



NC DEPARTMENT OF  
**HEALTH AND  
HUMAN SERVICES**  
Division of Health Benefits

**ROY COOPER** • Governor  
**MANDY COHEN, MD, MPH** • Secretary  
**DAVE RICHARD** • Deputy Secretary, NC Medicaid

MEMORANDUM

TO: Mandy Cohen, MD, MPH  
Secretary

FROM: Dave Richard <sup>DS</sup>  
Deputy Secretary for NC Medicaid

SUBJECT: State Plan Amendment  
Title XIX, Social Security Act  
Transmittal #2021-0012

DATE: June 29, 2021

Please find attached an amendment for North Carolina's State Plan under Title XIX of the Social Security Act for the Medical Assistance Program. The affected page is Attachment 3.1-A.1, page 14c.

This State Plan Amendment change outlines that North Carolina Medicaid permits the inclusion of Value/Outcomes Based Purchasing Rebate Agreements as an additional methodology for collecting supplemental rebates.

Payers have increasingly sought to develop payment policies that emphasize the value of the services provided instead of the quantity. These value-based or outcomes-based purchasing (VBP) strategies tie payment to metrics of patient care and outcomes. NC Medicaid is in the process of deploying VBP in both their fee-for-service and managed care programs in the Outpatient Pharmacy Program and for drugs covered in the Physician's Drug Program relevant to these purchasing agreements. The goal of VBP contracts is to leverage purchasing power and create an agreement where the drug manufacturer is sharing in the risk of the cost of the drug.

This amendment is effective July 1, 2021.

Your approval of this state plan amendment is requested. If you have any questions or concerns, please contact me or Betty J. Staton at 919-527-7093.

**NC MEDICAID**  
**NC DEPARTMENT OF HEALTH AND HUMAN SERVICES • DIVISION OF HEALTH BENEFITS**

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State Plan Under Title XIX of the Social Security Act  
Medical Assistance Program  
State: NORTH CAROLINA

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12.a. Prescribed Drugs (continued)

- (4) DESI drugs and any identical, similar or related products or combinations of these products are not covered.
- (5) Supplemental Medicaid Drug Rebate Agreements

A rebate agreement between the State and a drug manufacturer for drugs provided to the Medicaid population, submitted to CMS on December 30, 2009 and entitled, "State of North Carolina Magellan Medicaid Administration\_National Medicaid Pooling Initiative (NMPI)," has been authorized by CMS.

The State assures compliance with Section 1927 of the Social Security Act. Drugs of federal rebate participating manufacturers are covered. Policies for the supplemental rebate program for Medicaid beneficiaries are as follows:

- a) Supplemental rebates received by the State in excess of those required under the national drug rebate agreement will be shared with the Federal government on the same percentage basis as applied under the national rebate agreement.
- b) Supplemental rebates are for the Medicaid population only and will be collected from manufacturers based on drug utilization for both fee-for-service and managed care plan participants.
- c) The State will be negotiating supplemental rebates in addition to the federal rebates provided for in Title XIX. Rebate agreements between the State and a pharmaceutical manufacturer will be separate from the federal rebates.
- d) All drugs covered by the program, irrespective of placement on the recommended drug list, will comply with the provisions of the national drug rebate agreement.
- e) The State is in compliance with reporting requirements for utilization and restrictions to coverage. Pharmaceutical manufacturers may audit utilization data. The unit rebate amount is confidential and cannot be disclosed for purposes other than rebate invoicing and verification.
- f) Participation in the Magellan Medicaid Administration\_National Medicaid Pooling Initiative (NMPI) will not limit the State's ability to negotiate state-specific supplemental rebate agreements for specific drug classes that are not part of the NMPI. These agreements must be authorized by CMS.
- g) The State may enter into value/outcomes-based contracts with manufacturers. The contracts will be executed on the model agreement or contract titled "Value-Based Supplemental Rebate Agreement" approved by the Centers for Medicaid and Medicare Services (CMS). The Value-Based Supplemental Rebate Agreement will apply to the drug benefit for both the fee-for-service and those paid by contracted managed care organizations (MCOs).