

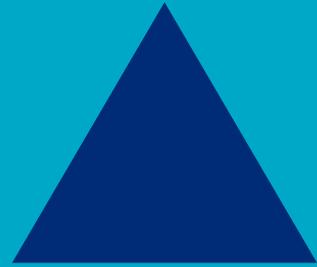
MERCER GOVERNMENT HUMAN SERVICES CONSULTING (GHSC)

INTRODUCTION: PHARMACY TEAM AND SERVICES

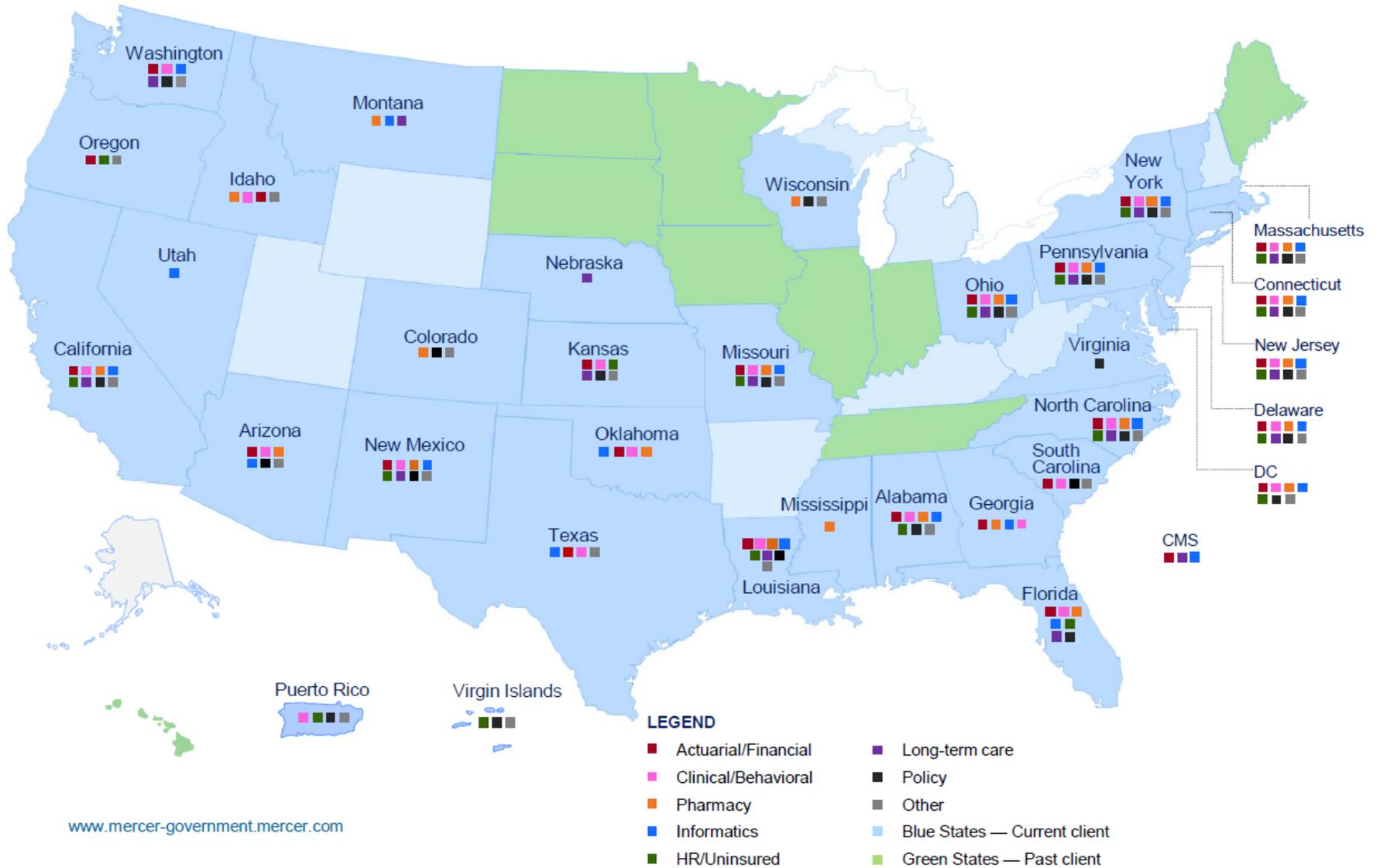
JUNE 28, 2016

Christian Jensrud
Shawna Kittridge, MHS, RPh
Ralph Magrish, MPA
Lisa Weeks, PharmD, RPh

