



**MYERS AND
STAUFFER** LC
CERTIFIED PUBLIC ACCOUNTANTS

Mississippi Division of Medicaid Pharmacy Stakeholder Meeting

May 19, 2016

DEDICATED TO GOVERNMENT HEALTH PROGRAMS





Presentation Overview

- Federal Upper Limit (FUL)
- Professional Dispensing Fee
 - Retail
- Actual Acquisition Cost (AAC) Reimbursement Options
 - State AAC
 - National Average Drug Acquisition Cost (NADAC)
 - Published Compendia Pricing (e.g. WAC)
- Specialty
- Clotting Factor
- Q&A



Affordable Care Act (ACA) FUL 42 CFR § 447

Overview

- FULs will be calculated as 175 percent of the most recently reported monthly average manufacturer price (AMP).
- FUL formula revised to set a floor for the FULs that are below acquisition cost as measure by a national survey of retail pharmacy acquisition costs (i.e. 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 monthly generic NADAC rates.



Affordable Care Act (ACA) FUL 42 CFR § 447

Methodology

- Compared reimbursement utilizing the old FULs against the new ACA FULs.
- Utilized Q4 2015 Fee for Service (FFS) claims data.
- FUL, AWP, and ACA FUL rates effective as of 2/1/2016.
- Specialty drugs and clotting factor drugs were excluded.
- CMS mandated states to implement ACA FULs in April 2016.
 - DOM implemented April 11, 2016.



Affordable Care Act (ACA) FUL 42 CFR § 447

Conclusion

- 62% of NDCs in claims data have a current ACA FUL while 52% of NDCs in claims data had an old FUL.
- 57% of the total reimbursement now utilizes the ACA FULs as compared to 44% utilizing the old FULs.
- An estimated 40-45% of all ACA FULs equal the NADAC.
- ACA FUL implementation has the partial effect of a NADAC implementation without an adjusted professional dispensing fee.
- This will have a negative impact on providers until an appropriate acquisition based reimbursement option is chosen, approved, and implemented.

PHARMACY COST OF DISPENSING (COD) SURVEY

Objective

To determine the cost of dispensing Medicaid prescriptions to pharmacies participating in the Mississippi Medicaid Pharmacy Programs.



OVERVIEW OF SURVEY PROCESS

- Survey forms were designed in collaboration with DOM.
- On May 11, 2015 survey forms were distributed to 901 pharmacies enrolled in the Mississippi Medicaid Pharmacy Programs.
- On June 19, 2015 a reminder letter was sent to all providers that had yet to submit a survey.
- On July 2, 2015 a second reminder letter was sent to pharmacies that had yet to submit a survey extending the survey due date from July 1, 2015 to July 16, 2015.
- 394 of the 901 pharmacies surveyed submitted a usable survey (approximately 44%).



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 were analyzed to calculate the COD at each pharmacy. The COD was summarized for all pharmacies and subsets of pharmacies. Results were reviewed by statisticians.
- Draft findings were presented in a report to DOM.



