



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



MAURA T. HEALEY
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MIKE LEVINE
ASSISTANT SECRETARY
FOR MASSHEALTH

June 20, 2024

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,

Chapter 28 of the Acts of 2023 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) 2023; estimated spending related to pharmaceutical utilization for FY24; the actual and estimated revenue amounts, both in the form of supplemental rebates and federal financial participation (FFP), received in FY23 and FY24 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 FY23 and FY24.

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.

As of February 29, 2024, MassHealth has active supplemental rebate contracts on 65 drugs with 23 manufacturers, including 8 value-based agreements, with a total annual rebate value of approximately \$388 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 Q4 FY2023 pricing. It is anticipated that the total annual rebate value may be higher when compared to CY2024 pricing; however, this is unavailable at the time of this report. This pricing will be reflected in the October 2024 legislative report.

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 FY23, MassHealth spent \$2.7 billion on pharmaceuticals before rebates and Federal Financial Participation (FFP). MassHealth received \$1.66 billion in total rebates. The actual spend for FY23 is consistent with the estimated spend and rebate collection, as well as FFP projected in the previous report.

In FY24, MassHealth estimates it will spend \$2.9 billion on pharmaceutical utilization before rebates and FFP. MassHealth estimates it will receive about \$1.76 billion in total pharmaceutical rebates. The growth in pharmacy spend is driven by an increased utilization of high-cost drugs.

Aggregate FFP, not inclusive of temporary enhanced FFP related to COVID-19, was 64% for FY23 and is expected to be 64% for FY24.

In FY23, 100 drugs were added to the MassHealth Drug List (MHDL) and, to date in FY24, 74 drugs were added to the MHDL. MassHealth spent approximately \$15.5 million in FY23 on these 100 drugs and estimates \$35.4 million for FY24 on these 174 drugs, based on data through January 2024. 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 written in a cursive, flowing style.

Mike Levine

Cc: Kathleen E. Walsh