

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 1642 – HB 1996

March 1, 2018

SUMMARY OF BILL: Directs the Division of TennCare (Division) to submit a state plan amendment (SPA) to the Centers for Medicare and Medicaid Services (CMS) that establishes a payment methodology for the reimbursement of blood clotting factors for medical assistance enrollees who are not also enrolled in Medicare.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - \$6,236,000

Increase Federal Expenditures - \$12,028,900

Assumptions:

- The Division can submit an SPA utilizing existing resources without an increased appropriation or reduced reversion. This will include providing required supporting documents to justify a new reimbursement methodology in concordance with the Covered Outpatient Drug Rule that was enacted February 1, 2016.
- Currently, the Division bases reimbursement rates on the average actual acquisition cost (AAAC) of the drug from invoices provided by network providers and a professional dispensing fee (PDF) of \$153.54 which is the average cost for pharmacies to fill a prescription based on a survey submitted by providers statewide.
- The proposed legislation requires the payment methodology to set payment as the average wholesale price (AWP) minus 16 percent.
- Based on information provided by the Division, there were 1,093 claims for blood clotting factors between April 1, 2017, and December 31, 2017, with an average ingredient cost of \$30,341. If the Division uses the new payment methodology, the average ingredient cost will be \$42,877 per claim.
- Of the 1,093 claims, none of the enrollees were dually enrolled in Medicaid and Medicare.
- Assuming a similar amount of claims in FY18-19, annualizing the 1,093 claims would result in 1,457 [(1,093 claims / 9 months) x 12 months] claims. The difference between the current average ingredient cost and the new payment methodology average ingredient cost is \$12,536 (\$42,877 - \$30,341).
- The recurring increase in expenditures is estimated to be \$18,264,952 (1,457 claims x \$12,536). Medicaid expenditures receive matching funds at a rate of 65.858 percent

SB 1642 – HB 1996

federal funds and 34.142 percent state funds. Of this amount, \$6,236,020 (\$18,264,952 x 34.142%) will be state funds and \$12,028,932 (\$18,264,952 x 65.858%) will be federal funds.

IMPACT TO COMMERCE:

Increase Business Revenue - \$18,265,000

Increase Business Expenditures – Less than \$18,265,000

Assumptions:

- Suppliers of blood clotting factors will incur a recurring increase in business revenue estimated to be \$18,264,952.
- It is assumed that any additional business expenditures will be less than business revenues in order to remain solvent and profitable.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

/jem