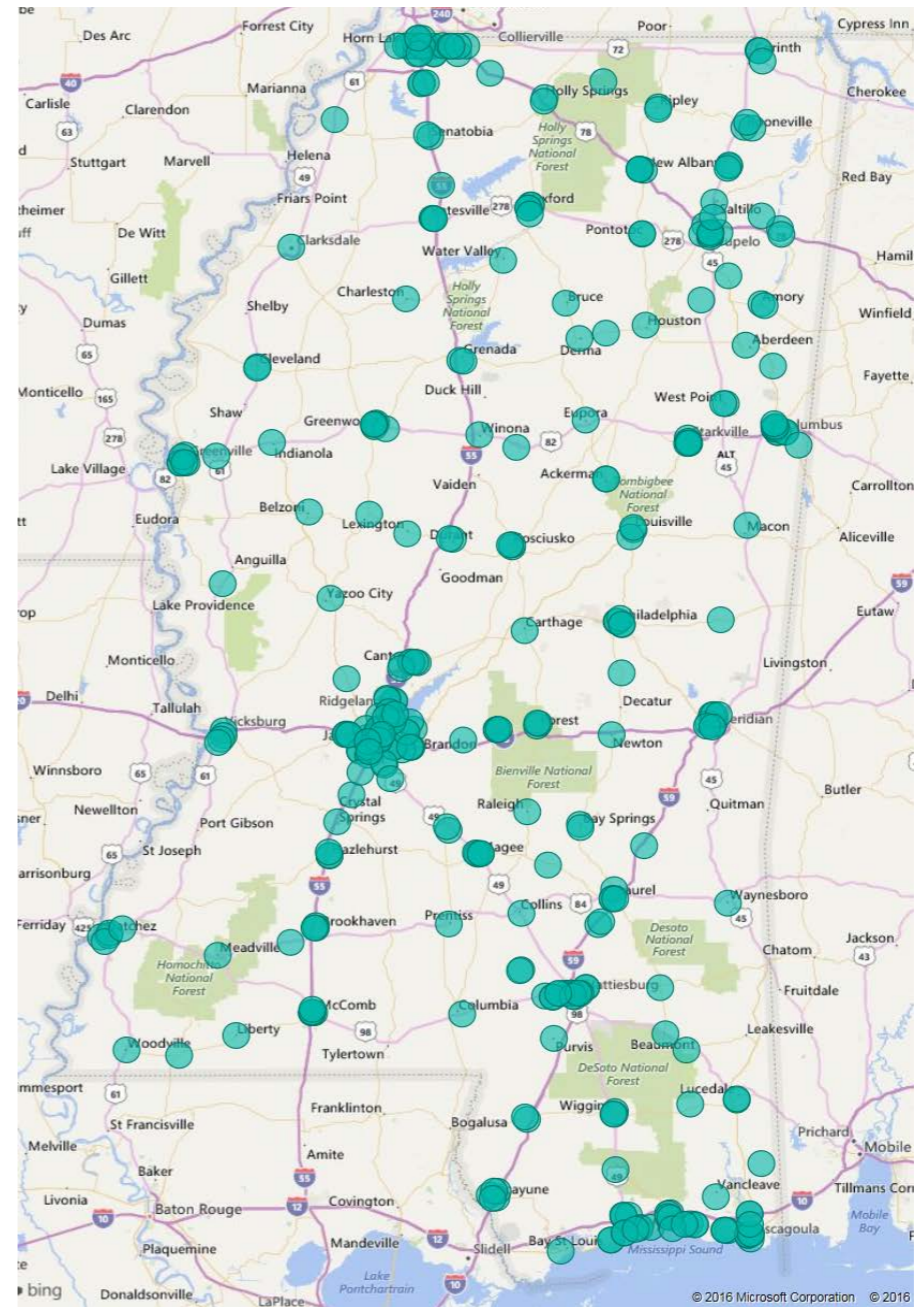
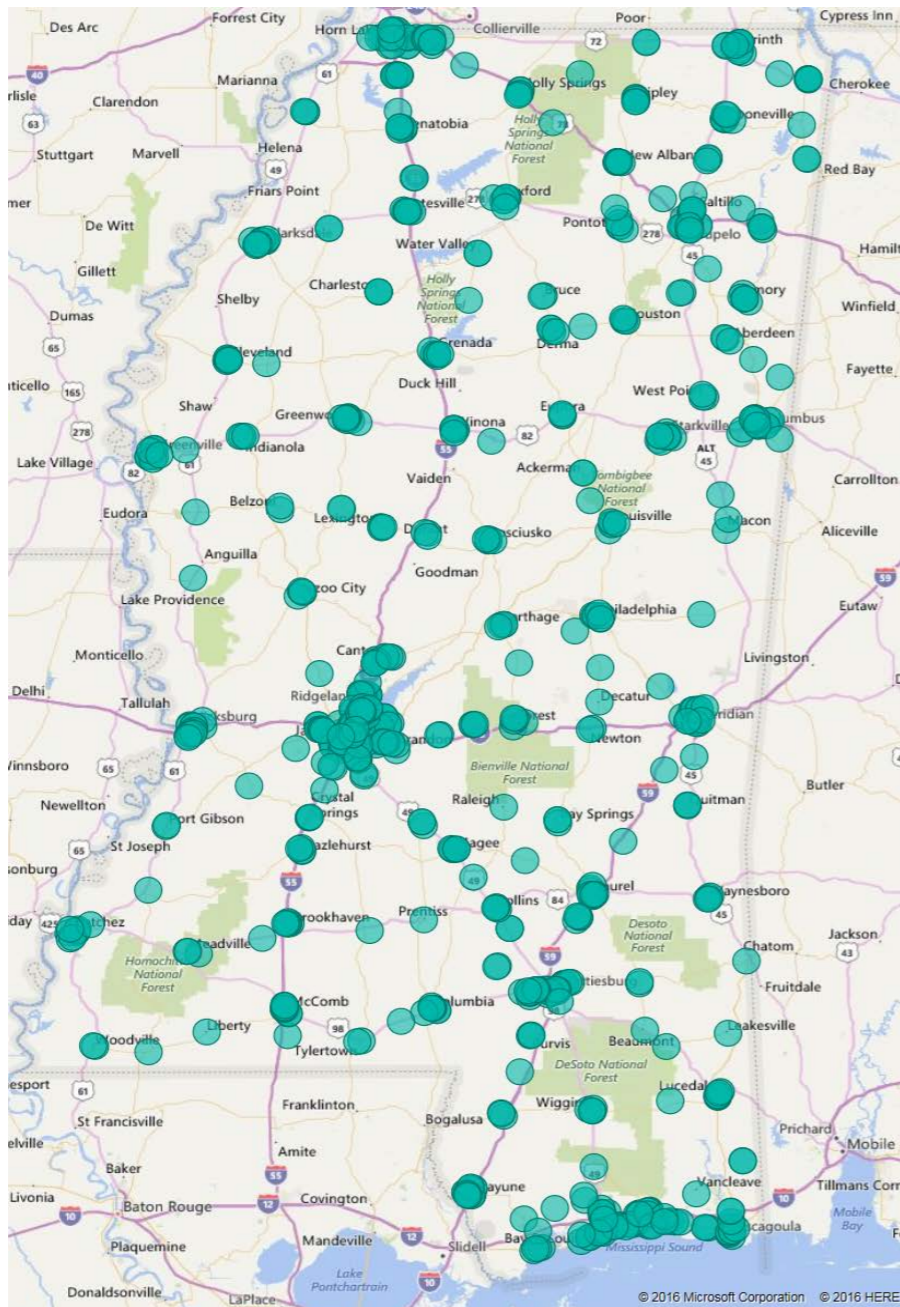
COST OF DISPENSING SURVEY METHODOLOGY

