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| ISSUE DATE October 4, 2018 | EFFECTIVE DATE April 1, 2017 | NUMBER 24-18-21 |
| SUBJECT Professional Dispensing Fee - Pharmacy Services | | BY  Sally A. Kozak, Deputy Secretary Office of Medical Assistance Programs |

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 inform pharmacy providers that the Department of Human Services (DHS):

1. Is increasing the professional dispensing fee to \$10.00 effective April 1, 2017.
2. Implemented the \$10.00 professional dispensing fee, effective August 8, 2018.
3. Will issue gross adjustments to reflect the increase in the professional dispensing fee for paid drug claims retroactive to dates of service April 1, 2017, through August 7, 2018.

SCOPE:

This bulletin applies to all licensed pharmacies enrolled in the Medical Assistance (MA) Program and dispensing covered outpatient drugs to MA program beneficiaries in the fee-for-service (FFS) delivery system, including pharmacy services to residents of long term care facilities. Pharmacy providers dispensing covered outpatient drugs to MA program beneficiaries in the managed care delivery system should address any questions related to payment to the appropriate managed care organization.

COMMENTS AND QUESTIONS REGARDING THIS BULLETIN SHOULD BE DIRECTED TO:

The appropriate toll free number for your provider type

Visit the Office of Medical Assistance Programs Web site at
<http://www.dhs.pa.gov/provider/healthcaremedicalassistance/index.htm>

BACKGROUND/DISCUSSION:

On February 1, 2016, the Centers for Medicare & Medicaid Services (CMS) published the “Medicaid Program; Covered Outpatient Drugs; Final Rule”, published at 81 FR 5170, amending 42 CFR Part 447 (relating to payment for services). The Final Rule revised the requirements for states’ payment methodologies for covered outpatient drugs in the FFS delivery system. Under the Final Rule, DHS is required to use “actual acquisition cost” instead of “estimated acquisition cost” as the benchmark for ingredient cost. The Final Rule also required DHS to pay a “professional dispensing fee,” rather than a “reasonable dispensing fee,” that reflects the pharmacist’s professional services and cost to dispense the drug product to a FFS beneficiary and describes the pharmacy costs that are to be included in the calculation of the fee.

DHS published a notice in the *Pennsylvania Bulletin* on April 1, 2017, announcing changes to the FFS payment methodology for covered outpatient drugs in the MA Program, as required to be compliant with the Final Rule. 47 Pa.B. 1921 (April 1, 2017). DHS also issued MA Bulletin 99-17-09, “Payment for Covered Outpatient Drugs – Pharmacy Services,” on June 28, 2017. Payment for the ingredient cost of brand outpatient drugs is based on the lower of the provider’s usual and customary (U&C) charge, or the National Average Drug Acquisition Cost (NADAC) or an equivalent to NADAC when a NADAC is not available. Payment for generic outpatient drugs is based on the lowest 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 DHS’ state maximum allowable cost. The professional dispensing fee was set at \$7.00. The Final Rule requires that the new payment methodology be effective April 1, 2017. The changes were implemented on June 30, 2017. The public notice and MA Bulletin 99-17-09 included a provision for a retroactive adjustment to claims.

After implementation of the revised payment methodology, CMS expressed concern that the \$7.00 professional dispensing fee was lower than the approved professional dispensing fees of neighboring states. DHS reconsidered the professional dispensing fee, taking into consideration the approved professional dispensing fee of states bordering Pennsylvania. As a result, DHS determined that the professional dispensing fee could be increased to \$10.00. CMS approved the DHS payment methodology for ingredient cost as described above, plus a \$10.00 professional dispensing fee on August 7, 2018.

There is no change to the \$0.50 dispensing fee for FFS beneficiaries with a pharmacy benefit resource that is a primary third-party payer to MA.

The revised payment methodology does not apply to covered outpatient drugs dispensed by a dispensing prescriber such as a physician, certified registered nurse practitioner, or a midwife.

PROCEDURE:

The DHS automated claims process contractor, will process gross adjustments for pharmacy providers based upon FFS claims for covered outpatient drugs with dates of service April 1, 2017, through August 7, 2018, as follows:

- Claims that paid a \$2.00 dispensing fee will receive an additional \$8.00
- Claims that paid a \$3.00 dispensing fee will receive an additional \$7.00
- Claims that paid a \$7.00 dispensing fee will receive an additional \$3.00
- Claims that paid a \$0.50 dispensing fee will not receive an additional payment
- Claims that did not pay a dispensing fee will not receive an additional payment

The gross adjustments are expected to be processed during the fourth quarter of 2018 and providers can expect to receive the gross adjustment payments by the end of calendar year 2018. DHS will notify providers of any future adjustments to these timeframes.