MERCER
GOVERNMENT HUMAN
SERVICES CONSULTING



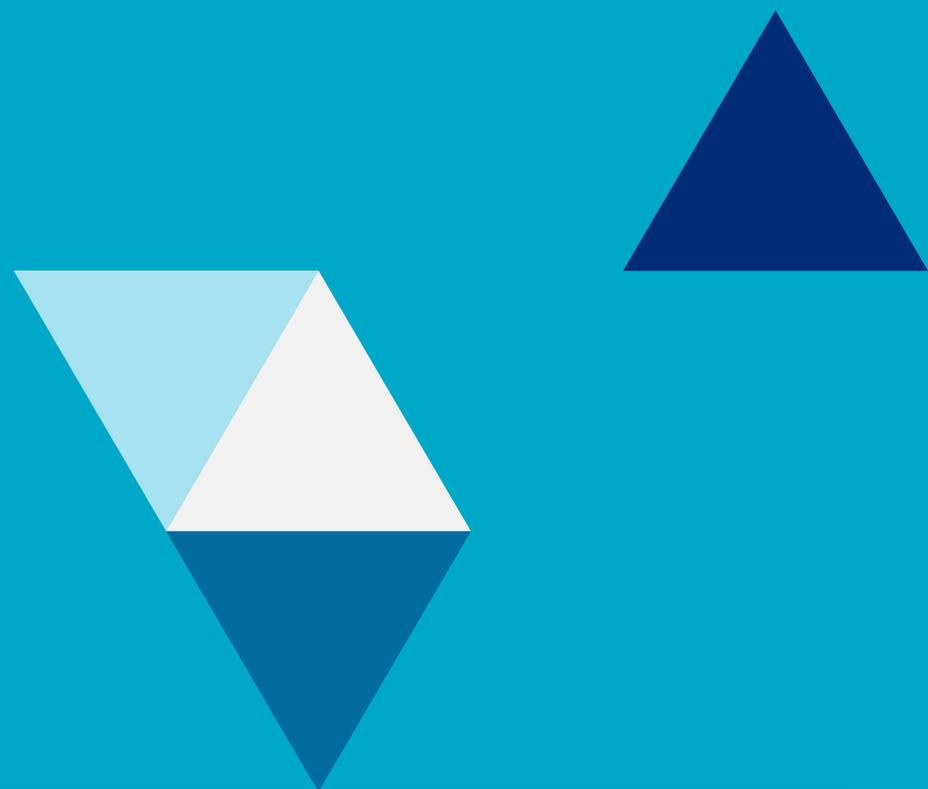
2016 MAP OF SERVICES



MERCER PHARMACY MANAGEMENT CONSULTING SERVICE OFFERINGS



OUR TEAM



MERCER TEAM MISSISSIPPI RATE SETTING PROJECT LEADS



LISA WEEKS
PharmD, RPh
Project Manager



SHAWNA KITTRIDGE
MHS, RPh
Engagement Lead



CHRISTIAN JENSRUD
Client Leader



RALPH MAGRISH, MPA
Pharmacy Reimbursement
Policy Lead

MERCER TEAM MISSISSIPPI RATE SETTING PROJECT TEAM

Within Mercer's Managed Pharmacy Practice, we have more than 50 dedicated pharmacy team members, including 13 pharmacists and 5 former state Medicaid pharmacy directors.



