pennsylvania
DEPARTMENT OF HUMAN SERVICES

MEDICAL ASSISTANCE BULLETIN

ISSUE DATE	EFFECTIVE DATE	NUMBER
June 28, 2017	June 30, 2017	99-17-09

SUBJECT

Payment for Covered Outpatient Drugs - Pharmacy Services

BY

Leesa M. Allen, Deputy Secretary
Office of Medical Assistance Programs

New IMPORTANT REMINDER: All providers must revalidate the Medical Assistance (MA) enrollment of each service location every 5 years. Providers should log into PROMISe to check the revalidation dates of each service location and submit revalidation applications at least 60 days prior to the revalidation dates. Enrollment (revalidation) applications may be found at: http://www.dhs.pa.gov/provider/promise/enrollmentinformation/S_001994.

PURPOSE:

The purpose of this bulletin is to announce implementation of changes to the payment methodology for covered outpatient drugs in the Medical Assistance (MA) Fee-for-Service (FFS) program for claims submitted on and after June 30, 2017.

SCOPE:

This bulletin applies to all outpatient pharmacies and 340B covered entities enrolled in the MA Program and providing services in the FFS delivery system, including pharmacy services to residents of long term care facilities.

Changes to the FFS payment methodology do not apply to licensed prescribers that dispense covered outpatient drugs, the FFS Specialty Pharmacy Drug Program preferred providers, and family planning clinics.

BACKGROUND:

On February 1, 2016, the Centers for Medicare & Medicaid Services (CMS) published the Covered Outpatient Drugs Final Rule, which requires states to use actual acquisition cost (AAC), rather than estimated acquisition cost (EAC), to pay for pharmacy ingredient costs. *See* 81 FR 5170-5357. States have the flexibility to implement AAC payment using several different benchmarks, including National Average Drug Acquisition Cost (NADAC), a state survey of retail pharmacy providers, or Average Manufacturer Price. The final rule also

requires states to pay a professional dispensing fee, rather than a "reasonable dispensing fee," and describes the pharmacy costs that are to be included in the calculation of the professional dispensing fee.

DISCUSSION:

Ingredient Cost

After considering the various options, the Department will use the NADAC to determine AAC. NADAC represents the national average invoice price derived from retail community pharmacies for drug products based on invoices from wholesalers and manufacturers. The Department concluded that the NADAC was the most economical and efficient option that will continue to assure quality of care and sufficient beneficiary access in accordance with Section 1902(a)(30)(A) of the Social Security Act (42 U.S.C. § 1396a(a)(30)(A)).

Payment for the ingredient cost of brand outpatient drugs will be based on the lower of the provider's usual and customary (U&C) charge, or the NADAC, or an equivalent to NADAC when a NADAC is not available.

Payment for the ingredient cost of generic outpatient drugs will be based on the lower of the provider's U&C charge; NADAC, or an equivalent to NADAC when a NADAC is not available; the Federal Upper Limit published by CMS; or the Department's state maximum allowable cost.

When a NADAC is not available for a specific drug product, CMS requires states that adopt the NADAC to establish an alternative benchmark equivalent to NADAC. Based on an analysis of Pennsylvania FFS-specific drug utilization conducted by Mercer Human Services Government Consulting (Mercer), the Department determined that wholesale acquisition cost (WAC) minus 3.3% and WAC minus 50.5% were equivalent to NADAC values for brand name drugs and generic drugs, respectively, for payment for drugs without a published NADAC. The Department will continue to compare WAC to NADAC values and will issue public notice of changes to the adjusted WAC. The Department will also post that information on the Department's website.

In accordance with the requirements of 42 CFR § 447.518(a) and CMS guidance, payment for drugs purchased through the 340B program may not exceed the 340B ceiling price. (SHO # 16-001 Affordable Care Act # 37, dated February 11, 2016). In order to ensure compliance with these requirements, the Department is requiring a provider to report the lower of the provider's U&C or the 340B ceiling price on claims for 340B purchased drugs dispensed to FFS beneficiaries.

Professional Dispensing Fee

The Department based the professional dispensing fee on the results of a state-specific dispensing fee survey, which reflects the costs of professional dispensing by Pennsylvania pharmacy providers to dispense a drug product to MA FFS beneficiaries. Mercer conducted the survey, which was designed to capture expenses incurred by the pharmacies to dispense a prescription to a FFS beneficiary. All 3,280 pharmacies enrolled in the MA Program were

included in the study population. The final total usable response rate was 51.5% of pharmacies enrolled in the MA Program. All data was self-reported by, and certified as accurate by, a representative of each pharmacy. The survey results support $7.00 as the cost of professional dispensing as defined in the final rule for pharmacies dispensing prescriptions to FFS beneficiaries. The Department will issue public notice of any future adjustments to the professional dispensing fee, and post that information on the Department's website.

PROCEDURES:

Beginning June 30, 2017, claims submitted by outpatient pharmacies for covered outpatient drugs in the MA FFS program will be paid using the following payment methodology:

For brand name drugs, the lower of

- The provider's usual and customary charge to the general public;

OR

- The NADAC, or in the absence of NADAC, WAC minus 3.3%, plus a $7.00 professional dispensing fee.

For generic drugs, the lower of

- The provider's usual and customary charge to the general public;

OR

- The NADAC, or in the absence of NADAC, WAC minus 50.5%, plus a $7.00 professional dispensing fee;

OR

- The Federal Upper Limit plus a $7.00 professional dispensing fee;

OR

- The State Maximum Allowable Cost plus a $7.00 professional dispensing fee.

There are no changes to billing procedures for claims submitted for covered outpatient drugs by outpatient pharmacies. Outpatient pharmacies should continue to report the U&C charge to the general public on the claim. Outpatient pharmacies that dispense 340B purchased drugs to FFS beneficiaries should report the lower of the U&C or the 340B ceiling price on the claim for a 340B purchased drug.

The Department will provide information concerning the claims that were submitted between April 1, 2017 and June 29, 2017.