**Supporting Statement Part A**

**Medicaid Drug Rebate Program (MDRP):**

**Quarterly State Invoice (CMS-R-144)**

**State Agency Contact Form (CMS-368)**

**OMB 0938-0582**

**Background**

Section 1927 of the Social Security Act (the Act) requires drug manufacturers to enter into and have in effect a national rebate agreement with the Federal Government for States to receive funding for prescription drugs dispensed to Medicaid recipients. For purposes of this legislation, a drug manufacturer is defined as an entity holding legal title to the National Drug Code (NDC) number for a prescription drug, nonprescription drug or biological product.

To receive a rebate on the drugs dispensed to Medicaid recipients, States are required to submit quarterly utilization data reports to drug manufacturers that have national rebate agreements with the Federal Government. In addition, a copy of these reports must also be submitted to the Centers for Medicare & Medicaid Services (CMS). In turn, States are required to refund the Federal share of all Medicaid drug rebates they collect by reporting such rebates on a quarterly Medicaid expenditure report for the quarter in which the rebate was received.

This 2020 information collection request is associated with our June 19, 2020, proposed rule (CMS-2482-P, RIN 0938-AT82). The rule proposes to revise § 447.511(b) whereby states, territories, and the District of Columbia would be required to ensure, by certification, that the quarterly rebate invoices sent to manufacturers that participate in the MDRP no later than 60 days after the end of each rebate period via CMS-R-144 (Quarterly Medicaid Drug Rebate Invoice), mirrors the data sent to us. This rule would not impose any changes to the CMS-R-144 form.

Under proposed § 447.511(d) states would be required to certify that their SDUD meets the requirements specified under proposed § 447.511(e) via a certification statement. We believe the certification would not impose a significant burden as we will provide systems access to state certifiers to log in once per quarter to certify their SDUD report. Certifiers would have to apply for a CMS user ID and password, and keep current with required annual computer-based training, as current state staff with access to our systems must do. To comply with the proposed certification requirements, States must already have system edits in place to find and correct SDUD outliers prior to reporting to manufacturers and CMS.

Form CMS 368 is a report of contact for the State to name the individuals involved in the Medicaid Drug Rebate Program (MDRP) and the Drug Utilization Review (DUR) Program, and is required only in those instances where a change to the originally submitted data is necessary. The ability to require the reporting of any changes to these data is necessary to the efficient operation of these programs. We are not proposing any changes to the CMS-368 form.

The form CMS-R-144 is required from States quarterly to report utilization for any drugs paid for during that quarter. As indicated, we are not proposing any changes to the CMS-R-144 form.

1. **Justification**

1. Need and Legal Basis

The authority for requiring States to submit the quarterly data report is found in Section 1927 of the Act. Specifically, Section 1927(a)(1) describes the requirements for rebate agreements and section 1927(b)(2) describes the state’s responsibilities with respect to the drug rebate program. Copies of these portions of the statute are attached, along with copies of the relevant statutory changes included in the Affordable Care Act.

2. Information Users

CMS develops the rebate amount per drug unit from information supplied by the drug manufacturers and distributes these data to the States. States then must report quarterly to the drug manufacturers and to CMS the total number of units of each dosage form/strength of their covered outpatient drugs reimbursed during a quarter and the rebate amount to be refunded. This report is due within 60 days of the end of each calendar quarter. The information in the report is based on claims paid by the State Medicaid agency during a calendar quarter.

3. Use of Information Technology

The States are required to submit their quarterly reports to CMS via Electronic File Transfer (EFT). However, States will determine the vehicle by which they submit the same reports to the drug manufacturers, i.e., electronic media or hard copy. CMS developed a hard copy layout of the required reporting data which contains the same data as that developed for electronic record layout. This layout was agreed upon by the States and CMS for those instances where electronic media is not used for quarterly reporting to drug manufacturers.

4. Duplication of Efforts

This information collection does not duplicate any other effort and the information cannot be obtained from any other source.

5. Small Businesses

This collection of information does not involve small businesses or other small entities.

6. Less Frequent Collection

Section 1927 of the Act requires the quarterly reporting by States of the drug identification and rebate data. Less frequent reporting of these documents would hamper the efficient administration and function of the Medicaid drug rebate program.