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



GEOGRAPHIC DISTRIBUTION OF SURVEYS

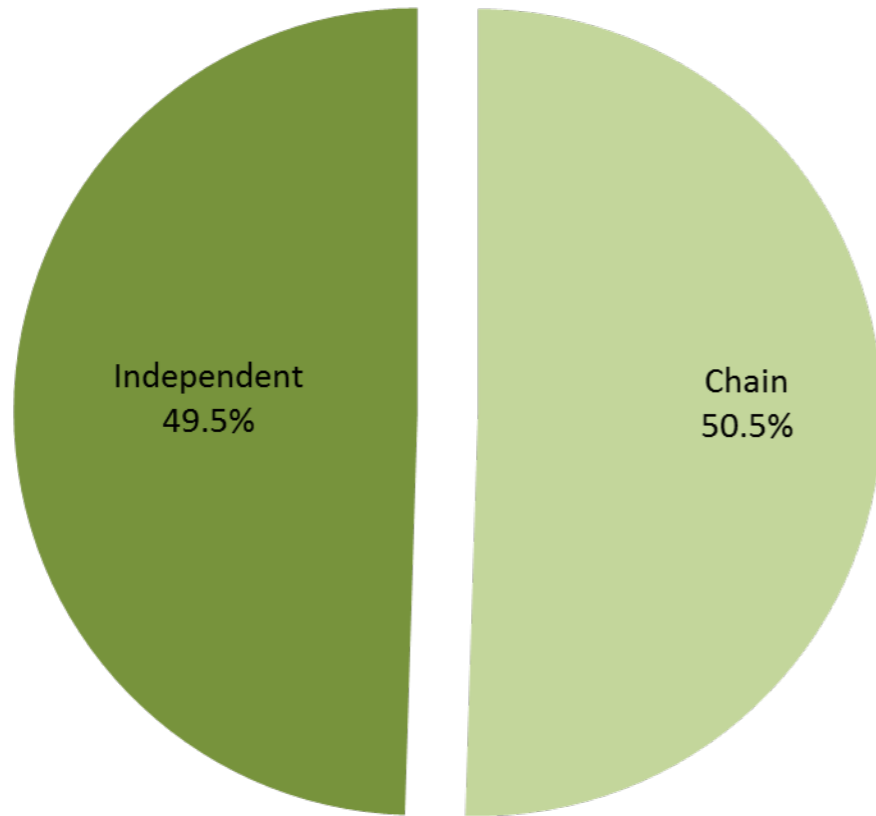
- All Mississippi Medicaid participating pharmacies.
- Mississippi Medicaid pharmacies that completed COD survey.



