

## Pharmacy Reimbursement, July 1, 2014

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**Background:** State Medicaid agencies reimburse participating pharmacy providers for covered outpatient drugs that are prescribed and dispensed to Medicaid beneficiaries. The payment consists of two parts: 1) reimbursement for drug ingredient costs, and 2) reimbursement for the cost of dispensing. In general, federal regulations require that Medicaid programs reimburse for drug ingredient costs at no more than the agency's best estimate of the acquisition cost for a drug. As defined in federal regulations at §42 CFR 447.502, estimated acquisition cost (EAC) is the state's best estimate of the prices generally and currently paid by providers for a drug marketed or sold by manufacturers or labelers in the package size of the drug most frequently purchased by providers.

Mississippi Division of Medicaid (DOM) is implementing a new drug pricing methodology to reimburse pharmacies that dispense pharmaceutical products to Medicaid beneficiaries. Effective July 1, 2014, DOM will start reimbursing pharmacies using the average acquisition cost (ACC) of a given pharmaceutical product using National Average Drug Acquisition Cost (NADAC) files that gives state Medicaid agencies covered outpatient drug information regarding retail prices for prescription drugs. The NADAC, published by CMS and updated weekly, is a more accurate reflection of the ingredient cost of the medications covered by the DOM drug benefit program. Weekly NADAC files can be located at <http://www.medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Benefits/Prescription-Drugs/Survey-of-Retail-Prices.html>. NADAC pricing values are available for over 93% of the drugs billed by Mississippi pharmacies.

The purpose of the NADAC is to create a new national price benchmark that is more reflective of the prices that pharmacies pay to acquire prescription and over-the-counter drugs. To ensure that NADACs are accurate, timely, and robust, the NADACs will be reviewed and updated on a weekly basis. Instead of the Average Wholesale Price (AWP), DOM will reimburse pharmacy providers based on the NADAC for the ingredient cost and a professional dispensing fee more in line with the true cost of dispensing. <http://www.medicaid.ms.gov/FeeScheduleLists.aspx>. States have the option to use the NADAC as a reference price when setting their reimbursement methodology. To do so, states must submit a State Plan Amendment (SPA) to CMS in accordance with state plan requirements if they decide to use NADAC as a basis for payment.

DOM will no longer include federal upper limit or FUL in the pricing methodology. However, DOM will be required to have an annual FUL aggregate summary in case of audit by OIG or CMS.

### **Reimbursement methodology:**

- The AAC (Actual Acquisition Cost) is defined as the price paid by pharmacies based on an average of actual acquisition costs determined by a survey of retail pharmacy providers. The National Average Drug Acquisition Cost (NADAC) pricing will be used for AAC when available.
- If NADAC is unavailable, then the AAC will be defined as either:
  1. Average Acquisition Cost as determined from surveys of Mississippi Medicaid enrolled pharmacies, or

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- 2. Wholesale Acquisition Cost (WAC), as published by pricing compendia.
- Payment for brand and generic legend and over the counter drugs will be calculated based on the lower of;
  - a. AAC as defined above, plus a professional dispensing fee, or
  - b. Provider's usual and customary charges to the general public.
- Blood Factor products, as identified by the Division, will be reimbursed using the Medicare rate of ASP + 6%.

### **Professional Dispensing Fee**

In a proposed rule published in the Federal Register on February 2, 2012 regarding covered outpatient drugs at <http://www.gpo.gov/fdsys/pkg/FR-2012-02-02/pdf/2012-2014.pdf>, CMS proposes to replace the term "dispensing fee" with "professional dispensing fee". In the proposed rule, CMS retains the current definition of "dispensing fee,"

but proposes to replace the term with "professional dispensing fee" to reinforce the agency's position that once the reimbursement for a drug is properly determined, the dispensing fee should reflect the pharmacist's professional services and costs. DOM concurs. The professional dispensing fee will be posted on the agency's fee schedule at <http://www.medicaid.ms.gov/FeeScheduleLists.aspx>

There is one professional dispensing fee per 30-day period unless the class of drugs is routinely prescribed for a limited number of days.

Proposed reimbursement methodology for pharmacy fee for service point of sale (POS) claims is posted on the Pharmacy services' web page at <http://www.medicaid.ms.gov/Pharmacy.aspx>.