

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 2112 - HB 2379

March 2, 2018

SUMMARY OF BILL: Prohibits the Division of TennCare (Division) from providing coverage for any drug containing oxycodone on any preferred drug list or formulary that it maintains for the medical assistance program. Requires the Division, if oxycodone is a component of a drug on a formulary or preferred drug list maintained by the Division on the effective date of this act, to remove that drug from the formulary or preferred drug list within ninety (90) days.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - \$250,309,900

Decrease Federal Expenditures – Net Impact – \$250,309,900

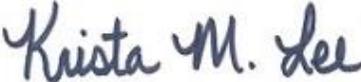
Assumptions:

- The proposed legislation is inconsistent with the Medicaid Drug Rebate Program authorized by Section 1927 of the Social Security Act and would be in direct violation of the federal statute.
- The Program requires the Division to provide coverage for FDA-approved medications where the manufacturer has a national rebate agreement with the U.S. Department of Health and Human Services. Failure to include all rebateable drugs on TennCare's formulary would jeopardize federal rebates for all rebateable drugs on the formulary.
- In FY16-17, total federal rebates were equal to \$733,143,611. This number is assumed to remain constant into perpetuity under current law.
- Qualifying Medicaid expenditures in FY18-19 receive matching funds at a rate of 65.858 percent federal funds to 34.142 percent state funds.
- Assuming that such federal rebates are denied as a result of the proposed legislation, the state and federal expenditures would have to increase to fund pharmacy expenses currently funded by such rebates.
- The recurring increase in state expenditures is estimated to be \$250,309,892 ($\$733,143,611 \times 34.142\%$); the recurring increase in federal expenditures are estimated to be \$482,833,719 ($\$733,143,611 \times 65.858\%$).
- The net decrease in federal expenditures is estimated to be \$250,309,892 ($\$733,143,611 - \$482,833,719$).

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CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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