

Flash

CMS releases technical guidance

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VBP arrangements for drug therapies using multiple prices

What: Technical guidance for states ([Release No. 189](#)) and for manufacturers ([Release No. 116](#)) regarding Value-Based Purchasing (VBP) arrangements for drug therapies using multiple best prices.

Manufacturers will be able to report varying (multiple) “best price” points for a covered outpatient drug to the Medicaid Drug Rebate Program, if associated with a VBP arrangement. Manufacturers will report VBP arrangements to the Centers for Medicare & Medicaid Services (CMS). State Medicaid programs (states) will be notified of these VBP arrangement offerings and will be able to decide if they want to participate in the reported VBP arrangements. These arrangements will consist of additional rebates or price concessions that states may be able to earn based on the drug’s clinical outcomes in Medicaid beneficiaries.

If a state chooses not to participate in a VBP arrangement, and there is no other non-VBP payment arrangement outside of the VBP arrangement, the state will receive the standard Federal URA^[1].

Who: states and manufacturers are impacted

When: beginning July 1, 2022

Why: the guidance is a result of CMS’ finalized new authority published December 31, 2020^[2]

Impact: If a state is considering taking advantage of the multiple best price VBP, there is no financial harm in rebate participation. The rebate amount will not be less than the standard federal rebate. Non-participation will result in a rebate comparable to current amounts.

There are other factors to consider that may have financial impact. Top considerations include ensuring the state has the necessary staff to execute, operate, and evaluate VBP arrangements.

For the full analysis of the CMS guidance, please contact Mickey Morgan at mickey.morgan@mercer.com.

Medicaid pharmacy VBP snapshot

What is value-based purchasing:

CMS defines VBP arrangements as an arrangement or agreement intended to align pricing and/or payments to an observed or expected therapeutic or clinical value in a select population.

A VBP may include, but is not limited to:

- (1) **Evidence-based measures**, which substantially link the cost of a covered outpatient drug to existing evidence of effectiveness and potential value for specific uses of that product; and/or;
- (2) **Outcomes-based measures**, which substantially link payment for the covered outpatient drug to that of the drug’s actual performance in a patient or a population, or a reduction in other medical expenses.

States with VBP arrangements: currently 11^[3]

Common state Medicaid program goals and objectives: better health outcomes and savings

State savings example: Oklahoma reported an overall drug spend of \$705,680,160 with Value-Based Agreement Rebates of \$2,141,098 for Fiscal Year 2021

Benefits

- Provides for a customized rebate construct
- Provides an innovative way to require manufacturers to support positive drug-related outcomes
- Offers an opportunity to evaluate clinically appropriate outcomes not studied in clinical trials

Challenges

- Developing internal operational structure for data gathering and analysis
- Navigating the complexity of unique contracts with multiple manufacturers
- Identifying and collecting clinical outcomes

Important state considerations for a VBP Program

The VBP program means that states must prepare for considerations such as requiring a multi-disciplinary team, an increased level of staff time, meeting the technology requirements, and ensuring annual report submissions to CMS.

MercerRx Government has assisted our state clients in VBP policy and strategy, supplemental rebate agreement review, state plan amendment consultative support and review, and VBP or other program evaluations. If you are interested in learning more about this state experience and outcomes, please contact us for an informal discussion.

Citations/References

¹ At least equal to the greater of AMP multiplied by the applicable percentage (23.1% or 17.1% for exclusively pediatric drugs/clotting factors) or AMP minus the non-VBP best price

² <https://www.federalregister.gov/documents/2020/12/31/2020-28567/medicaid-program-establishing-minimum-standards-in-medicare-state-drug-utilization-review-dur-and>

³ <https://www.medicare.gov/medicaid-chip-program-information/by-topics/prescription-drugs/downloads/xxxsupplemental-rebates-chart-current-qtr.pdf>

For more information regarding Value-based Purchasing, please contact Mickey Morgan mickey.morgan@mercer.com or Shellie Keast shellie.keast@mercer.com.



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