



**MYERS AND  
STAUFFER** LC  
CERTIFIED PUBLIC ACCOUNTANTS

# MISSISSIPPI DIVISION OF MEDICAID

## PHARMACY STAKEHOLDER MEETING

MARCH 8, 2016

DEDICATED TO GOVERNMENT HEALTH PROGRAMS





## PRESENTATION OVERVIEW

- **CMS Final Rule (CMS-2345-F)**
  - Federal Upper Limit (FUL)
  - Actual Acquisition Cost (AAC)
  - Professional Dispensing Fee
  
- **Reimbursement Methodology Changes**
  - New Federal Upper Limit (FUL) prices, 4-1-2016
  - Ingredient Cost
    - National Average Drug Acquisition Cost (NADAC)
  - Dispensing Fee
    - Pharmacy Cost of Dispensing Survey



## COVERED OUTPATIENT DRUGS FINAL RULE (CMS-2345-F)

- Published on February 1, 2016
- New FULs ,Effective April 1, 2016
- Ingredient costs reimbursed based on actual acquisition cost
- Defines professional dispensing fee



# INGREDIENT COST



## FEDERAL UPPER LIMIT - FUL

- FUL formula revised to set a floor for the FULs that are below acquisition cost as measured by a national survey of retail pharmacy acquisition costs (i.e., the NADAC).
- Compares the weighted average of AMP x 175% to the comparable generic NADAC for each FUL group.
- When the weighted average of AMP x 175% is below the generic NADAC, the FUL will be adjusted to equal the most current generic NADAC rates or some other benchmark for AAC.



## NATIONAL AVERAGE DRUG ACQUISITION COSTS (NADAC)

- Acquisition based pricing index provided by CMS.
- Random nationwide sample of Retail Community Pharmacies which includes Independent and Chain pharmacies in all states (excludes closed door pharmacies).
- Monthly survey requests invoice purchase records from most recent 30 day period.
- NADAC calculation excludes: Discounts, Rebates, Chargeback's, Free Goods:
  - Typically not included on invoice.
  - Typically not correlated to individual drug products or invoices.



## NATIONAL AVERAGE DRUG ACQUISITION COSTS (NADAC)

- NADAC rates are calculated for Brand and Generic CMS covered outpatient drugs:
  - 93% of Brand claims
  - 97% of Generic claims
- NADAC rates are updated on a weekly and monthly schedule:
  - Weekly updates occur for help desk calls and Brand drugs to reflect changes in published pricing
  - Monthly updates occur to reflect the results of the ongoing monthly acquisition cost survey for Brand and Generic drugs



## ACTUAL ACQUISITION COST (AAC)

- Defines AAC to mean the agency's determination of the pharmacy providers' actual prices paid to acquire drug products marketed or sold by specific manufacturers.
- Replaces estimated acquisition cost (EAC) with AAC.
- Explains that the change to AAC was necessary as it represents a more accurate reference price to be used by states to reimburse providers for drugs.





## AAC MODEL OF REIMBURSEMENT

- Examples of how a state can implement an AAC model of reimbursement include, but are not limited to, the following:
  - A state survey of retail pharmacy providers' pricing;
  - A national survey of retail pharmacy providers' pricing, such as the National Average Drug Acquisition Cost (NADAC);
  - Published compendia prices, such as the Wholesale Acquisition Cost (WAC) (States will be expected to make adjustments to this benchmark to reflect discounts and other price concessions in the marketplace);



## REIMBURSEMENT REQUIREMENTS

- Requires that when states propose changes to either the ingredient cost or professional dispensing fee, states must consider both to ensure that total reimbursement to the pharmacy provider is in accordance with requirements of section 1902(a)(30)(A) of the Social Security Act (the Act).
- When proposing reimbursement changes, states are required to submit a state plan amendment (SPA) to CMS for review which includes a survey or other reliable data to support any proposed changes to either or both of the components of the reimbursement methodology.



## REIMBURSEMENT FOR DRUGS PURCHASED UNDER OTHER FEDERAL DRUG PROGRAMS

- Requires that the state plan describe the agency's payment methodology for prescription drugs, including the agency's payment methodology for drugs dispensed by all the following:
- A covered entity described in section 1927(a)(5)(B) of the Act (340B covered entity pharmacy).
  - Covered entities are required to either carve out or carve in all prescriptions.
- A contract pharmacy under contract with a 340B covered entity described in section 1927(a)(5)(B) of the Act.
- An Indian Health Service, Tribal and Urban Indian pharmacy (I/T/U).



## REIMBURSEMENT FOR DRUGS PURCHASED UNDER OTHER FEDERAL DRUG PROGRAMS

- In accordance with the requirements in §447.518(a)(2), the state's payment methodology for drugs dispensed by 340B covered entities, 340B contract pharmacies, and I/T/U pharmacies must be in accordance with the definition of AAC in §447.502 of the final regulation.
  - For drugs purchased through the 340B program, reimbursement should not exceed the 340B ceiling price.
  - For drugs purchased outside the 340B program, the reimbursement should not exceed the provider's AAC.
  - For drugs purchased through the FSS, reimbursement should not exceed the FSS price.