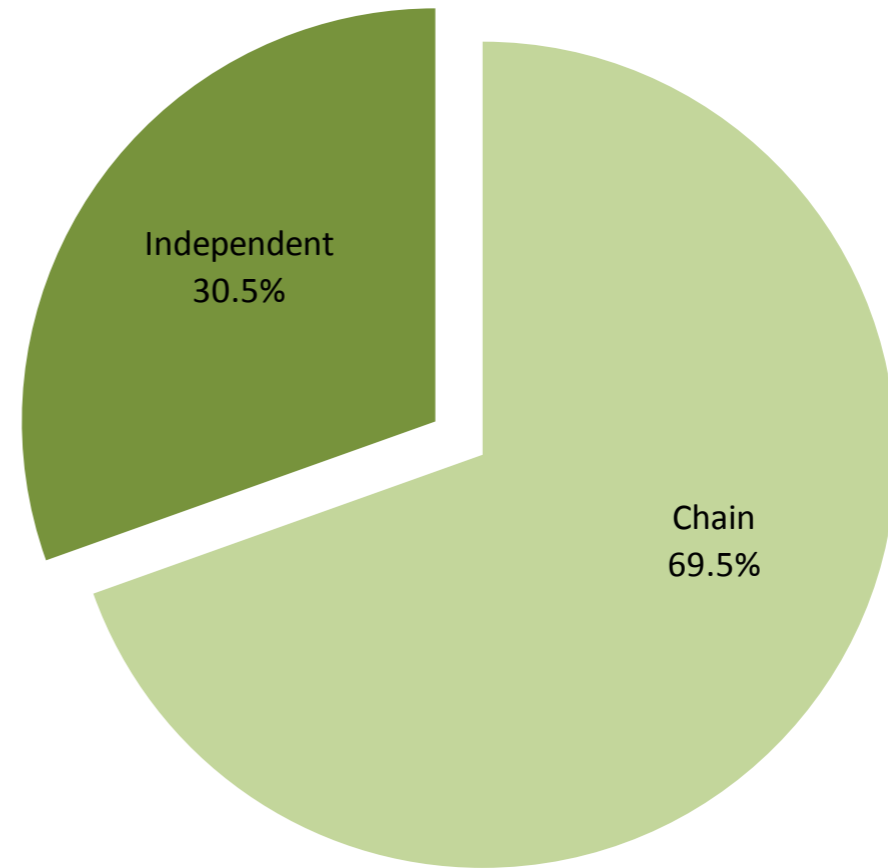


PHARMACY CHAIN VS. INDEPENDENT BREAKDOWN

Percentage of total Mississippi Medicaid Pharmacies by pharmacy category.



Percentage of Mississippi Medicaid Pharmacies responding in COD Survey by pharmacy category

