

2001 DRAFTING REQUEST**Assembly Amendment (AA-ASA1-SB55)**

Received: 06/21/2001

Received By: kenneda

Wanted: As time permits

Identical to LRB:

For: Spencer Black (608) 266-7521

By/Representing: Susan McMurray

This file may be shown to any legislator: NO

Drafter: kenneda

May Contact:

Addl. Drafters:

Subject: Public Assistance - med. assist.

Extra Copies: ISR

Submit via email: YES

Requester's email: Rep.Black@legis.state.wi.us

Pre Topic:

No specific pre topic given

Topic:

MA pharmacist reimbursement rate

Instructions:

See Attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/1	kenneda 06/24/2001	wjackson 06/25/2001	rschluet 06/27/2001	_____	lrb_docadmin 06/27/2001	lrb_docadmin 06/27/2001	

FE Sent For:

<END>

2001 DRAFTING REQUEST

Assembly Amendment (AA-ASA1-SB55)

Received: 06/21/2001

Received By: kenneda

Wanted: As time permits

Identical to LRB:

For: Spencer Black (608) 266-7521

By/Representing: Susan McMurray

This file may be shown to any legislator: NO

Drafter: kenneda

May Contact:

Addl. Drafters:

Subject: Public Assistance - med. assist.

Extra Copies: ISR

Submit via email: YES

Requester's email: Rep.Black@legis.state.wi.us

Pre Topic:

No specific pre topic given

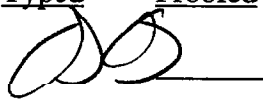
Topic:

MA pharmacist reimbursement rate

Instructions:

See Attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
1?	kenneda	1 wlj 6/25					
			6-27-1				

FE Sent For:

<END>

Bureau/Concurs

LRB #:

Assembly Democrat Budget Amendment Requests

Request Number: 48
(not LRB number)

48

Agency: DHFS-MA

Description: Pharmacy reimbursement rates

Attachments:

Cost (if known):

Contact person: Susan McMurray, 266-7521, Representative Black's Office

reject JFC action on MA reimbursement rates for pharmacists. Restore current law reimbursement rates - of 10%.

DAK

From Susan McMurray: no appropriation decrease for this provision; is on-going

McMurray, Susan

From: Lorentz, Daniel
Sent: Wednesday, June 20, 2001 11:28 AM
To: McMurray, Susan
Subject: pharmacy reimbursement rates

Susan-

Here's one assignment...Let me know if you need more than this....Am now working on tobacco motion...Any others?

Background:

Gov. proposed reducing the MA reimbursement rates DHFS pays to pharmacies for prescription drugs by using this formula: an average wholesale price (AWP) minus 15%.

JFC modified the formula to this: AWP minus 12.5%

Current law is: AWP minus 10%.

Proposed amendment: Maintain current law. Refer to LFB paper 474. Option 5. (Tuesday, June 5)

Assembly Democrat Budget Amendment Requests

Request Number: 28
(not LRB number)

Agency: DHFS

Description: MA Reimbursement Rate: Return to 15% *for Pharmacists*

Attachments:

Cost (if known): \$7 mill

Contact person: Susan McMurray, 266-7521, Representative Black's Office

June 7, 2001

TO: Members of the Wisconsin State Legislature

FROM: Tom Engels, Director of Government Affairs, Pharmacy Society of Wisconsin

RE: JFC decision to reduce Medicaid program pharmacy provider rates

The Pharmacy Society of Wisconsin strongly objects to the decision of the Joint Finance Committee to reduce pharmacy provider rates in the Medicaid program. It is critical to restore the funding in order to maintain the integrity of the program and statewide provider participation.

PSW is further concerned that unless the rate reduction is removed, other state funded health care programs will also be hurt. The HIRSP program and the proposals to create a low-income senior pharmacy benefit use the Medicaid rates as the rates for those programs as well. Therefore, reduction of the Medicaid rate also unfairly penalizes pharmacy providers in those programs.

