



EXECUTIVE OFFICE OF HEALTH AND HUMAN SERVICES
COMMONWEALTH OF MASSACHUSETTS
OFFICE OF MEDICAID
ONE ASHBURTON PLACE, BOSTON, MA 02108



MAURA T. HEALEY
GOVERNOR

KATHLEEN E. WALSH
SECRETARY

KIMBERLEY DRISCOLL
LIEUTENANT GOVERNOR

MIKE LEVINE
ASSISTANT SECRETARY
FOR MASSHEALTH

April 13, 2023

Chair Michael J. Rodrigues
Senate Committee on Ways and Means
State House, Room 212
Boston, MA 02133

Chair Aaron Michlewitz
House Committee on Ways and Means
State House, Room 243
Boston, MA 02133

Chair Cindy F. Friedman
Joint Committee on Health Care Financing
State House, Room 313
Boston, MA 02133

Chair John Lawn, Jr.
Joint Committee on Health Care Financing
State House, Room 236
Boston, MA 02133

Dear Chairs Rodrigues, Michlewitz, Friedman, and Lawn,

Chapter 126 of the Acts of 2022, line item 4000-0300, requires the Executive Office of Health and Human Services to submit a report including the total spending related to pharmaceutical utilization for fiscal year (FY) 2022; estimated spending related to pharmaceutical utilization for FY23; the actual and estimated revenue amounts, both in the form of supplemental rebates and federal financial participation (FFP), received in FY22 and FY23 as a result of total pharmaceutical spending; total or projected savings amounts delivered from supplemental rebate negotiations in FY23; and the relative impact of price and utilization of pharmaceutical drugs added to the MassHealth drug list within FY22 and FY23.

MassHealth has been working to lower drug costs to manage the program's spending while ensuring robust access for members at a time when rising drug prices have driven overall budget growth. With approval from the Legislature, in July 2019, MassHealth received the authority through the FY20 budget to directly and more effectively negotiate with drug manufacturers to come to supplemental and value-based rebate agreements. This has provided MassHealth with effective tools to pursue the best value for the Commonwealth through these agreements. This authority has also dramatically increased the pace at which MassHealth can enter into these agreements. Since receiving authority to negotiate directly with drug manufacturers, MassHealth has signed supplemental rebate contracts on 63 drugs with 22 manufacturers (as of February 28, 2023), including 8 value-based agreements, with a total annual rebate value of approximately \$349 million.¹

¹ Due to the dynamic nature of drug pricing, all rebate values in this report have been calculated compared to a base period of FY Q4 2022 pricing

Direct negotiations have not had any negative impact on consumer access. MassHealth continues to provide its members access to all covered outpatient drugs approved by the Food and Drug Administration (FDA), regardless of whether the manufacturer signs a supplemental rebate agreement with MassHealth. Supplemental rebate agreements are negotiated to determine a drug's positioning within the MassHealth formulary, not coverage of the drug for MassHealth members.

In FY22, MassHealth spent \$2.5 billion on pharmaceuticals before rebates and Federal Financial Participation (FFP). MassHealth received \$1.5 billion in total rebates. The actual spend for FY22 is consistent with the estimated spend and rebate collection, as well as FFP projected in the previous report.

In FY23, MassHealth estimates it will spend \$2.7 billion on pharmaceutical utilization before rebates and FFP. MassHealth estimates it will receive about \$1.6 billion in total pharmaceutical rebates. The growth in pharmacy spend is driven by an increase in membership and increased utilization of high-cost drugs.

Aggregate FFP was 68.6% for FY22 and is expected to be 68% for FY23.

In FY22, 210 drugs were added to the MassHealth Drug List (MHDL) and, to date in FY23, 41 drugs were added to the MHDL. MassHealth spent approximately \$17.5 million in FY22 on these 210 drugs and estimates \$14 million annualized for FY23 on these 251 new drugs, based on data through February 2023. The addition of a new pharmaceutical drug to the MHDL typically has a delayed fiscal impact because initial utilization is often very low for the first few quarters a drug is available.

Thank you for your continued support of the MassHealth program. Please feel free to contact Sarah Nordberg at Sarah.Nordberg@mass.gov should you have any questions about this report.

Sincerely,

A handwritten signature in black ink that reads "Mike Levine". The signature is fluid and cursive, with the first name "Mike" and last name "Levine" clearly distinguishable.

Mike Levine

cc: Kathleen E. Walsh