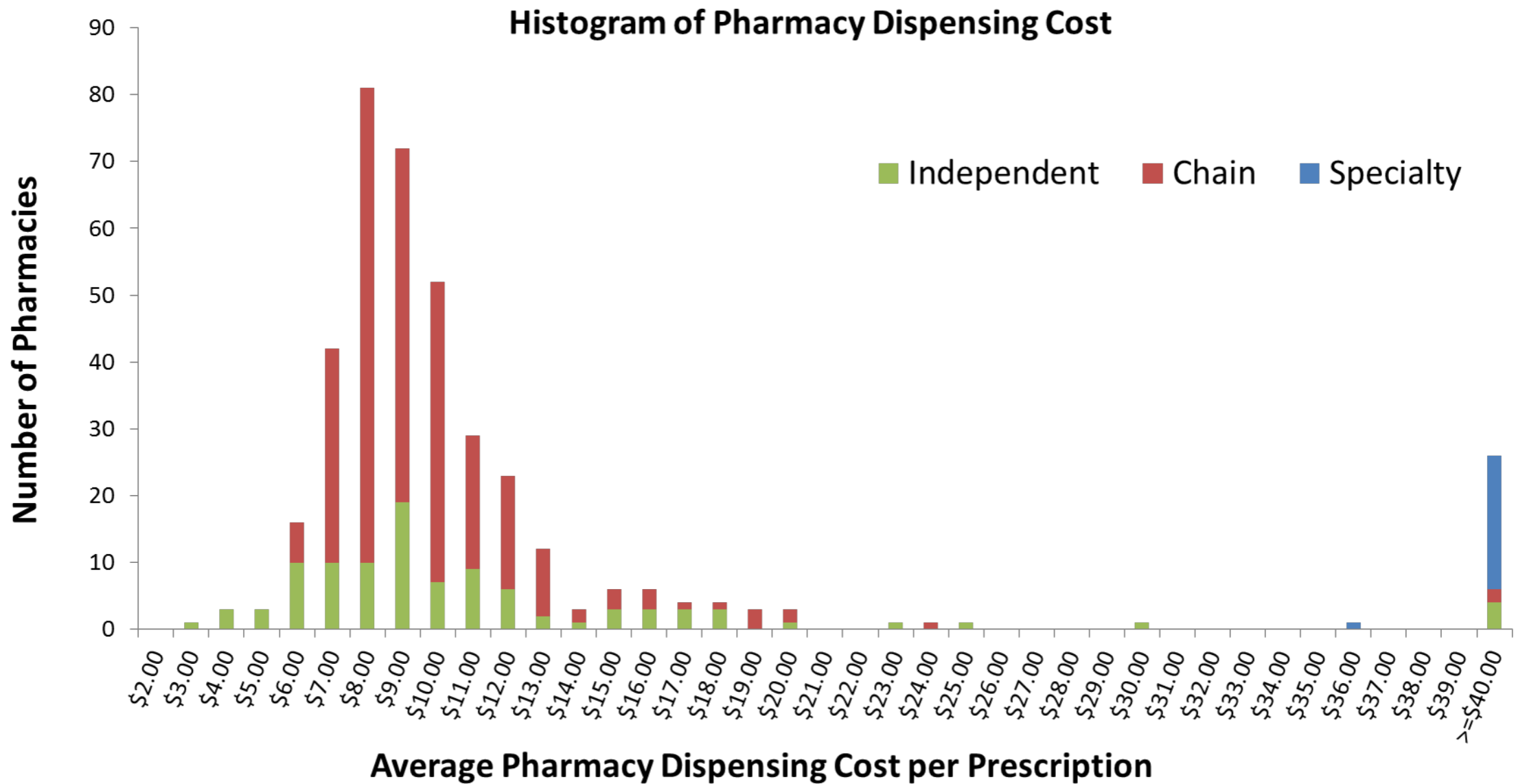


For purposes of this survey, a chain was defined as an organization having four or more pharmacies under common ownership or control on a national level.



COD SURVEY FINDINGS

- Distribution of dispensing cost (the majority of pharmacies had a COD between \$6 and \$13).





COD SURVEY FINDINGS

- The mean (average) dispensing cost for all pharmacies exclusive of specialty pharmacies is \$11.29.

	Dispensing Cost
Pharmacies included in Analysis	379
Unweighted Mean	\$11.29
Mean Weighted by Medicaid Prescription Volume	\$9.86
Unweighted Median	\$9.67
Median Weighted by Medicaid Prescription Volume	\$9.05

(Dispensing costs have been inflated to the common point of June 30, 2015)



Actual Acquisition Cost (AAC)

Final Rule CMS-2345-F Overview

- 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 Reimbursement Options

Overview

- Option 1: State AAC
 - A state survey of retail pharmacy providers' pricing.
- Option 2: National Average Drug Acquisition Cost (NADAC)
 - A national survey of retail pharmacy providers' pricing.
- Option 3: Published Compendia Pricing (e.g. WAC)
 - States will be expected to make adjustments to this benchmark to reflect discounts and other price concessions in the marketplace.



Option 1: State AAC

Methodology

- The estimated reimbursement was calculated using Mississippi Fee For Service (FFS) claims dispensed between 11/1/2015 and 12/31/2015, then annualized.
- Ingredient Reimbursement:
 - State AAC
 - If no State AAC, then WAC + 2%
- Professional Dispensing Fee Reimbursement
 - \$11.29
- The AAC rates were approximated by utilizing a bordering state's AAC rates.

Option 1: State AAC

Estimated Reimbursement – State AAC

	Brand		Generic		Total
	FFS	MCO*	FFS	MCO*	
Ingredient Reimbursement	\$122.9 M	\$374.6 M	\$16.1 M	\$49.0 M	\$562.6 M
Dispensing Fee Reimbursement	\$2.1 M	\$10.7 M	\$9.6 M	\$49.1 M	\$71.5 M
Estimated Total Reimbursement	\$125.0 M	\$385.3 M	\$25.7 M	\$98.1 M	\$634.1 M

*MCO ingredient reimbursement was extrapolated from FFS claims based on Q4 2015 percentage of spend provided by the State. FFS: 24.7% | MCO: 75.3%

*MCO dispense fee reimbursement was extrapolated from FFS claims based on Q4 2015 percentage of claims provided by the State. FFS: 16.4% | MCO: 83.6%

Note: Reimbursement amounts represent projected payment to pharmacies. These amounts do not reflect final actual net cost to DOM after rebate collection.

Option 1: State AAC

Considerations

- State AAC based off Mississippi providers' invoices.
 - Usually semi-annually
- Rates updated on weekly basis for brand and generic products.
- Flexibility to back date effective date of rate changes.

Option 1: State AAC

Drug Examples

Determined by claims volume and expenditure

Drug	Drug Type	Quantity	Current				Option 1 - State AAC		
			Cost Basis	Unit Rate	Dispense Fee	Reimbursed Amount	Unit Rate	Dispense Fee	Reimbursed Amount
LANTUS 100 UNITS/ML VIAL	Brand	10 ML	AWP - 12%	\$26.24248	\$3.91	\$266.33	\$24.22293	\$11.29	\$253.52
LEVEMIR 100 UNITS/ML VIAL	Brand	10 ML	AWP - 12%	\$28.40640	\$3.91	\$287.97	\$26.21878	\$11.29	\$273.48
SINGULAIR 5 MG TABLET CHEW	Brand	30 TAB	AWP - 12%	\$7.15440	\$3.91	\$218.54	\$6.60733	\$11.29	\$209.51
VENTOLIN HFA 90 MCG INHALER	Brand	18 GM	AWP - 12%	\$2.97195	\$3.91	\$57.41	\$2.81444	\$11.29	\$61.95
VYVANSE 30 MG CAPSULE	Brand	30 CAP	AWP - 12%	\$8.73963	\$3.91	\$266.10	\$8.12092	\$11.29	\$254.92
AMLODIPINE BESYLATE 10 MG TAB	Generic	30 TAB	ACA FUL	\$0.04666	\$4.91	\$6.31	\$0.02679	\$11.29	\$12.09
AZITHROMYCIN 250 MG TABLET	Generic	6 TAB	ACA FUL	\$0.41386	\$4.91	\$7.39	\$0.68668	\$11.29	\$15.41
CLONIDINE HCL 0.1 MG TABLET	Generic	60 TAB	ACA FUL	\$0.03019	\$4.91	\$6.72	\$0.02860	\$11.29	\$13.01
HYDROCODON-ACETAMINOPHN 10-325	Generic	60 TAB	ACA FUL	\$0.20972	\$4.91	\$17.49	\$0.17256	\$11.29	\$21.64
OMEPRAZOLE DR 20 MG CAPSULE	Generic	30 CAP	ACA FUL	\$0.09479	\$4.91	\$7.75	\$0.06073	\$11.29	\$13.11