7. Special Circumstances

There are no special circumstances that would require an information collection to be conducted in a manner that requires respondents to:

* Report information to the agency more often than quarterly;
* Prepare a written response to a collection of information in fewer than 30 days after receipt of it;
* Submit more than an original and two copies of any document;
* Retain records, other than health, medical, government contract, grant-in-aid, or tax records for more than three years;
* Collect data in connection with a statistical survey that is not designed to produce valid and reliable results that can be generalized to the universe of study,
* Use a statistical data classification that has not been reviewed and approved by OMB;
* Include a pledge of confidentiality that is not supported by authority established in statute or regulation that is not supported by disclosure and data security policies that are consistent with the pledge, or which unnecessarily impedes sharing of data with other agencies for compatible confidential use; or
* Submit proprietary trade secret, or other confidential information unless the agency can demonstrate that it has instituted procedures to protect the information's confidentiality to the extent permitted by law.

8. FR Notice/Outside Consultations

The proposed rule (CMS-2482-P, RIN 0938-AT82) published in the Federal Register on June 19, 2020 (85 FR 37286).

9. Payments/Gifts

There is no provision for any payment or gift to respondents associated with this reporting requirement.

10. Confidentiality

Confidentiality has been assured in accordance with Section 1927(b)(3)(D) of the Act.

11. Sensitive Questions

There are no sensitive questions associated with this collection. Specifically, the collection does not solicit questions of a sensitive nature, such as sexual behavior and attitudes, religious beliefs, and other matters that are commonly considered private.

12. Burden Estimates

*12.1 Wage Estimates*

To derive average costs, we used data from the U.S. Bureau of Labor Statistics’ May 2019 National Occupational Employment and Wage Estimates for all salary estimates (<http://www.bls.gov/oes/current/oes_nat.htm>). In this regard, the following table presents the mean hourly wage, the cost of fringe benefits and overhead (calculated at 100 percent of salary), and the adjusted hourly wage.

Hourly Wage Estimates

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Occupation Title** | **Occupation Code** | **Mean Hourly Wage ($/hr)** | **Fringe Benefits and Overhead ($/hr)** | **Adjusted Hourly Wage ($/hr)** |
| Accountant/Auditor | 13-2011 | 38.23 | 38.23 | 76.46 |
| Chief Executives | 11-1011 | 93.20 | 93.20 | 186.40 |
| Computer System Analyst | 15-1211 | 46.23 | 46.23 | 92.46 |
| General & Operations Manager | 11-1021 | 59.15 | 59.15 | 118.30 |
| Office & Administrative Support Worker | 43-9199 | 18.41 | 18.41 | 36.82 |

As indicated, we are adjusting our employee hourly wage estimates by a factor of 100 percent. This is necessarily a rough adjustment, both because fringe benefits and overhead costs vary significantly from employer to employer, and because methods of estimating these costs vary widely from study to study. Nonetheless, we believe that doubling the hourly wage to estimate total cost is a reasonably accurate estimation method.

*12.2 Collection of Information Requirements and Associated Burden Estimates*

**CMS-R-144 – Quarterly State Invoice**

There are 56 states (including Washington, D.C. and the U.S. Territories) in the rebate program. The majority of the State burden is associated with the quarterly drug utilization reports, in which all State agencies report drug utilization data to drug manufacturers and to CMS. The reports are submitted to CMS via Electronic File Transfer (EFT); however, CMS has no control over the vehicle by which States report to the drug manufacturers. The States and the drug manufacturers agree on a method of data transmission. Some States opt for hard copy reports, while others use magnetic media or other forms of electronic transmission. States that opt to report via hard copy are required to use the format associated with the CMS-R-144.

Under proposed § 447.511(d) states would be required to certify that their SDUD meets the requirements specified under proposed § 447.511(e) via a certification statement. We believe the certification would not impose a significant burden as we will provide systems access to state certifiers to log in once per quarter to certify their SDUD report. Certifiers would have to apply for a CMS user ID and password, and keep current with required annual computer-based training, as current state staff with access to our systems must do. To comply with the proposed certification requirements, States must already have system edits in place to find and correct SDUD outliers prior to reporting to manufacturers and CMS.

