Medicaid and 340B

Special Committee on Federal 340B Drug Program

December 9, 2021

How Medicaid Interacts with the 340B Program

A 1990 federal law requires drug manufacturers to pay a **Mandatory Rebate** for each unit of their product shown in state Medicaid drug utilization claims data. These rebates help to offset the Medicaid program costs.

A 1992 federal law created the 340B Program. Key Medicaid-related provisions:

- If a manufacturer is enrolled in the Medicaid Drug Rebate Program, they are required to offer a discounted sale price for their drug (known as the 340B Ceiling Price) to 340B Covered Entities.

- The 340B law includes a "no double-dipping" rule that prohibits duplicate discounts for the same drug. Manufacturers are prohibited from providing a discounted 340B price <u>and</u> a Medicaid drug rebate for the same drug claim.

- Medicaid states may choose to allow, not allow, or decide when to allow drugs purchased through the 340B Program to be used for their Medicaid beneficiaries. Kansas' Medicaid program currently only allows 340B purchased drugs to be used for physician administered drug claims and Covered Entity-owned pharmacy claims when the provider/facility is appropriately enrolled in the 340B program.

There is no drug copay for KanCare (Medicaid managed care) members, and a copay of $3 for fee-for-service Medicaid patients.

340B's Financial Impact on Kansas Medicaid

We currently exclude 340B Covered Entity-owned pharmacy claims and Physician Administered Drug (PAD) claims from Medicaid rebate invoicing. The impact on Medicaid drug rebates in CY 2020 was as follows:

- Covered Entity-owned pharmacy claims rebate loss: $4.72 million
- PAD claims rebate loss: $3.3 million
- Total CY 2020 rebate loss: approximately **$8 million**, representing about 11% of overall Medicaid drug claims.

If the 340B program is expanded in Kansas in a manner that affects Medicaid, then a portion of the remaining 89% of Medicaid drug claims will no longer be eligible to be claimed for a Medicaid rebate.

- Even a minor decrease in the number of claims eligible to be rebated can lead to a significant fiscal impact. Using CY 2020 data, a 10% decrease to the remaining mandatory rebates would have resulted in a **$21.1** million loss of revenue for that year.
- In addition, the loss of mandatory rebates may also lead to the loss of some Medicaid supplemental rebates, which are offered to states in exchange for the state giving Preferred Drug List preference. In CY 2020, Kansas Medicaid collected $11.6 million in supplemental rebates.

Thank You/Questions