Note: Reimbursement amounts represent projected payment to pharmacies. These amounts do not reflect final actual net cost to DOM after rebate collection.



Option 2: NADAC

Methodology

- The estimated reimbursement was calculated using Mississippi Fee For Service (FFS) claims dispensed between 11/1/2015 and 12/31/2015, then annualized.
- Ingredient Reimbursement
 - NADAC
 - If no NADAC, then WAC + 2%
- Professional Dispensing Fee Reimbursement
 - \$11.29
- The NADAC rates were pulled from the CMS Pharmacy Pricing Page
 - <https://www.medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Benefits/Prescription-Drugs/Pharmacy-Pricing.html>

Option 2: NADAC

Estimated Reimbursement – NADAC

	Brand		Generic		Total
	FFS	MCO*	FFS	MCO*	
Ingredient Reimbursement	\$122.1 M	\$372.3 M	\$15.9 M	\$48.5 M	\$558.8 M
Dispensing Fee Reimbursement	\$2.1 M	\$10.7 M	\$9.6 M	\$49.1 M	\$71.5 M
Estimated Total Reimbursement	\$124.2 M	\$383.0 M	\$25.5 M	\$97.6 M	\$630.3 M

*MCO ingredient reimbursement was extrapolated from FFS claims based on Q4 2015 percentage of spend provided by the State. FFS: 24.7% | MCO: 75.3%

*MCO dispense fee reimbursement was extrapolated from FFS claims based on Q4 2015 percentage of claims provided by the State. FFS: 16.4% | MCO: 83.6%

Note: Reimbursement amounts represent projected payment to pharmacies. These amounts do not reflect final actual net cost to DOM after rebate collection.



Option 2: NADAC

Considerations

- Nationwide Voluntary Monthly Survey.
- Brand rates updated on a weekly and monthly basis, Generic rates updated on a monthly basis or with Help Desk inquiry.
- Rate updates are not back dated.
- Rates available for different package sizes.

Option 2: NADAC

Drug Examples

Determined by claims volume and expenditure

Drug	Drug Type	Quantity	Current				Option 2 - NADAC		
			Cost Basis	Unit Rate	Dispense Fee	Reimbursed Amount	Unit Rate	Dispense Fee	Reimbursed Amount
LANTUS 100 UNITS/ML VIAL	Brand	10 ML	AWP - 12%	\$26.24248	\$3.91	\$266.33	\$24.03334	\$11.29	\$251.62
LEVEMIR 100 UNITS/ML VIAL	Brand	10 ML	AWP - 12%	\$28.40640	\$3.91	\$287.97	\$26.07420	\$11.29	\$272.03
SINGULAIR 5 MG TABLET CHEW	Brand	30 TAB	AWP - 12%	\$7.15440	\$3.91	\$218.54	\$6.75245	\$11.29	\$213.86
VENTOLIN HFA 90 MCG INHALER	Brand	18 GM	AWP - 12%	\$2.97195	\$3.91	\$57.41	\$2.72523	\$11.29	\$60.34
VYVANSE 30 MG CAPSULE	Brand	30 CAP	AWP - 12%	\$8.73963	\$3.91	\$266.10	\$8.03627	\$11.29	\$252.38
AMLODIPINE BESYLATE 10 MG TAB	Generic	30 TAB	ACA FUL	\$0.04666	\$4.91	\$6.31	\$0.02519	\$11.29	\$12.05
AZITHROMYCIN 250 MG TABLET	Generic	6 TAB	ACA FUL	\$0.41386	\$4.91	\$7.39	\$0.41386	\$11.29	\$13.77
CLONIDINE HCL 0.1 MG TABLET	Generic	60 TAB	ACA FUL	\$0.03019	\$4.91	\$6.72	\$0.03019	\$11.29	\$13.10
HYDROCODON-ACETAMINOPHN 10-325	Generic	60 TAB	ACA FUL	\$0.20972	\$4.91	\$17.49	\$0.20972	\$11.29	\$23.87
OMEPRAZOLE DR 20 MG CAPSULE	Generic	30 CAP	ACA FUL	\$0.09479	\$4.91	\$7.75	\$0.05182	\$11.29	\$12.84

Note: Reimbursement amounts represent projected payment to pharmacies. These amounts do not reflect final actual net cost to DOM after rebate collection.



