ForwardHealth Covered Outpatient Drug Reimbursement

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Agenda

- Introductions
- Wisconsin's Implementation Plan
- Wisconsin Background
- Overview of Covered Outpatient Drugs Final Rule
- Professional Dispensing Fee
- Thank You and Next Steps

Introductions

Department of Health Services Team Members

- Rachel Currans-Henry, Director of Bureau of Benefits Management
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- Kimberly Smithers, Pharmacy Section Chief
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- Kelsey Gmeinder, Pharmacy Policy Analyst
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Mercer Role

- Policy and Implementation Consulting
- Conduct Dispensing Fee Survey
- Financial Modeling
- State Plan Amendment Preparation

Wisconsin's Implementation

- Effective April 1, 2017, Wisconsin Department of Health Services (DHS) will be changing covered outpatient drug reimbursement methodology to comply with the federal rule:
  - The federal rule mandates actual acquisition cost (AAC)-based ingredient cost and professional dispensing fee reimbursement.
  - Methodology will impact all providers (pharmacies, 340B Drug Pricing Program [340B], etc.) and programs (Wisconsin Chronic Disease Program [WCDP], AIDS Drug Assistance Program [ADAP], SeniorCare) that dispense outpatient drugs.
  - DHS will work with stakeholders throughout the process.
- DHS must demonstrate a process that meets compliance with federal upper limits in its payment logic.
- DHS will be updating drug rebate to meet new reporting requirements.

Wisconsin Background

- Approximately $1 billion of $8 billion Medicaid budget is spent on drug expenditures.
- DHS uses the same drug pricing methodology for BadgerCare Plus, Medicaid, SeniorCare, WCDP, and ADAP.
- Drug and diabetic supply reimbursement methodology has been in place since 2011:
  - Moved from Average Wholesale Price to Wholesale Acquisition Cost (WAC) as a result of federal lawsuits.
  - Dispensing fee methodology was not updated. The last dispensing fee study was conducted in 1999.
  - Centers for Medicare and Medicaid Services (CMS) requirement to pay Estimated Acquisition Cost plus a reasonable dispensing fee.

2015 Reimbursement Statistics

- In calendar year (CY) 2015, ForwardHealth had over 13,000,000 paid claims for drugs and over 300,000 paid claims for provider administered drugs:
  - 16.5 percent of paid claims in CY 2015 were for brand drugs.
  - 80.8 percent of paid claims in CY 2015 were for generic drugs.

Current Reimbursement

• Brand Drugs	WAC +2%
• Generic Drugs	Lesser of WAC -3.8%, State Maximum Allowed Cost
• Specialty Drugs	WAC +/- %
• Dispensing Fee (Brand)	$3.44
• Dispensing Fee (Generic)	$3.94
• Unit Dose Packaging	$0.015 per unit
• Dispensing Fee (Compound)	$9.45 to $22.16
• Medication Therapy Management	$10.00 or $30.00

Current 340B Drug Pricing Program Reimbursement

- ForwardHealth has a published 340B reimbursement policy specific to provider-administered drugs.
  - Providers who participate in 340B are required to indicate a National Drug Code on claims for provider-administered drugs. When submitting the 340B billed amount, providers are required to indicate the actual acquisition cost plus a reasonable dispensing fee.
- ForwardHealth does not have a separate published policy for 340B outpatient drugs.

Other Reimbursement

- Federally qualified health centers receive an encounter rate, but the drug benefit is carved out of the encounter rate and reimbursed fee-for-service.
- Family planning and narcotic treatment services providers are required to bill their usual and customary charges for services provided, and reimbursement is the lesser of the provider's usual and customary charge or the maximum allowable fee.

Overview of Covered Outpatient Drugs Final Rule

CHRONOLOGY
COVERED OUTPATIENT DRUGS RULE

July 2011
CMS begins posting draft Federal Upper Limits (FULs)

April 2, 2012
Public comment period ends

July 2012
CMS begins posting draft 3 Maximum Reimbursement Amount FULs

November 23, 2013
CMS announces finalization of proposed FULs in June 2014

June 2, 2014
CMS announces delay in implementation of new FULs

April 1, 2017
SPA effective date

June 30, 2017
State Plan Amendment (SPA) submission deadline

2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017

February 2, 2012
Notice of Proposed Rule Making released

October 2012
CMS begins posting draft National Average Drug Acquisition Cost (NADAC)

