MARY FELZKOWSKI

STATE SENATOR • 12TH SENATE DISTRICT

Testimony on SB 672
December 7, 2023
Senate Committee on Health

Chair Cabral-Guevara and Members of the Senate Committee on Health:

Thank you for this opportunity to provide testimony on Senate Bill 672, which would allow the Wisconsin Department of Health Services (DHS) the opportunity to enter into value-based purchasing agreements with drug manufacturers for purposes relating to the Medicaid program.

As our medical treatments continue to advance, it's opened up the door to a wide array of medical solutions – especially when dealing with rare diseases. Unfortunately, due to such small rare disease patient populations, the cost for these treatments are extremely high.

This bill would allow DHS to enter into value-based purchasing agreements with drug manufacturers, ensuring that the cost of the treatment is based on the value it provides to the patient. This is done through agreed upon metrics between DHS and the manufacturer, stating what bench marks need to be met in order to receive full payment.

These value-based purchasing agreements will add a reasonable and responsible assurance that patients will see the results expected from high-cost treatments.

It is extremely important to note that this bill allows DHS to enter into a value-based purchasing agreement, but does not require them to. Likewise, manufacturers have the option to enter into a value-based purchasing agreement, but are not required to.

Thank you again for this opportunity to provide testimony on SB 672, I will now turn it over to my co-author, Representative Schutt.

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ELLEN SCHUTT
STATE REPRESENTATIVE • 31ST ASSEMBLY DISTRICT

Testimony in Support of Senate Bill 672

Senate Committee on Health

December 7, 2023

Thank you Chairwoman Cabral-Guevara and committee members for hearing Senate Bill 672 today. This legislation would allow the Department of Health Services (DHS) to enter into a value-based purchasing agreement with a drug manufacturer for purposes of the Medical Assistance program.

As advancements in medical treatments progress, we are presented with the chance to address the healthcare requirements of Wisconsinites more effectively, particularly concerning rare diseases. Regrettably, a major challenge in developing new treatments for these conditions lies in the limited number of individuals who would benefit from them. These smaller populations lead to increased expenses and place a financial strain on the taxpayer-supported Medical Assistance program.

This legislation would pave the way for numerous new treatments, with a condition that the state will solely cover the expenses for treatments that demonstrate effectiveness. This determination will be based on specific metrics outlined in the value-based purchasing agreement between DHS and the drug manufacturer.

Although the bill grants DHS the option to engage in a value-based purchasing agreement, it does not mandate. Additionally, the bill does not impose any obligation on drug manufacturers to enter into a value-based purchasing agreement with DHS.

A value-based purchasing agreement could include rebates, discounts, price reductions, risk sharing, reimbursements, payment deferrals or installment payments, guarantees, shared savings payments, withholds, bonuses, or any other amount of value.

For example, imagine a drug manufacturer introduces a new treatment for a rare disease. DHS collaborates with the manufacturer through a value-based purchasing agreement to employ this treatment within the Medical Assistance program. The agreement outlines that if, within a year, patients remain symptomatic despite using the treatment, the state would receive a complete refund. However, if a patient undergoes treatment and remains symptom-free after one year, DHS would not receive any refund and they would pay the full price for a treatment that is effective. This, in turn, would ensure we are spending our tax dollars responsibly, while also keeping Wisconsinites healthy.

Thank you for your consideration of Senate Bill 672. I am happy to answer any questions you may have.

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State of Wisconsin
Department of Health Services
Tony Evers, Governor
Kirsten L. Johnson, Secretary

TO: Members of the Senate Committee on Health

FROM: HJ Waukau, Legislative Director

DATE: December 7, 2023

RE: SB 672 relating to: value-based purchasing arrangements under the Medical Assistance program

The Wisconsin Department of Health Services (DHS) would like to submit written testimony for information only for Senate Bill 672 (SB 672), relating to value-based purchasing arrangements (VBPA) under the Medical Assistance program. SB 672 would allow, but not require, DHS to enter into a VBPA with a drug manufacturer for the purposes of the Medical Assistance program. It would also authorize DHS to submit a state plan amendment (SPA), waiver, or any other federal approval necessary to the Centers for Medicare & Medicaid Services (CMS) to support implementation of a VBPA.

Wis. Stat. § 49.45 (49m) was created to authorize the creation of Medicaid's Preferred Drug List (PDL) and provides authority for prescription drug cost controls, which currently includes supplemental rebate agreements for prescription drugs. Current statute could be interpreted to already allow authority for additional contracting efforts through VBPAs. However, legislation specific to outcomes-based VBPAs would provide explicit authority to begin the first steps in evaluating specific needs for this this type of new contracting. Additionally, successful implementation of a VBPA may reduce program costs for Medicaid. Further, CMS has approved SPAs for VBPAs for other states.

It is worth noting VBPAs are more difficult to set up and administer than traditional supplemental rebate agreements. DHS also does not currently have existing resources to establish and maintain a VBPA program. States that have implemented VBPAs have established new teams to stand up and maintain VBPAs, negotiate contract terms including patient outcome measures, collect and monitor patient outcomes data, and enforce contractual provisions related to agreed upon patient outcomes. Were DHS to pursue a VBPA as allowed under SB 672 it would have to evaluate its resource capacities.

DHS is happy to offer itself as a resource for the Committee and address any questions it may have.

