

### Fiscal Estimate - 2023 Session

Original       Updated       Corrected       Supplemental

<b>LRB Number</b> <b>23-4868/1</b>	<b>Introduction Number</b> <b>AB-0687</b>
<b>Description</b> value-based purchasing arrangements under the Medical Assistance program	
<b>Fiscal Effect</b>	
<b>State:</b>	
<input type="checkbox"/> No State Fiscal Effect <input checked="" type="checkbox"/> Indeterminate	
<input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Create New Appropriations	<input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Decrease Existing Revenues <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Decrease Costs
<b>Local:</b>	
<input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate	
1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory
5. Types of Local Government Units Affected <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> 0 <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts	
<b>Fund Sources Affected</b>	
<input checked="" type="checkbox"/> GPR <input checked="" type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS	
<b>Affected Ch. 20 Appropriations</b> s. 20.435 (4)(a), (4)(n), (4)(b), (4)(o), (4)(gm)	
<b>Agency/Prepared By</b> DHS/ Dominic Voehler (608) 267-7148	<b>Authorized Signature</b> Andy Forsaith (608) 266-7684
<b>Date</b> 12/12/2023	

## Fiscal Estimate Narratives

DHS 12/12/2023

LRB Number	23-4868/1	Introduction Number	AB-0687	Estimate Type	Original
<b>Description</b> value-based purchasing arrangements under the Medical Assistance program					

### Assumptions Used in Arriving at Fiscal Estimate

This bill creates 49.45(49r) of the statutes to allow the Department of Health Services (DHS) to enter into value-based purchasing arrangements with drug manufacturers for purposes of the Medicaid program. Under this bill, a value-based purchasing arrangement must have agreed upon metrics and may include rebates, discounts, price reductions, risk sharing, reimbursements, payment deferrals or installment payments, guarantees, shared savings payments, withholds, bonuses, or any other thing of value. The bill authorizes the Department to seek approval from the federal government as necessary to support implementation of value-based purchasing agreements.

Under current law, s. 49.45(49m) authorizes the creation of the Medicaid program's Preferred Drug List (PDL) and provides authority for prescription drug cost controls, which currently includes supplemental rebate agreements for prescription drugs.

The intent of a value-based purchasing agreement is to improve access to prescription drugs for Medicaid members, while providing a payment arrangement in which the drug manufacturer has an interest in assuring positive patient outcomes for the use of its prescription drug. By tying agreed upon outcome metrics to the incentives that affect the prescription drug price, value-based purchasing agreements intend to improve patient outcomes, which may eventually lead to reduced Medicaid costs due to better controlled chronic conditions and diseases. However, estimating the impacts of potential future value-based purchasing arrangements on the Medicaid program is not possible. Therefore, the fiscal impact of this bill on Medicaid benefit costs is indeterminate.

The Department would need additional staff to support implementation of value-based purchasing agreements. Based on the experience of other states that implemented value-based purchasing agreements, the Department estimates a need for 6.5 FTE for a total cost of \$974,200 All Funds (\$487,100 GPR) in the first year and \$954,400 All Funds (\$477,200 GPR) annually in subsequent years.

### Long-Range Fiscal Implications