

MEDICAID PATHWAYS FOR VALUE-BASED PURCHASING AGREEMENTS (VBPS) FOR TRANSFORMATIVE THERAPIES

VBPs, also known as outcomes-based arrangements (OBAs), are innovative agreements between insurers/payers and prescription drug manufacturers that tie payments to clinical outcomes. If the therapy is not effective for an individual patient, the manufacturer pays money back to the payer. This ensures that payers like Medicaid are only paying for therapies that work.

There are several pathways a state Medicaid program can pursue to implement VBPs for drugs.

State Plan Amendment (SPA)

The state Medicaid Department can draft and submit a SPA to the Centers for Medicare and Medicaid Services (CMS) related to VBPs/OBAs.

If the Medicaid program needs or would benefit from legislation to submit a SPA, the state legislature can draft, introduce, and pass legislation to pursue VBPs. A 2019 Texas bill, SB 1780, provides a good example of legislative language.

CMS Medicaid Drug Product (MDP) System

The MDP system has the following information for states regarding available VBPs:

1. A description of the VBP offered for each specific drug;
2. The varying price points for when the drug works vs. does not work per the contract terms; and
3. Manufacturer contact information, should the state want to take advantage of the VBP.

Prescription drug manufacturers are able to submit varying "best price" points for drugs associated with a VBP. Use of the system by state Medicaid programs to participate in a VBP does not require a SPA or state legislation.

CMS Innovation Center (2025)

The CMS Innovation Center is currently designing a voluntary pilot project around cell and gene therapy VBPs/OBAs to help states pursue these agreements ("The CGT Access Model"). A Medicaid program can reach out to the CMS Innovation Center directly for additional information and to provide feedback as they build out the demonstration program.



For more information visit:
CAHC.NET/CTT
Contact: Sloane Salzburg
CTT Executive Director
sloane.salzburg@cahc.net