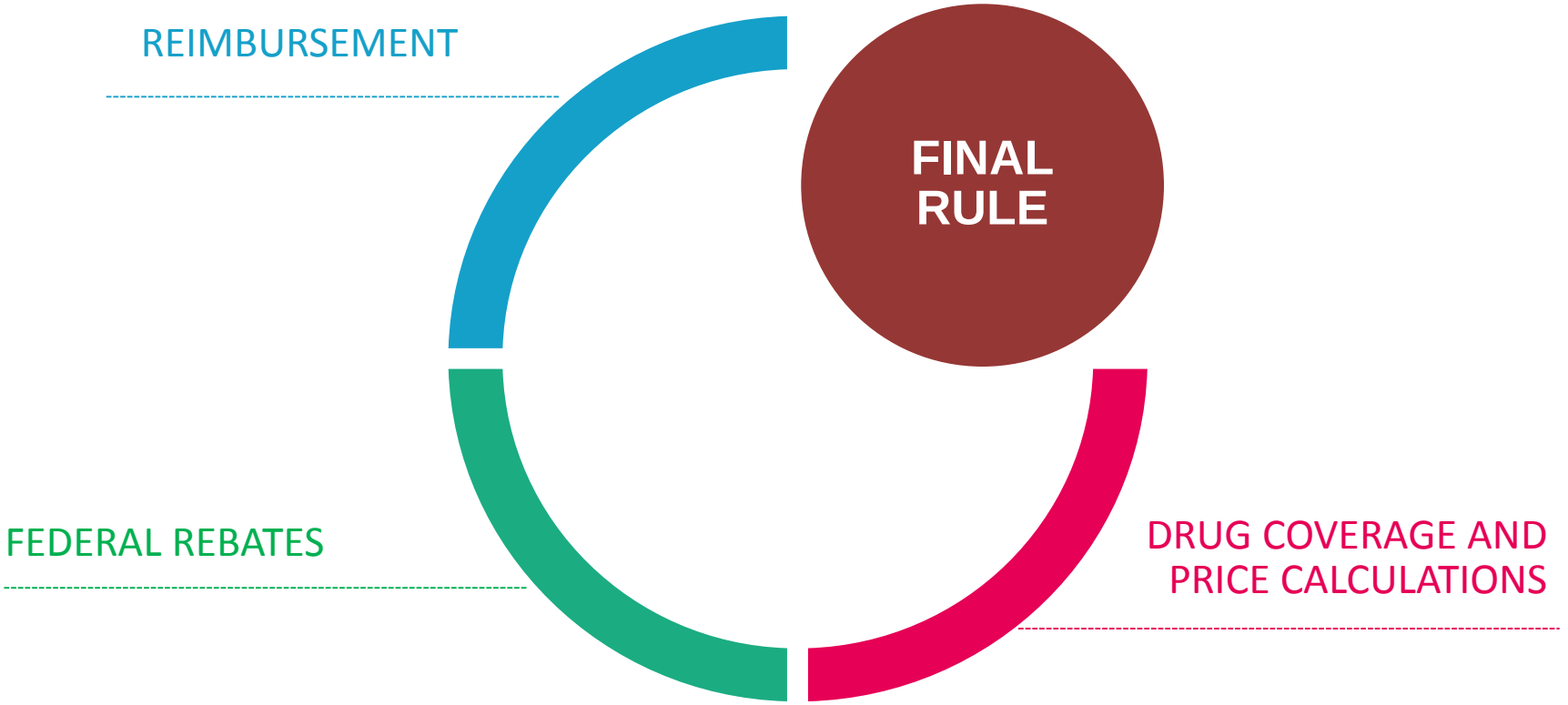
November 27, 2013
CMS begins posting final NADAC files

