

December 18, 2018

To: 2018 HB 4005 Rulemaking Advisory Committee
Mr. Jesse Ellis O'Brien
2018 HB 4005 RAC Members
Sent by Email to: Jesse.E.O'Brien@Oregon.gov

From: Robert Judge, Director of Pharmacy Services, Moda Health

Subject: HB 4005 Rulemaking Advisory Committee Health Insurer Reporting Requirements RFI

Dear Mr. O'Brien and members of HB 4005 RAC,

This letter is in response to your solicitation concerning additional information regarding the lag time related to rebate payment from manufacturers. While we are unable to furnish a detailed analysis that addresses all the questions asked in your letter dated December 4, 2018, Moda Health can offer the following observations as anecdotal information.

1. Generally rebates are billed to manufacturers at the conclusion of each quarter and reflect the claims experience therein. Manufacturers typically require billing to be submitted within 60 days from the close of each quarter. In theory, this means that a rebate for a claim filled on the first day of a quarter will not be submitted to a manufacturer for rebate until 5 months after the claim was dispensed.
2. Manufacturers remit payment for billed rebates at different frequencies and not all product rebates from the same manufacturer are remitted at the same time. The Medicaid National Drug Rebate Agreement (NDRA) requires manufacturers to remit payment for billed rebates within 30 days after receiving a correct quarterly invoice. However, unlike with Medicaid, there is no set cycle for when manufacturers must begin remitting payment for billed rebates for other lines of business. Across our book of business in 2017, the timing for manufacturers to begin payment on billed rebates varied ranging from 2 to 3 quarters after billing. This means that payment on rebates averaged between 12 and 15 months from when the claim was filled.
3. Finally, not all rebates that are billed are paid by a manufacturer. Manufacturers pay rebates retrospectively after validating that each billed claim meets criteria established and maintained by the manufacturer. Depending on determinations made by the manufacturer concerning the extent to which targets are attained or exceeded, rebate payment are made. A high level review of paid rebates relative to billed rebates for the same incurred periods indicates that for the period that was evaluated we were remitted between 85%-95% of the billed rebate amount.

As result of the above, we would urge DCBS to consider both the time lag between when an expense for a claim is incurred and when payment flows, and the fact that not all billed rebates are ultimately paid by

2018 HB 4005 Rulemaking Advisory Committee
HB 4005 Rulemaking Advisory Committee Health Insurer Reporting Requirements RFI
December 18, 2018

Page 2

a manufacturer as significant factors that impact consideration of including rebates in the insurer reporting requirements for HB 4005.

Thank you for your consideration of these changes and clarifications.

Sincerely,

A handwritten signature in black ink, appearing to read "R. Ludge". The signature is fluid and cursive, with the first name "Robert" and last name "Ludge" clearly visible.

Robert Ludge
Director of Pharmacy Services
Moda Health