



## **Sovereign States Drug Consortium (SSDC) CMS Approved Medicaid Supplemental Drug Rebate Pool**

### **Fact Sheet**

The Sovereign States Drug Consortium (SSDC) is a Medicaid supplemental drug rebate program that allows participating states to pool their prescription utilization numbers to obtain supplemental rebates from pharmaceutical manufacturers.

The SSDC was first authorized by the Centers for Medicare and Medicaid Services (CMS) on July 20, 2006, in the approvals of the supplemental rebate State Medicaid Plan amendments of the first member states, Iowa, Maine, and Vermont. Since then the states of Utah, Wyoming, West Virginia, and Oregon have joined the SSDC and received CMS approval of their plans. The SSDC is the only authorized state-administered Medicaid supplemental drug rebate pool.

States belonging to the SSDC:

- Use Preferred Drug Lists (PDLs) for selected high use, high cost drug classes;
- Promote clinically appropriate alternatives that are the most cost-effective in the individual classes;
- Prefer products that are generics and low cost brands;
- Prefer higher cost brands with high mandatory federal rebates and/or where the drug manufacturers provide financial incentives to have their products preferred;
- Leverage their collective covered lives to negotiate for discounts in drug costs; and
- Collect any incentives from drug manufacturers that are the rebates negotiated based on actual utilization.

#### SSDC Background:

Calendar Year 2005	Iowa, Maine, and Vermont collaborated to establish the SSDC as a vehicle to pool their covered lives to maximize rebate opportunities for the Medicaid programs.
Calendar Year 2006 1 <sup>st</sup> Year of Operation	Iowa, Maine, and Vermont received approval letters from CMS for participation in the SSDC in July of 2006. Due to an expedited time frame to execute the first agreements, the SSDC opted to use Goold Health Systems (GHS), the pharmacy benefit administrator (PBA) for Iowa and Maine, for rebate bid solicitation services.
Calendar Year 2007 2 <sup>nd</sup> Year of Operation	The SSDC continued to use GHS for its second year of operation.

Calendar Year 2008 3 <sup>rd</sup> Year of Operation	The SSDC released a RFP on behalf of all participating states to competitively procure a contractor for the sole purpose of providing Medicaid supplemental drug rebate bid solicitation services on behalf of the SSDC. The SSDC chose GHS for the contract period of September 1, 2007 through July 31, 2009 (for Bid Calendar Years 2008 and 2009), with an extension option for two additional years. The State of Vermont hosted this contract.  Utah and Wyoming joined the SSDC.
Calendar Year 2009 4 <sup>th</sup> Year of Operation	The SSDC expanded with West Virginia joining in January and Oregon joining in July bringing the membership to 7 states.  The SSDC extended the contract with GHS to July 2011.
Calendar Year 2010 5 <sup>th</sup> Year of Operations	The SSDC developed a RFP on behalf of all participating states to re-procure a Medicaid supplemental drug rebate bid solicitation services contractor for the SSDC.
Calendar Year 2011 6 <sup>th</sup> Year of Operations	The SSDC Medicaid supplemental drug rebate bid solicitation services contract period was changed to begin April 1 and GHS was selected for the contract period of April 1, 2011 through March 31, 2013 (for Bid Calendar Years 2012 and 2013), with an extension option for two additional years. The State of Vermont continues to host the contract.

State Administration v. Vendor Administration:

The key element of the SSDC is that any state can participate regardless of how they administer their Medicaid pharmacy benefit, through internal and/or contractual resources. States operate their programs as best meets their needs. Approaches include:

- Self-administering the benefit.
- Procuring support in the administration.
- Leveraging pharmacy benefit administration to include other services and opportunities; for example, disease management, specialty pharmacy, clinical collaboration, etc.
- Delegating major aspects to contractors, in whole or in part.

Key difference in rebate pools:

- **Vendor/Contractor** administered pools are “owned” by the vendor/contractors.
  - The vendor sets the terms of pool participation.
  - States interested in a vendor/contractor-managed pool must contract with the vendor to participate.
  - The vendor sets the scope of services provided.
  - A state decision to change pharmacy benefit management approaches or vendors/contractors needs a separate contract to participate in the vendor/contractor driven pool.
  - Current vendor/contractor approved pools are administered by the same company (Magellan Health Services) and no currently participating state contracts solely for supplemental rebate services.
- **State** administered pools are owned by the states.
  - Terms of pool participation are set by member states.
  - States must use selective collective services related to rebate procurement; for example, data compilation; rebate bid solicitation, presentation, negotiation, and notification services; and general collective administrative functions.

- For all other supplemental rebate related services states, may opt for whatever and whoever they please, whenever they want. Other supplemental rebate related services include rebate bid review and selection, preferred drug list development, clinical development, contract finalization, contract management, preferred drug list management, clinical management, rebate billing, rebate dispute resolution, and rebate collections.
- For all other aspects of pharmacy benefit management states, may opt for whatever and whoever meets their needs, whenever they want.

SFY 2010 Covered Medicaid Lives and Expenditures for current SSDC Member States:

**Eligibles: 1,998,731**

Expenditures: \$1,121,132,082

Additional information for States interested in joining:

- Vermont is the lead state managing and paying for the SSDC's contract services. States agree to share in the cost of these services through a SSDC Member State Memorandum of Understanding (MOU) and pay Vermont for their share. States able to commit to the SSDC MOU may join the SSDC at any time.
- An accretion fee applies when a state first joins the SSDC. This one time fee is currently \$12,000.
- Ongoing costs are effectively the equivalent of annual membership fees and apply against the same period as the rebate bid solicitation services contract for the rebate calendar year the contract supports. For example, fees for rebate calendar year 2012 apply against the April 2011 through March 2012 contract. For rebate calendar year 2012, the fee will not exceed \$20,000 per state.
- States wishing to participate may review additional information available in the SSDC MOU.
- States wishing to participate may request a savings analysis on their utilization data for a nominal fee, based on program size and utilization. If a state then chooses to join the SSDC, that fee is applied to its accretion/membership fees.

Contacts for Interested States:

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