KRISTIN COYLE
Financial Consulting



JOE DOBBERKE, MBA
Financial Consulting/
Operations



BARB MART, RPh
Pharmacist



MARISSA MONGOVEN
Pharmacy Analyst



JENNY FELICIANO, PMP
Operations



KATE MANDERNACK
Admin Support



LISA DEVRIES, RPh
Pharmacist

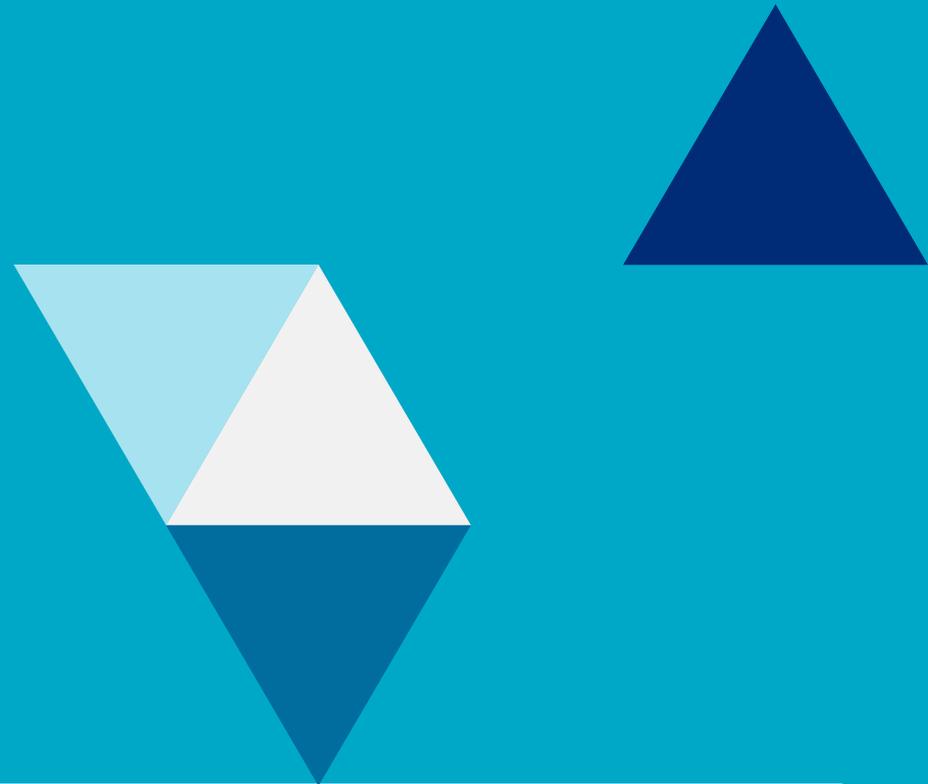


SCOTT BANKEN, CPA
Certified Public Accountant



JENNIFER TRUSCOTT
Admin Support

CMS FINAL RULE (CMS-2345-F)



CMS FINAL RULE (CMS-2345-F) OVERVIEW

- Published on February 1, 2016
- New Federal Upper Limits (FULs) effective on April 1, 2016
- Division of Medicaid is required to adopt actual acquisition cost (AAC) model for ingredient cost reimbursement
- Defines professional dispensing fee
- 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.

CMS FINAL RULE (CMS-2345-F)

INGREDIENT COST

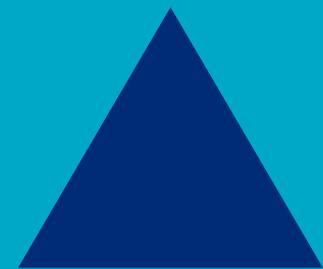
- Actual Acquisition Cost (AAC) Mandate
 - Defines AAC to mean the agency's determination of pharmacy providers' actual prices paid to acquire drug products marketed or sold by specific manufacturers
 - Replaces estimated acquisition cost (EAC) with AAC
 - AAC pricing model to be more reflective of actual prices paid as opposed to pricing based on estimates from published compendia
 - Methodologies for calculating AAC may include:
 - State survey
 - National survey (NADAC)
 - Published compendia prices (WAC)

CMS FINAL RULE (CMS-2345-F) PROFESSIONAL DISPENSING FEE

- Professional Dispensing Fee Mandate
 - Replaces the term ‘dispensing fee’ with ‘professional dispensing fee’
 - Reinforces that the dispensing fee should reflect the pharmacist’s professional services and costs associated with ensuring possession of the covered outpatient drug is transferred to a Medicaid beneficiary
 - States can use one of the following methods to set professional dispensing fee:
 - National survey/data
 - Regional/neighboring state survey/data
 - State-specific survey/data

OPTION 1

STATE ACTUAL ACQUISITION COST (AAC)



OPTION 1

STATE AAC

- Option 1: State AAC
 - State survey of retail pharmacy providers' invoices
 - Ingredient reimbursement
 - State AAC
 - If no State AAC, then WAC + 2%
 - Professional dispensing fee reimbursement
 - \$11.29
 - For analysis results presented on May 19th, AAC rates were approximated by utilizing a bordering state's AAC rates

OPTION 1

STATE AAC

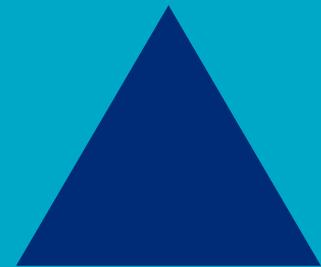
- State AAC
 - State survey pool options
 - All providers
 - Provider panel
 - Targeted provider type
 - Survey frequency options
 - Monthly
 - Semi-Annually
 - Annually
 - File update options
 - Weekly, monthly, quarterly, semi-annually, ad hoc
 - Rates reflect state marketplace
 - Retroactive rate change potential