**MYERS** AND  
**STAUFFER** LC  
CERTIFIED PUBLIC ACCOUNTANTS

# PROFESSIONAL DISPENSING FEE



## PROFESSIONAL DISPENSING FEE

- Finalizes replacing “dispensing fee” with “professional dispensing fee”.
- Reinforces CMS’ position that the fee to dispense the drug to a Medicaid beneficiary should reflect the pharmacist’s professional services and costs.
- States have the flexibility to set their professional dispensing fee.
- States can use, but are not limited to, one of the following methods to establish their professional dispensing fee:
  - National survey/data
  - Regional/neighboring state survey/data
  - State-specific survey/data



**MYERS AND  
STAUFFER** LC  
CERTIFIED PUBLIC ACCOUNTANTS

# PHARMACY COST OF DISPENSING SURVEY

## Objective:

To determine the cost of dispensing Medicaid prescriptions to pharmacies participating in the Mississippi Medicaid pharmacy program.



## OVERVIEW OF SURVEY PROCESS

- Survey forms were designed in collaboration with DOM.
- Survey forms were distributed on May 11, 2015 to all pharmacies enrolled in the Mississippi Medicaid pharmacy program.
- Reminder letters were sent and due date extensions were allowed to encourage survey response.
- Surveys were distributed to 901 pharmacies and approximately 44% of pharmacies submitted a usable survey.