The following points illustrate the inequity in any reduction to the current Medicaid reimbursement formula:

- According to the legislative fiscal bureau, the current Medicaid pharmacy reimbursement is an 18% discount off a pharmacy's usual and customary rate.
- DHFS is currently completing a cost of dispensing study. A preliminary survey showed that the average cost of dispensing ranged from \$7.02 to \$9.31. The regular Medicaid dispensing fee is \$4.38.
- The JFC decision to reduce the Medicaid pharmacy reimbursement formula from AWP-10% plus the dispensing fee to AWP-12.5% plus the dispensing fee would result in an average 20% reduction in realized pharmacy reimbursement.
- Because the JFC motion would create such a large reduction, many pharmacies will not participate in the Medicaid program creating possible access problems for Medicaid recipients.
- In addition, the HIRSP program and each of the proposals to create a low-income senior pharmacy benefit use the Medicaid reimbursement formula as the basis for provider rates in those programs. Therefore, any reduction in the Medicaid rate will negatively impact those programs as well.
- Because the Medicaid program draws 59% federal matching funds, the resulting loss in pharmacy reimbursement is more than twice the GPR reduction in the budget.
- Pharmacy rates have not increased in a decade. It is both unjust and unworkable to reduce pharmacy rates in order to balance the state budget. Such action unfairly penalizes pharmacy providers for increased Medicaid spending on prescription drugs. Pharmacies do not control prescription drug prices and should not be the target of the state's cost containment effort.
- Wisconsin pharmacists have provided valuable health care advice and related services to Medicaid recipients, often at no charge. The legislative and state administration should seek strategies to reward pharmacy providers for their service—not disenfranchise them.

limit MA coverage to prescription drugs only. Specify that the project would include the following provisions.

Eligibility. Specify that individuals who are at least 65 years of age, who are otherwise ineligible for MA and whose annual household income is no more than 185% of the federal poverty level (FPL), and have been without available prescription drug coverage, other than MA, for 12 months would be eligible for prescription drug coverage under the project. Eligible individuals would be issued a prescription drug card for the purchase of prescription drugs after applying on a form provided by DHFS and after paying a \$25 annual program enrollment fee. Based on the 2001 FPL, annual household income equal to 185% of the FPL would be \$15,892 for one person and \$21,479 for a two-person family.

Deductibles. Specify that, once enrolled in the project, individuals would be required to pay the following deductibles before MA would provide prescription drug coverage on their behalf: (a) no deductible would be required for individuals with annual household income of no more than 110% of the FPL; (b) a \$300 annual deductible would be required for individuals with annual household income above 110% of the FPL but no more than 130% of the FPL; (c) a \$600 annual deductible would be required for individuals with annual household income above 130% of the FPL but no more than 155% of the FPL; and (d) a deductible equivalent to the MA reimbursement rate for each drug purchased would be required for individuals with annual household income above 155% of the FPL. All drugs purchased during the deductible period would be available to the individual at the reimbursement rate paid to pharmacies and pharmacists under MA.

For individuals enrolled in the project with household income above 155% of the FPL, the MA program would not pay a benefit on their behalf. Rather, they would only be eligible to purchase drugs at a discount from the retail price of the drugs purchased. This discount would be equivalent to the difference between the retail value of the drug purchased and the reimbursement rate paid by the MA program.

Currently, the MA reimbursement rate for prescription drugs is equivalent to the estimated acquisition cost (EAC) of the drug, plus a dispensing fee. Generally, the EAC is equivalent to the average wholesale price (AWP), as reported by manufacturers, minus 10% for brand name and not-readily available drugs, or the maximum allowable cost for readily-available generic drugs. On average, this reimbursement rate is equal to approximately 77% of a pharmacist's usual and customary charges, or the retail price of the drug.

Under the bill, the calculation of the EAC for brand name and not-readily available drugs would be modified to specify that the EAC would be equivalent to AWP minus 15%. The administration estimates that the MA reimbursement rates would average 74% of a pharmacist's usual and customary charges. Therefore, based on the administration's estimates, the value of the MA discount available from retail price would increase from the current 23% average discount to a 26% average discount under the bill. However, the actual discount available for the purchase of drugs during the deductible period would vary, based on the drug purchased.



ASSEMBLY AMENDMENT ,
TO ASSEMBLY SUBSTITUTE AMENDMENT 1,
TO 2001 SENATE BILL 55

1 At the locations indicated, amend the substitute amendment as follows:

2 1. Page 628, line 21: after that line insert:

3 "SECTION 1783d. 49.45 (8g) of the statutes is created to read:

4 49.45 (8g) RATES FOR LEGEND DRUGS. (a) In this subsection:

5 1. "Brand name" has the meaning given in s. 450.12 (1) (a).

6 2. "Generic name" has the meaning given in s. 450.12 (1) (b).

7 (b) The rates of reimbursement for the provision of legend drugs, as specified
8 in s. 49.46 (2) (b) 6. h., shall be the average wholesale price minus 10% for brand name
9 drugs and drugs that the department determines are not readily available, or the
10 maximum allowable cost for readily-available generic name drugs, plus a
11 dispensing fee."

12 (END)