February 2, 2016
Final rule released in Federal Register

April 1, 2016
Effective date of rule and final FULs published

April 1, 2016
Public comment on line extensions closes

FINAL RULE AREAS OF IMPACT



REIMBURSEMENT CHANGES
FEE-FOR-SERVICE REQUIREMENTS

REIMBURSEMENT CHANGES
ACTUAL ACQUISITION COST METHODOLOGY CONSIDERATIONS

Source Data for Methodology

Regulation effective date April 1, 2016

State Discretion

Data Driven Analysis

Latest SPA effective date April 1, 2017

Managed Care Organization Implications

REIMBURSEMENT CHANGES
340B DRUG PRICING PROGRAM REIMBURSEMENT

STATE PLAN

No duplicate discounts may be claimed

Must address total reimbursement

AAC

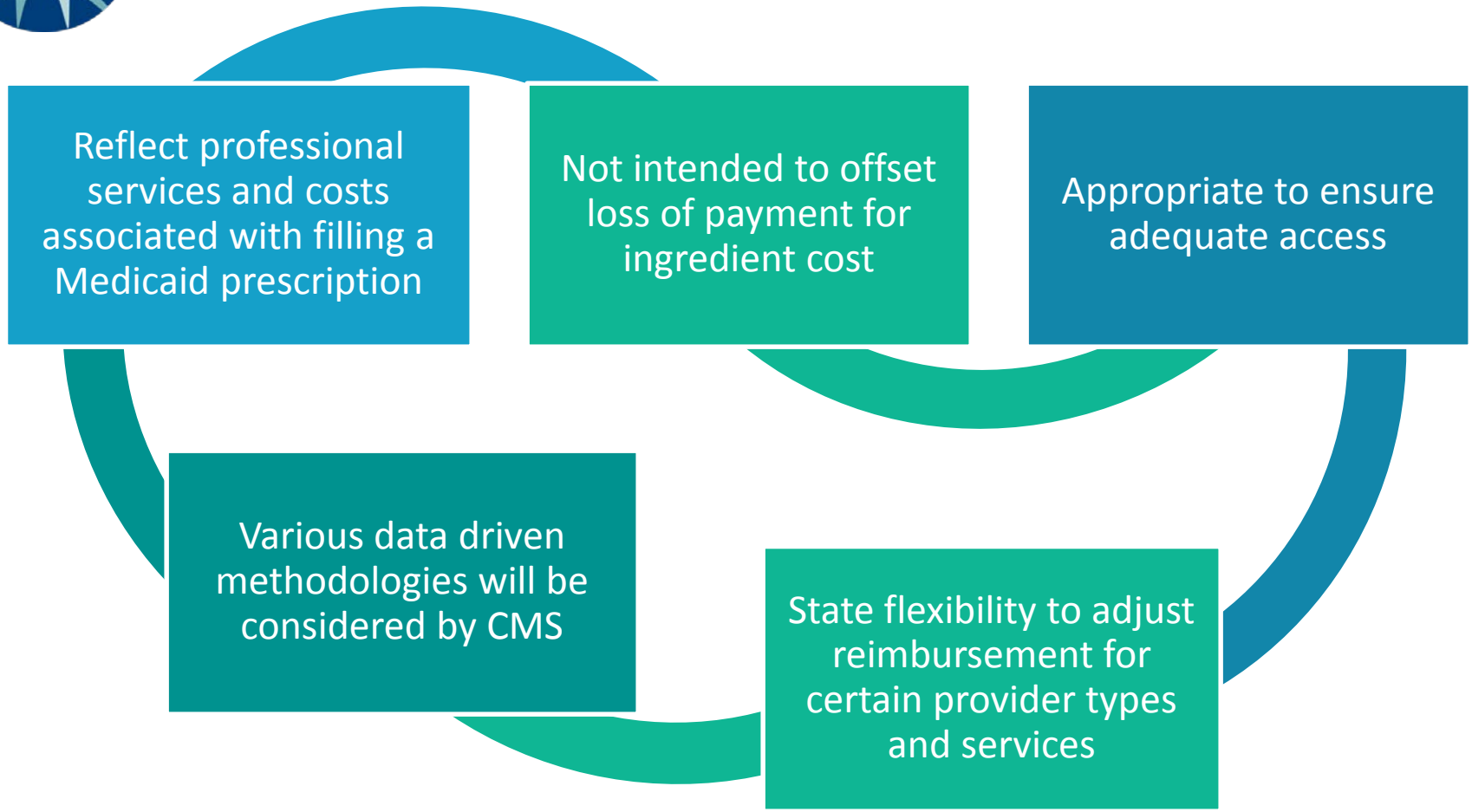
State-specific 340B AAC methodology

Encounter rates for Indian Health Services, Tribal, and Urban Indian pharmacies

PROFESSIONAL DISPENSING FEES

Evaluation of dispensing fee differential for unique circumstances

REIMBURSEMENT CHANGES
PROFESSIONAL DISPENSING FEES



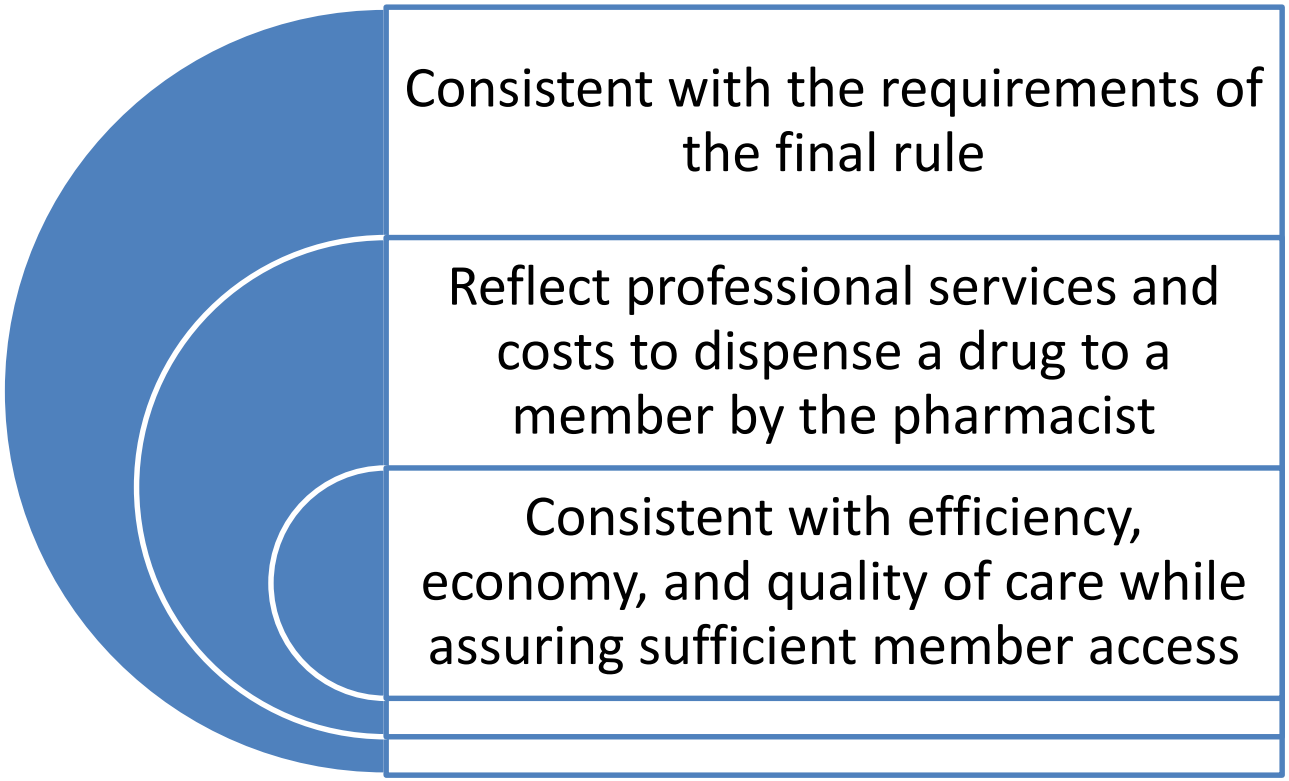
Other Areas of Impact

- Drug rebate program changes
- FULs
  - Multi-source drugs: 175 percent of the weighted average manufacturer's price
  - Other drugs: AAC plus dispensing fee or providers' usual and customary charge

Major Milestones and Stakeholder Involvement

- Summer 2016: Demographic survey and cost of dispensing survey
- Summer 2016: Stakeholder meeting on ingredient cost analysis
- Fall 2016: Stakeholder meeting on ingredient cost and professional dispensing fee proposal
- Fall 2016: Industry review and public comment on SPA language and *ForwardHealth Update*
- Winter 2016-17: Submit materials to CMS and negotiate agreement
- Spring 2017 (April): Implement ingredient cost and professional dispensing fee in the Medicaid Management Information System.

Professional Dispensing Fee



CMS Definition of Professional Dispensing Fee

A professional dispensing fee is the professional fee that:

- Is incurred at the point of sale or service and pays for costs in excess of the ingredient of a covered outpatient drug (COD) each time a COD is dispensed.