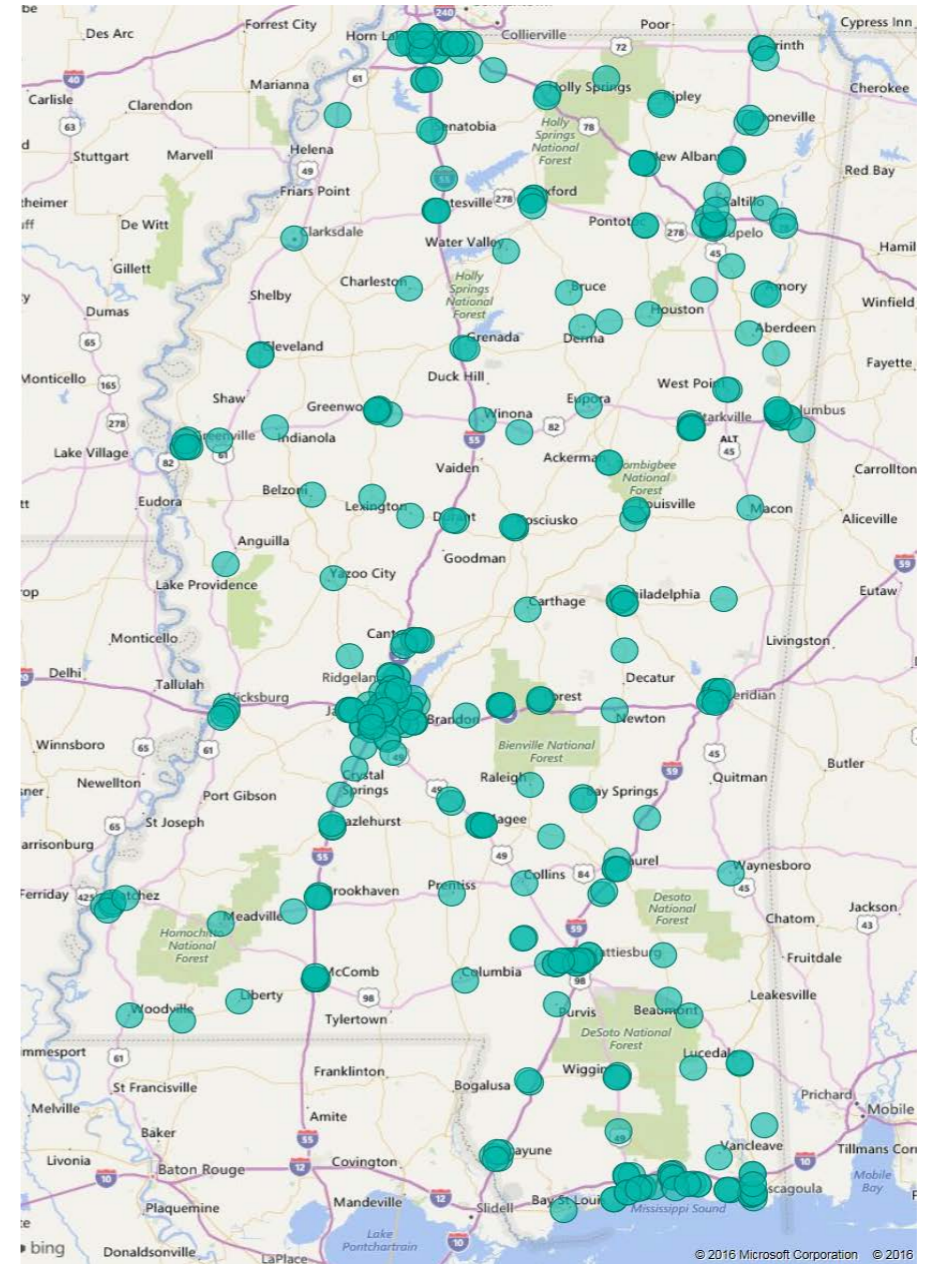
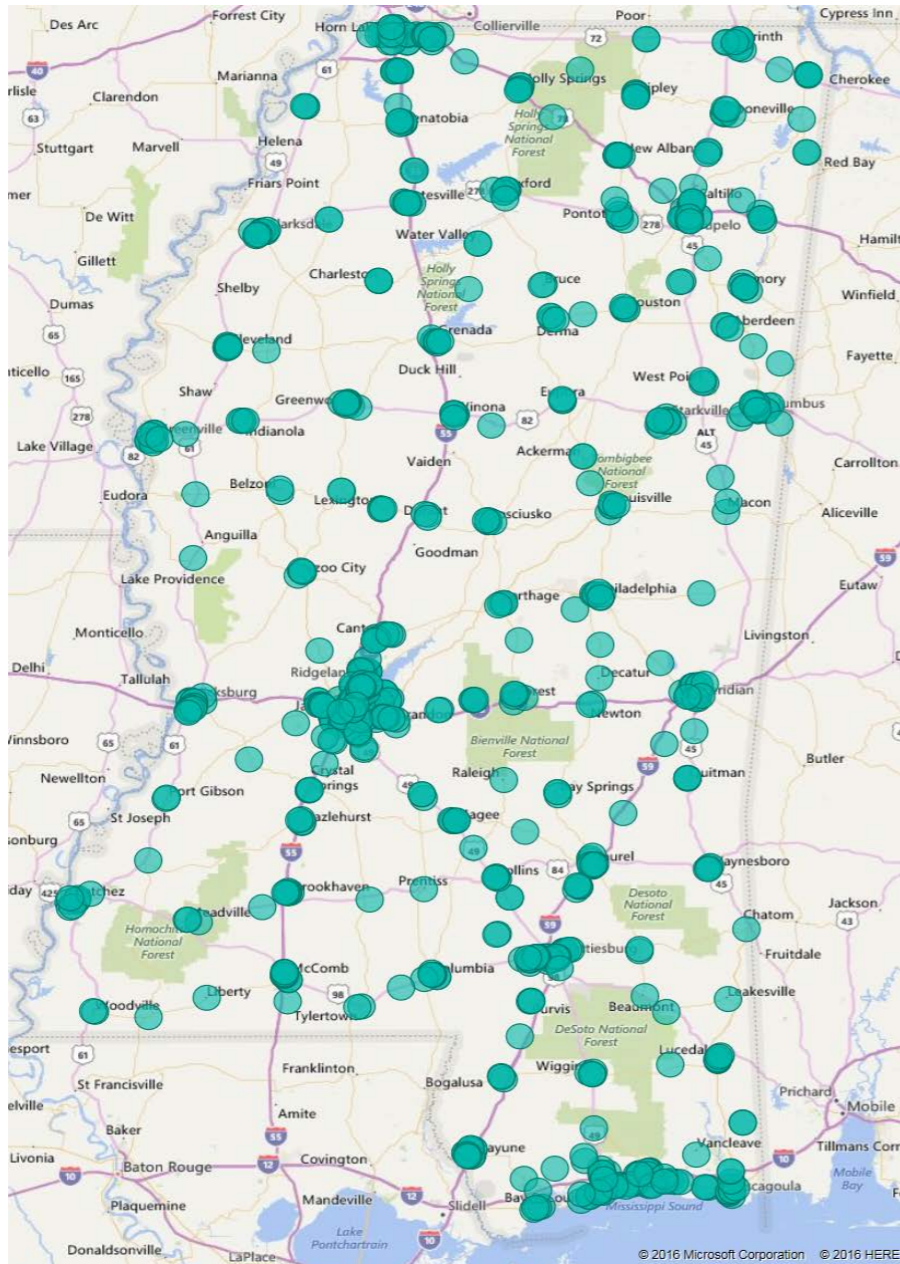
## OVERVIEW OF SURVEY PROCESS

- All 408 returned surveys were subjected to desk reviews to ensure completeness and accuracy.
- There were 14 pharmacies determined to be exempt leaving a total of 394 usable cost surveys.
- Survey data was analyzed to calculate the COD at each pharmacy. The COD was summarized for all pharmacies and subsets of pharmacies.
- Draft findings were presented in a report to DOM.



## GEOGRAPHIC DISTRIBUTION OF SURVEYS

- All Mississippi Medicaid participating pharmacies.
- Mississippi Medicaid pharmacies that completed COD survey.





## COST OF DISPENSING SURVEY METHODOLOGY

- Cost Findings
  - Overhead expenses
    - Sales Ratio
    - Area Ratio
    - 100% Prescription Related
    - Non-Prescription Related
  - Labor expenses
    - Percent of hours spent in dispensing duties
    - Reasonableness limits



## COD SURVEY FINDINGS

- Some pharmacy attributes did have a significant impact on dispensing cost:
  - Specialty services (i.e., provision of compounded infusion, intravenous, blood factor or other specialty products).
  - Prescription volume.