The quarterly burden is an average of the time and effort it takes for both types of data transmissions (hardy copy or electronic) and for any updates to state management CMS system access. We estimate a quarterly burden of 5 hours at $76.46/hr for an Accountant/Auditor, 0.5 hours at $186.40/hr for a Chief Executive, 5 hours at $92.46/hr for a Computer Systems Analyst, 4 hours at $118.30/hr for a General Operations Manager, and 40 hours at $36.82/hr for an Office & Administrative Support Worker to submit a quarterly drug utilization report to drug manufacturers and CMS.

This equates to a burden of 54.5 hours per state response at a cost of $2,883.80 [(5 hr x $76.46/hr) + (0.5 hr x $186.40/hr) + (5 hr x $92.46/hr) + (4 hr x $118.30/hr) + (40 hr x $36.82/hr)]. In aggregate we estimate an annual burden of 12,208 hours (56 states x 54.5 hr/response x 4 responses/yr) at a cost of $645,971.20 ($2,883.80 x 56 states x 4 responses/yr).

We also estimate a one-time system ID/password access burden of 280 hours (5 hr x 56 respondents) at a cost of $52,192 (280 hr x $186.40/hr), in order for the State Medicaid Director, Deputy State Medicaid Director, another individual with equivalent authority, or an individual with directly delegated authority from one of the above to obtain current CMS systems access.

Our total annual burden estimate is 12,488 hours (12,208 hr + 280 hr) and $698,163 ($645,971 + $52,192).

*Information Collection Instruments and Instruction/Guidance Documents*

* CMS Form R-144 – Quarterly State Invoice (No changes)

The established invoice format that states use to send rebate invoices (within 60 days of the end of the calendar quarter) to each manufacture Invoice Contact for any rebate- eligible drugs the states paid for during that quarter.

* CMS-R-144 – Record Format (No changes)

Provides the electronic field size listing which must be used if labelers submits the form electronically.

* CMS-R-144 – Data Definitions (No changes)

Provides the corresponding Data Field Definitions to the CMS-R-144 Record Layout.

* Invoice Process Instructions (No changes)

Provides an invoice process overview for states.

**CMS-368 – State Agency Contact Form**

Form CMS-368 is submitted by states on an as-needed basis in order to report changes to previously submitted administrative data (contact persons). We anticipate that only 10 States will need to revise their current administrative data on an as needed basis.

We estimate that it will take 0.5 hours at $36.82/hr for an Office & Administrative Support Worker to report any changes to previously submitted administrative data. This equates to a burden of 0.5 hours per state per response at cost of $18.41 (0.5 hr x $36.82/hr). In aggregate we estimate an annual burden of 5 hours (10 states x 0.5 hr/state) at a cost of $184.10 (5 hr x $36.82/hr).

*Information Collection Instruments and Instruction/Guidance Documents*

* CMS Form 368 – State Agency Contact Form (No changes)

Submitted by states on as as-needed basis in order to report changes to previously submitted administrative data (i.e., contact persons).

*12.3 Summary of Burden Estimates*

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Form** | **Annual Frequency** | **No. Respondents** | **Total Responses** | **Burden per Response (hours)** | **Total Annual Burden (hours)** | **Labor Cost ($/hr)** | **Total Cost ($)** |
| CMS-R-144 | Quarterly | 56 | 224 | 54.5 | 12,208 | Varies\* | 645,971 |
| CMS-R-144 | As Needed | 56 | 56 | 5 | 280 | 186.40 | 52,192 |
| *Subtotal (R-144)* | | *56* | *280* | *Varies* | *12,488* | *Varies* | *698,163* |
| CMS-368 | As Needed | 10 | 10 | 0.5 | 5 | 36.82 | 184 |
| **TOTAL** | | **56** | **290** | **Varies** | **12,493** | **Varies** | **698,347** |

\*See above for details.

13. Capital Costs

There are no capital or start-up costs associated with this information collection because the Medicaid Drug Rebate Program has been in existence since January 1, 1991. States have had their data systems in place for drug rebate data collection since that time.