- Includes only pharmacy costs associated with ensuring that possession of the appropriate COD is transferred to a Medicaid beneficiary, including:
  - The costs associated with a pharmacist's time in checking the computer for information about an individual's coverage.
  - Performing drug utilization review and preferred drug list activities.
  - Measurement or mixing of the covered outpatient drug.
  - Filling the container.
  - Beneficiary counseling.
  - Providing the completed prescription to the Medicaid beneficiary.
  - Delivery, special packaging, and overhead associated with maintaining the facility and equipment necessary to operate the pharmacy.

CMS Definition of Professional Dispensing Fee (Cont.)

- A professional dispensing fee does not include administrative costs incurred by the State in the operation of the COD benefit including systems costs for interfacing with pharmacies.
- The Preamble clarifies that CMS does not identify profit in the definition of professional dispensing fee.
- States retain the flexibility to create a differential professional dispensing fee reimbursement per provider delivery type.

Professional Dispensing Fee Survey

Timing	• Pre-survey: May • Professional dispensing fee (PDF) survey: May–June
Questions	• Pre-survey: Identify provider type • PDF survey: Identify direct and indirect dispensing costs following CMS cost principles
PDF Formula	• Total direct pharmacy costs + allowable indirect costs / number of scripts
Data Needed	• Recent financial data, including revenue and expenses, and data used to allocate indirect costs, such as square footage
Non-allowed costs	• Sample of costs excluded: profit, lobbying costs, charitable contributions, bad debt, income taxes, advertising, and marketing

Thank You and Next Steps

- Contact information for dispensing fee survey comments, feedback, and questions:
  - CODSurvey@mercer.com
- Contact information for general project questions and comments:
  - DHSOutpatientDrugRule@dhs.wisconsin.gov