



Smart health care purchasing

Issue:

The state is working to increase the value in public health care programs by purchasing quality care at lower cost. This takes smarter purchasing in all areas and will help ensure that Minnesota's programs are sustainable to meet future needs of the state's most vulnerable citizens.

Proposals:

The governor's budget recommendations for DHS includes proposals that relate to smart health care purchasing:

- Savings achieved through contracts negotiated by the Department of Human Services with managed care organizations for 2013. The department negotiated greater savings than previously forecasted based on the caps on managed care rates for public health care programs established in 2011 state law.
- A proposal to standardize reimbursement methodology for prescription drugs purchased by certain safety net providers through the federal 340B drug discount program. Implementing this uniform rate calculation method complies with federal guidelines while offsetting lost rebates that the state cannot collect for drugs purchased through this program. This would take effect Jan. 1, 2014.
- A proposal to lower the cost of diabetic testing supplies by developing a preferred supply list and collecting rebates on preferred products. The proposal will improve program integrity through enhanced utilization management and pharmacy point-of-sale reimbursement. This would take effect Jan. 1, 2014.
- A proposal to reimburse providers for clinic-administered drugs at the state allowable maximum cost. This proposal will ensure that the same reimbursement rate will apply to the same drug regardless of whether it is administered in a clinic or dispensed by a pharmacy. This would take effect July 1, 2013.
- A proposal to recalculate the reimbursement rate Child and Teen Check Ups (C&TC) to ensure public health care programs do not pay claims for vaccines that providers obtain at no cost through the Minnesota Department of Health's Vaccines for Kids program. This would take effect July 1, 2013.

Impact:

These proposals will:

- Increase the value and slow the cost growth in purchasing health care and services under public health care programs.
- Support access to primary care.
- Maximize federal funding.
- Improve program integrity and federal compliance.

Fiscal impact:**Managed care origination contract savings**

- FY 2014: \$58.88 million General Fund savings; \$15.84 million HCAF costs
- FY 2015: \$30.74 million General Fund savings; \$14.63 million HCAF costs
- FY 2016: \$30.74 million General Fund savings; \$14.63 million HCAF costs
- FY 2017: \$30.74 million General Fund savings; \$14.63 million HCAF costs

340B drug reimbursement

- FY 2014: \$1.54 million savings
- FY 2015: \$3.71 million savings
- FY 2016: \$3.75 million savings
- FY 2017: \$3.81 million savings

Supplemental rebates for diabetic test strips

- FY 2014: \$103,000 savings
- FY 2015: \$421,000 savings
- FY 2016: \$421,000 savings
- FY 2017: \$421,000 savings

SMAC for HCPCS drug codes

- FY 2014: \$22,000 savings
- FY 2015: \$25,000 savings
- FY 2016: \$25,000 savings
- FY 2017: \$25,000 savings

Child and Teen Check-up rate change

- FY 2014: \$351,000 savings
- FY 2015: \$590,000 savings
- FY 2016: \$714,000 savings
- FY 2017: \$742,000 savings

Related information:

- Minnesota Management & Budget website: <http://www.mmb.state.mn.us>

DHS Communications: January 2013