14. Cost to Federal Government

Per the U.S. Office of Personnel Management (OPM), 2020 General Schedule (GS) Locality Pay Tables (<https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/salary-tables/pdf/2020/DCB_h.pdf>), for the pay area of Washington, DC-Baltimore, MD-Arlington, VA. Quarterly, we estimate it will take a GS-11, Step 1, Health Insurance Specialist, 1 hour at $34.51/hr to update any state contact information, and a GS-13, Step 1, Health Insurance Specialist, 3 hours at $49.19/hr to review any issues with the state utilization data.

This equates to a burden of 4 hours per quarter at a cost of $182.08 [(1 hr x $34.51/hr) + (3 hr x $49.19/hr)]. In aggregate we estimate an annual burden of 16 hours (4 hr x 4 responses/yr) at a cost of $728.32 ($182.08 x 4 responses/yr).

Federal Burden Summary

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Burden Category** | **Burden per Quarter**  **(hours)** | **Total Annual Burden (hours)** | **Hourly labor cost of reporting ($/hr)** | **Total Annual**  **Cost**  **($)** |
| Update State  Contact Information | 1 | 4 | 34.51 | 138.04 |
| Review State Utilization Data | 3 | 12 | 49.19 | 590.28 |
| **Total** | **4** | **16** | **Varies** | **728.32** |

15. Changes to Collection of Information Requirements and Burden

This 2020 information collection request is associated with our June 19, 2020, proposed rule (CMS-2482-P, RIN 0938-AT82).

Under proposed § 447.511(b) states, territories, and the District of Columbia would be required to ensure by certification that the quarterly rebate invoices sent to manufacturers that participate in the MDRP no later than 60 days after the end of each rebate period via CMS-R-144 (Quarterly Medicaid Drug Rebate Invoice), mirrors the data sent to us. This rule would not impose any changes to the CMS-R-144 form.

Under proposed § 447.511(d) states would now be required to certify that their SDUD meets the requirements specified under proposed § 447.511(e) via a certification statement. We believe the certification would not impose a significant burden as we will provide systems access to state certifiers to log in once per quarter to certify their SDUD report. Certifiers would have to apply for a CMS user ID and password, and keep current with required annual computer-based training, as current state staff with access to our systems must do. To comply with the proposed certification requirements, States must already have system edits in place to find and correct SDUD outliers prior to reporting to manufacturers and CMS.

We estimate it would take 5 hours at $186.40/hr for the State Medicaid Director, Deputy State Medicaid Director, another individual with equivalent authority, or an individual with directly delegated authority from one of the above to obtain current CMS systems access. In aggregate we estimate a one-time system ID/password access burden of 280 hours (5 hr x 56 respondents) at a cost of $52,192 (280 hr x $186.40/hr).

We also estimate an additional annual burden of 2 hours (or 30 minutes/quarter) at $186.40/hr for a chief executive to certify such data and to add the state data certification language in their submission. In aggregate we estimate a burden of 112 hours (2 hr x 56 respondents) at a cost of $20,876.80 (112 hr x $186.40/hr).

Our proposed annual burden estimate would add 392 hours (280 hr + 112 hr).

In addition to the changes associated with the proposed rule, we are also updating our cost estimates based on more recent BLS wage figures.

Adjusted Hourly Wages

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Occupation Title** | **Occupation Code** | **Currently Approved**  **($/hr)** | **Proposed**  **($/hr)** | **Difference**  **($/hr)** |
| Accountant/Auditor | 13-2011 | 75.78 | 76.46 | +0.68 |
| Chief Executives | 11-1011 | n/a | 186.40 | n/a |
| Computer System Analyst | 15-1121 | 90.02 | 92.46 | +2.44 |
| General & Operations Manager | 11-1021 | 119.30 | 118.30 | -1.00 |
| Office & Administrative Support Worker | 43-9199 | 36.04 | 36.82 | +0.78 |

Overall, our cost estimate has increased by $82,821 (from $615,526 to $698,347).

16. Publication/Tabulation Dates

There are no plans to publish the information for statistical use.

17. Expiration Date

Both the expiration date and PRA Disclosure Statement are set out on form CMS-368 and form CMS-R-144.

18. Certification Statement

There are no exceptions to the certification statement.

**B. Collections of Information Employing Statistical Methods**

CMS does not intend to collect information employing statistical methods.