James Griffin
8007 West Auer Avenue
Milwaukee Wisconsin 53216

Senate Committee on Health Hearing

Re: Testimony in Support of Senate Bill 672 - Authorization of Value-Based Arrangements for Medicaid Programs

I am here today to express my strong support for Senate Bill 672, which proposes the authorization of value-based arrangements. As a person living with sickle cell disease and considering gene therapy for myself, I believe that this legislation is a crucial step forward in ensuring access to innovative and transformative therapies.

Sickle cell disease is a debilitating condition that affects numerous individuals across our state. The advent of gene and cell therapies has brought unprecedented hope to patients like me, promising revolutionary treatments that could potentially be curative. However, the rapid pace of innovation in medicine has outpaced our state's capacity to finance these groundbreaking therapies.

The complexity of developing and gaining federal approval for these therapies often results in significant financial burdens. Senate Bill 672 addresses this challenge by creating a platform for the Department of Health Services and biopharmaceutical manufacturers to enter into value-based arrangements. Importantly, the legislation does not mandate such agreements but provides the flexibility for mutually beneficial contracts between the state and manufacturers.

Value-based arrangements represent a viable solution to mitigate the potential high costs associated with these transformative therapies. By measuring the outcomes of treatments and compensating Medicaid programs accordingly, we introduce a new level of accountability to the pharmaceutical industry.

I appreciate that Senate Bill 672 is a nonpartisan initiative and there is a collective recognition of the urgent need to address the financial challenges posed by these advanced therapies.

Living with sickle cell disease, I understand the importance of timely access to innovative treatments. This legislation provides a forward-looking approach to accommodate the evolving landscape of gene and cell therapies. It is our responsibility to ensure that individuals with rare diseases, such as sickle cell disease, have access to the most advanced and effective treatments available.

I urge you to support Senate Bill 672 and advocate for its passage. By doing so, you contribute to the well-being of individuals like me who are eagerly anticipating the benefits of these groundbreaking therapies. Thank you for your attention to this critical matter, and I look forward to witnessing positive changes for patients across our state.

RARE READY

A GENETIC CONDITION COALITION

December 6, 2023

Dear Senator Carpenter,

The organizations above offer enthusiastic support for S.B. 672, introduced by Sen. Felzkowski and co-sponsored by Sen. Ballweg. The bill allows the state of Wisconsin - through its Department of Health Services - to enter into value-based agreements with drug manufacturers to improve patients' access to innovative therapies. We urge you to lend your support by co-sponsoring S.B. 672, supporting it the Senate Health Committee, or voting for it when it reaches the floor.

Under value-based purchasing agreements (VBPs), payment for innovative treatments, like gene therapies, is based on patient outcomes. If a patient does not respond or stops responding to the therapy sold under a VBP, the drug manufacturer will provide a full or partial refund to the state payer. This payment system improves patients' access to innovative therapies and saves the state money by only paying for drugs that actually work.

VBP agreements hold drug manufacturers accountable for the efficacy of their drugs and support patient access to innovative therapies without restrictions or delays.

Thank you for your consideration. Your support will help patients living with rare or complex diseases get access to the innovative care they need and deserve.

Sincerely,

Members of the Rare & Ready Coalition

Kari Lato
W1402 Valley View Court
Ixonia, WI 53036
608-577-5105

Good morning, Senators. My name is Kari Lato, I live in Ixonia with my husband, Chris. Some of you may know Chris. He used to be a reporter here at the State Capitol. He was diagnosed with a rare disease in 2008 and it changed our lives. We both entered the healthcare field, advocating for better care and access to treatments for rare disease patients.

I also oversee the Rare & Ready Coalition. A coalition of 55 non-profit rare disease organizations advocating for state policies, like Senate Bill 672, to make sure that patients with rare conditions can get the care they need. I am here today to speak in favor of Senate Bill 672.

This legislation requires the Department of Health Services to seek a Medicaid State Plan Amendment to allow the State to enter into value-based arrangements with biopharmaceutical manufacturers.

The legislation does NOT require DHS, or a manufacturer, to eventually enter into such agreements. The bill simply creates the platform to authorize such value-based arrangements if the State and biopharmaceutical manufacturers mutually agree on such contracts.

Innovation in medicines is moving faster than our state government. Gene and cell therapies can be transformative for patients. Especially for those with rare diseases like hemophilia and sickle cell disease. The new therapies completely revolutionize treatment for these conditions and may even be curative in some examples.

Yet, states haven't kept up with ways to pay for these transformative therapies. Because of the extreme complexity of the science, these therapies can be expensive to develop and to eventually achieve federal approval. Value-based arrangements can serve as a tool to address the potentially high costs for Medicaid programs while ensuring appropriate access for patients.

Value-based arrangements measure the outcome of the treatments and compensate Medicaid programs if the treatments do not have the expected clinical impact on the patients. This brings new accountability to the industry. Any compensation received by the State would be above and beyond any rebates already received through the Medicaid Drug Rebate Program.

As more of these treatments and gene therapies become available to patients in the next few years, it is time for our state to address how to pay for these therapies.

I am grateful to the sponsors of this bill for bringing this matter to the forefront. We cannot kick the can down the road any longer. Value-based arrangements can help Medicaid programs manage the cost dynamics while allowing patient access to these curative therapies.

Thank you for your time today and I ask you to support Senate Bill 672.