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DVHA ACT 120 UPDATE: SENATE HEALTH AND WELFARE

Legislative Mandate in Act 120

Act 120 of the 2016 session required DVHA to (1) establish a value-based payment methodology for long-acting reversible contraceptives (LARCs) that pursued parity with oral contraceptives and (2) appropriated funds to increase reimbursements for LARCs.

Developing a Methodology

Several factors made creating a value-based reimbursement model for LARCs difficult:

1. DVHA pays for both the product and the service
2. Payment can vary by provider type
3. Payment can vary by site of service
4. 340B Drug Discount Program Participation
5. Drug Rebates
6. Provider contracts

The Value Based Methodology Today

DVHA made two policy choices:

1. Increase reimbursement for the product, not the procedure.
2. Increase reimbursement for the product by 20%.

Result

As enacted in Act 120, DVHA implemented a rate increase for LARC products in the outpatient setting, effective 10/1/2016. The rate increase for LARC will impact providers differently, depending on whether, or not, the provider participates in the 340B Drug Discount Program (drug manufacturers provide outpatient drugs to Medicaid at reduced costs).

1. For providers who **do not** participate in the 340B program:
    - Reimbursement is based on the Medicaid fee schedule.
    - Providers should receive the full 20% increase in rates effective 10/1/16.

2. For providers who **do** participate in the 340B program:
    - A different reimbursement structure exists based on program rules and a contract with DVHA.
    - Due to the program rules and a provider's specific contract, the provider may not realize the full 20% rate increase on the fee schedule.

Examples

Provider Not Participating in 340B Program

Below are the Medicaid rates from the October 2016 fee schedule reflecting the 20% increase.

Billing Code	Product	Previous Medicaid Rate	Increased Medicaid Rate
J7297	Liletta	$679.92	$ 815.90
J7298	Mirena	$679.92	$ 815.90
J7300	Paragard	$598.00	$ 717.60
J7301	Skyla	$650.32	$ 780.38
J7307	Nexaplanon	$624.33	$ 749.19

Provider Participating in 340B Program

340B participants do not receive the standard rates. 340B entities are required (by CMS and HRSA) to bill Medicaid agencies their 340B product acquisition cost, which in most cases is far lower than the fee schedule. The department's policy is to "share savings" back to the 340B entity to encourage participation by providers. Savings are calculated by taking the fee schedule amount (e.g. the most we would have paid a non-340B entity), and subtracting the 340B cost.

All 340B entities, except PPNNE, have a 90/10 shared savings arrangement whereby 90% of the savings goes to the state, and 10% to the entity. In 2014, DVHA negotiated a special contract with PPNNE where they receive 40% of the "shared savings", versus 10%.

As a 340B entity PPNNE is not paid off the fee schedule. While PPNNE is receiving a benefit of the rate increase in the fee schedule it is not receiving the full 20%.

340B EXAMPLE			
	Reimbursement before rate increase	**Reimbursement after rate increase**	% change
DRUG "A" FEE SCHEDULE	**$ 500.00**	**$ 600.00**	20%
340B AAC	**$ 200.00**	**$ 200.00**	0%
"SAVINGS"	**$ 300.00**	**$ 400.00**	33%
60% STATE	**$ 180.00**	**$ 240.00**	33%
40% PPNNE	**$ 120.00**	**$ 160.00**	**33%**
ADMIN FEE	**$ 15.00**	**$ 15.00**	
% Increase for PPNNE		**12%**	
PPNNE PAID TOTAL	**$ 335.00**	**$ 375.00**	**12%**