Option 3: Published Pricing Benchmark**

Methodology

- The estimated reimbursement was calculated using Mississippi Fee For Service (FFS) claims dispensed between 11/1/2015 and 12/31/2015, then annualized.
- Ingredient Reimbursement: See next slide for breakdown
 - Brand : WAC – 3.4%
 - Generic: Variable discount off WAC depending upon the number of rebating generic manufacturers in the drug group.
- Professional Dispensing Fee
 - \$11.29

** As determined by First Data Bank

Option 3: Published Pricing Benchmark**

- Percentages are derived from CMS study on NADAC equivalency.
- These percentages were recently provided on a CMS Webinar.

Brand: WAC – 3.4%

Generic: WAC – variable percentage based on the count of rebating labelers per drug group (see chart)

Rebating Manufacturers per Drug Group	Primary Rate
1	WAC - 6.0%
2	WAC - 14.7%
3	WAC - 20.2%
4	WAC - 28.6%
5	WAC - 34.5%
6	WAC - 43.8%
7	WAC - 43.2%
8	WAC - 49.1%
9	WAC - 48.1%
10	WAC - 55.7%
11 or more	WAC - 62.2%

**As determined by First Data Bank

Option 3: Published Pricing Benchmark**

Estimated Reimbursement – Published Pricing Benchmark**

	Brand		Generic		Total
	FFS	MCO*	FFS	MCO*	
Ingredient Reimbursement	\$119.1 M	\$363.2 M	\$15.9 M	\$48.4 M	\$546.6 M
Dispensing Fee Reimbursement	\$2.1 M	\$10.7 M	\$9.6 M	\$49.1 M	\$71.5 M
Estimated Total Reimbursement	\$121.2 M	\$373.9 M	\$25.5 M	\$97.5 M	\$618.1 M

*MCO ingredient reimbursement was extrapolated from FFS claims based on Q4 2015 percentage of spend provided by the State. FFS: 24.7% | MCO: 75.3%

*MCO dispense fee reimbursement was extrapolated from FFS claims based on Q4 2015 percentage of claims provided by the State. FFS: 16.4% | MCO: 83.6%

Note: Reimbursement amounts represent projected payment to pharmacies. These amounts do not reflect final actual net cost to DOM after rebate collection.

**As determined by First Data Bank



Option 3: Published Pricing Benchmark**

Considerations

- Published pricing benchmark not based off provider's acquisition cost.
- Published pricing benchmark updated on weekly basis for brand and generic products.
- Rate changes are typically backdated.
- Continual evaluation of WAC to acquisition based reimbursement needed.

**As determined by First Data Bank

Option 3: Published Pricing Benchmark**

Drug Examples

Determined by claims volume and expenditure

Drug	Drug Type	Quantity	Current				Option 3 - Published Pricing**		
			Cost Basis	Unit Rate	Dispense Fee	Reimbursed Amount	Unit Rate	Dispense Fee	Reimbursed Amount
LANTUS 100 UNITS/ML VIAL	Brand	10 ML	AWP - 12%	\$26.24248	\$3.91	\$266.33	\$24.00607	\$11.29	\$251.35
LEVEMIR 100 UNITS/ML VIAL	Brand	10 ML	AWP - 12%	\$28.40640	\$3.91	\$287.97	\$25.98540	\$11.29	\$271.14
SINGULAIR 5 MG TABLET CHEW	Brand	30 TAB	AWP - 12%	\$7.15440	\$3.91	\$218.54	\$6.54465	\$11.29	\$207.63
VENTOLIN HFA 90 MCG INHALER	Brand	18 GM	AWP - 12%	\$2.97195	\$3.91	\$57.41	\$2.42734	\$11.29	\$54.98
VYVANSE 30 MG CAPSULE	Brand	30 CAP	AWP - 12%	\$8.73963	\$3.91	\$266.10	\$7.33464	\$11.29	\$231.33
AMLODIPINE BESYLATE 10 MG TAB	Generic	30 TAB	ACA FUL	\$0.04666	\$4.91	\$6.31	\$0.08603	\$11.29	\$13.87
AZITHROMYCIN 250 MG TABLET	Generic	6 TAB	ACA FUL	\$0.41386	\$4.91	\$7.39	\$1.10496	\$11.29	\$17.92
CLONIDINE HCL 0.1 MG TABLET	Generic	60 TAB	ACA FUL	\$0.03019	\$4.91	\$6.72	\$0.03518	\$11.29	\$13.40
HYDROCODON-ACETAMINOPHN 10-325	Generic	60 TAB	ACA FUL	\$0.20972	\$4.91	\$17.49	\$0.23108	\$11.29	\$25.15
OMEPRAZOLE DR 20 MG CAPSULE	Generic	30 CAP	ACA FUL	\$0.09479	\$4.91	\$7.75	\$0.14378	\$11.29	\$15.60

Note: Reimbursement amounts represent projected payment to pharmacies. These amounts do not reflect final actual net cost to DOM after rebate collection.