CURRENT STATE-SPECIFIC AAC PROGRAM DESCRIPTIONS

State	Provider Survey Frequency	Provider Survey Pool	Provider Survey Requirements	AAC Pricing File update Frequency	Provider Inquiries
Alabama	Semi-Annual	Random; Providers submit no more than once every 24 months	Mandatory	<ul style="list-style-type: none"> Semi-annual rebasing from survey invoices Weekly pricing updates 	Vendor-provided help desk
Colorado	Monthly	Pool of 10–15 providers	Voluntary	<ul style="list-style-type: none"> Monthly rebasing from invoice data Weekly pricing updates Ad hoc based on inquiries 	State reviews initial inquiries and sends to vendor-provided help desk
Idaho	Annual	All providers	Mandatory	<ul style="list-style-type: none"> Annual rebasing from invoice data Weekly pricing updates Ad hoc based on inquiries 	Vendor-provided help desk
Iowa	Semi-Annual	All providers will be selected for survey once a year	Mandatory	<ul style="list-style-type: none"> Semi-annual rebasing from invoice data Weekly pricing updates 	Vendor-provided help desk
Louisiana	Semi-Annual	Random sample	Voluntary	<ul style="list-style-type: none"> Semi-annual rebasing Weekly pricing updates Ad hoc based on inquiries 	Vendor-provided help desk
Montana (under implementation)	Monthly — small pool of providers Annual — all providers	Provider pool — size TBD	Monthly — Voluntary Annual all provider survey — Mandatory	<ul style="list-style-type: none"> Annual rebasing from all-provider invoice survey data Monthly updates from provider pool invoice data Weekly pricing updates Ad hoc based on inquiries 	State reviews initial inquiries and sends to vendor-provided help desk
Oregon	Semi-Annual	Random	Mandatory	<ul style="list-style-type: none"> Quarterly rebasing from invoice data Weekly pricing updates 	Vendor-provided help desk

OPTION 2

NATIONAL AVERAGE DRUG ACQUISITION COST (NADAC)



OPTION 2

NADAC

- Option 2: NADAC
 - Ingredient reimbursement
 - NADAC
 - If no NADAC, then WAC + 2%
 - Professional dispensing fee reimbursement
 - \$11.29
 - For analysis results presented on May 19th, NADAC rates were pulled from the CMS Pharmacy Pricing Page:
 - <http://www.medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Benefits/Prescription-Drugs/Pharmacy-Pricing.html>

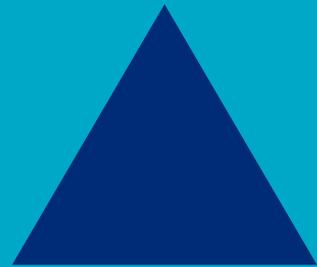
OPTION 2

NADAC

- NADAC
 - National survey pool
 - Monthly survey
 - File updates
 - Generics – monthly
 - Brands – weekly
 - Rates are not state specific
 - No retroactive rate changes

OPTION 3

PUBLISHED PRICING BENCHMARK



OPTION 3

PUBLISHED PRICING BENCHMARK

- Option 3: Published Pricing Benchmark** (e.g., WAC)
 - Ingredient reimbursement
 - Percentages derived from CMS study on NADAC equivalency
 - Brand: WAC — 3.4%
 - Generic: Variable discount off WAC depending upon the number of rebating generic manufacturers in the drug group

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%

- Professional Dispensing Fee
 - \$11.29

** As determined by First DataBank

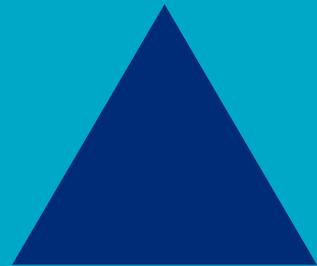
OPTION 3

PUBLISHED PRICING BENCHMARK

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

** As determined by First DataBank

FURTHER DEVELOPMENT: SPECIALTY



FURTHER DEVELOPMENT: SPECIALTY

- Specialty definition and complimentary provider reimbursement methodology must be determined for State Plan Amendment

Stakeholder Discussion

MAKE  **MERCER**
TOMORROW,
TODAY