that receives Title X grants, however does not have to participate in the 340B program. In Wisconsin, clinics providing Title X funded services that are participating in the 340B program are:
(1) Planned Parenthood clinics:
(2) First Choice Women's Health Center clinics; and
(3) Options in Reproductive Care clinics.
The federal law also allows family planning clinics that receive Centers for Disease Control and Prevention (CDC) grants for sexually transmitted disease (STD) services to also participate in the 340B program. In Wisconsin, there are 33 STD grantee recipients, including 18 county or city-operated family planning clinics, that are currently participating in the 340B program.

The Bill would require a family planning clinic that receives either Title X grants or STD grants and participate in the 340B program, when billing for prescription drugs for Medicaid recipients, to bill its actual acquisition cost for Medicaid and the dispensing fee permitted under Medicaid. There are several difficulties in projecting the impact of this requirement. First, family planning clinics do not have to participate in the 340B program, so they could choose to end participation. It may be more cost effective for the clinic to end provision of prescription drugs, and simply choose to issue a prescription for the drug rather than providing in-house, although for prescription drugs administered by a physician, it may be difficult to not have an inventory of the drugs on hand. A second alternative for the clinic is to retain an inventory of drugs, but simply not participate in the 340B program. Under this approach, the clinic would still continue to receive the regular Medicaid reimbursement, but its acquisition cost would increase. However, for pharmacies in general the acquisition cost is less than the Medicaid reimbursement rate. The Medicaid program would still have some savings if the clinic operated a pharmacy. By ending participation in the 340B program, the Medicaid program would be able to obtain manufacturer rebates for the drugs which is not allowed for drugs purchased in the 340B program.

A second difficulty in estimating the impact of this Bill is that acquisition drug prices under the 340B program are not readily available. The federal government will not provide a list of these prices due to drug manufacturers' concerns about the release of this information. A June 2005 Congressional Budget Office (CBO) report examined prices for brand-name drugs under selected federal programs, including the 340B program. The report found that in 2003 the 340B ceiling price equaled 51% of the manufacturers' list price, which was the same result found for Medicaid net manufacturer pricing (pricing after manufacturer rebates).

Because of these two difficulties, it is not possible to provide an exact estimate of the impact of this Bill. Prescription drug costs paid under Medicaid to Family Planning Clinics currently participating in the 340B program totaled $6.2 million All Funds (AF) for the first half of CY 2015, which would imply annual expenditures of $12.4 million All Funds (AF). If all of these Family Planning Clinics continued to participate in the 340B program and if is assumed that AF payments will be reduced by 73% based on data available to the Department, this Bill would reduce AF payments by $9.0 million. Since family planning services have a federal matching rate of 90%, state GPR savings would be 10% of this amount or $0.9 million. However, if many of the Family Planning Clinics decided to leave the 340B program, and seek regular Medicaid reimbursement, the savings would be significantly less. In this event, the Medicaid program would be able to claim the manufacturers rebates; therefore the Medicaid program would at least save $0.3 million GPR assuming a 30% rebate rate. The State would be required to provide 90% of the rebates to the federal government.

Of the 51 family planning clinics that would be impacted by this Bill, 18 are county or city family planning clinics. These 18 publically-operated clinics had Medicaid prescription drug expenditures of $544,000 AF in the first half of CY 2015 which implies annual expenditures of $1,088,000 AF. If all of these clinics continue to participate in the 340B program, this Bill would reduce AF payments to these clinics by up to $788,800.

Long-Range Fiscal Implications