**As determined by First Data Bank



Comparison of AAC Reimbursement Options

Estimated Reimbursement of each Option

	Option 1 - State AAC	Option 2 - NADAC	Option 3 - Published Pricing**
Ingredient Reimbursement	\$562.6 M	\$558.8 M	\$546.6 M
Dispensing Fee Reimbursement	\$71.5 M	\$71.5 M	\$71.5 M
Estimated Total Reimbursement	\$634.1 M	\$630.3 M	\$618.1 M

*MCO ingredient reimbursement was extrapolated from FFS claims based on Q4 2015 percentage of spend provided by the State. FFS: 24.7% | MCO: 75.3%

*MCO dispense fee reimbursement was extrapolated from FFS claims based on Q4 2015 percentage of claims provided by the State. FFS: 16.4% | MCO: 83.6%

Note: Reimbursement amounts represent projected payment to pharmacies. These amounts do not reflect final actual net cost to DOM after rebate collection.

**As determined by First Data Bank

Summary of Options

Drug Examples

Determined by claims volume and expenditure

Drug	Drug Type	Quantity	Current			Option 1 - State AAC			Option 2 - NADAC			Option 3 - Published Pricing**		
			Disp. Fee	Ingred. Cost	Total	Disp. Fee	Ingred. Cost	Total	Disp. Fee	Ingred. Cost	Total	Disp. Fee	Ingred. Cost	Total
LANTUS 100 UNITS/ML VIAL	Brand	10 ML	\$3.91	\$262.42	\$266.33	\$11.29	\$242.23	\$253.52	\$11.29	\$240.33	\$251.62	\$11.29	\$240.06	\$251.35
LEVEMIR 100 UNITS/ML VIAL	Brand	10 ML	\$3.91	\$284.06	\$287.97	\$11.29	\$262.19	\$273.48	\$11.29	\$260.74	\$272.03	\$11.29	\$259.85	\$271.14
SINGULAIR 5 MG TABLET CHEW	Brand	30 TAB	\$3.91	\$214.63	\$218.54	\$11.29	\$198.22	\$209.51	\$11.29	\$202.57	\$213.86	\$11.29	\$196.34	\$207.63
VENTOLIN HFA 90 MCG INHALER	Brand	18 GM	\$3.91	\$53.50	\$57.41	\$11.29	\$50.66	\$61.95	\$11.29	\$49.05	\$60.34	\$11.29	\$43.69	\$54.98
VYVANSE 30 MG CAPSULE	Brand	30 CAP	\$3.91	\$262.19	\$266.10	\$11.29	\$243.63	\$254.92	\$11.29	\$241.09	\$252.38	\$11.29	\$220.04	\$231.33
AMLODIPINE BESYLATE 10 MG TAB	Generic	30 TAB	\$4.91	\$1.40	\$6.31	\$11.29	\$0.80	\$12.09	\$11.29	\$0.76	\$12.05	\$11.29	\$2.58	\$13.87
AZITHROMYCIN 250 MG TABLET	Generic	6 TAB	\$4.91	\$2.48	\$7.39	\$11.29	\$4.12	\$15.41	\$11.29	\$2.48	\$13.77	\$11.29	\$6.63	\$17.92
CLONIDINE HCL 0.1 MG TABLET	Generic	60 TAB	\$4.91	\$1.81	\$6.72	\$11.29	\$1.72	\$13.01	\$11.29	\$1.81	\$13.10	\$11.29	\$2.11	\$13.40
HYDROCODON-ACETAMINOPHN 10-325	Generic	60 TAB	\$4.91	\$12.58	\$17.49	\$11.29	\$10.35	\$21.64	\$11.29	\$12.58	\$23.87	\$11.29	\$13.86	\$25.15
OMEPRAZOLE DR 20 MG CAPSULE	Generic	30 CAP	\$4.91	\$2.84	\$7.75	\$11.29	\$1.82	\$13.11	\$11.29	\$1.55	\$12.84	\$11.29	\$4.31	\$15.60

Note: Reimbursement amounts represent projected payment to pharmacies. These amounts do not reflect final actual net cost to DOM after rebate collection.

**As determined by First Data Bank