



STATE OF CONNECTICUT
OFFICE OF POLICY AND MANAGEMENT

*TESTIMONY PRESENTED TO THE HUMAN SERVICES COMMITTEE
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Testimony Supporting House Bill No. 6379

AN ACT IMPLEMENTING THE GOVERNOR'S BUDGET RECOMMENDATIONS CONCERNING
MAXIMIZATION OF PHARMACY REBATES

Senator Doyle, Representative Serra and distinguished members of the Human Services Committee, thank you for the opportunity to offer testimony on House Bill No. 6379, An Act Implementing the Governor's Budget Recommendations Concerning Maximization of Pharmacy Rebates.

The federal Centers for Medicare and Medicaid Services (CMS) clarified last year that the Department of Social Services cannot require pharmaceutical manufacturers to provide rebates on non-formulary drugs under Medicare Part D based on existing federal Medicaid rebate agreements. As a result, the department was forced to return approximately \$3 million in non-formulary rebates. To ensure that DSS could continue to obtain manufacturers' rebates, P.A. 08-1 allowed for the continuation of rebates at the Medicaid level by establishing separate provider agreements with manufacturers similar to the agreements in place under ConnPACE. Based on more recent guidance from CMS, however, DSS is only allowed to require rebates at the Medicaid level for federally qualified state pharmacy assistance programs (i.e., ConnPACE and State Administered General Assistance (SAGA)). Manufacturer rebates for non-federally qualified programs (i.e., HUSKY B and the Charter Oak Health Plan, as well as the portion of the Medicare Part D Supplemental Needs Fund serving persons dually eligible for Medicare and Medicaid) must be at the lower levels stated in this bill.

This bill makes the following changes:

Section 1. This section reflects existing practice and clarifies that DSS may enter into contracts with pharmaceutical manufacturers for supplemental rebates.

Section 2. This section of the bill clarifies the rebate levels that can be required of pharmacy manufacturers under the Medicare Part D Supplemental Needs Fund based on recent guidance provided by CMS.

Section 3. This section is needed to ensure continuation of rebates under DSS' pharmacy carve-out. DSS is responsible for administering the pharmacy benefit under HUSKY A, HUSKY B, SAGA and the Charter Oak Health Plan. Net savings continue to be assumed in the budget based on the expectation that DSS will be able to maximize the level of rebates received from the pharmaceutical manufacturers. For the pharmacy carve-out to be successful, it is critical that this legislation be in place to ensure that manufacturers are required to pay rebates at the levels allowed by the federal government for claims beginning February 1, 2008, which is the effective date of the pharmacy carve-out.

In summary this legislation is required to implement the Governor's budget which is predicated on receipt of these rebates. Without passage of this bill, an estimated \$6.2 million is at risk in FY 09, which includes retroactive periods, and approximately \$2.9 million in FY 10 and \$2.0 million in FY 11 would need to be added to DSS' budget

I would like to again thank the committee for the opportunity to present this written testimony. I respectfully request the Committee support this bill and, as always, my staff and I are available at your convenience to answer any questions you may have about this bill.