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ForwardHealth Covered Outpatient Drug Reimbursement

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Agenda

- Overview
- Ingredient Cost
- Professional Dispensing Fee
- Other Reimbursement Changes
- Questions and Discussion

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Overview

- ForwardHealth held a meeting on September 21, 2016, to receive stakeholder feedback on the proposed reimbursement changes being implemented due to the Centers for Medicare and Medicaid Services (CMS) Covered Outpatient Drugs final rule.
  - ForwardHealth presented a four-tiered dispensing fee model.
- The purpose of this meeting is to discuss finalized drug reimbursement policies with stakeholders before submitting them to CMS.

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Pharmacy Reimbursement Overall Fiscal Impact

- Implementation of the required changes to reimbursement for ingredient cost and professional dispensing fee for ForwardHealth's pharmacy programs will increase reimbursement to providers by approximately **$27.7 million** (All Funds) per year.

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Ingredient Cost

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Actual Acquisition Cost-Based Ingredient Cost

- There are no changes to the proposed ingredient cost reimbursement methodologies for covered outpatient drugs presented in September.
- The estimated fiscal impact has not changed.
- Overall ingredient reimbursement will decrease by approximately 5.4 percent ($60.3 million) as a result of the transition to actual acquisition cost (AAC)-based ingredient cost reimbursement.

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Actual Acquisition Cost-Based Ingredient Cost

- Brand and Generic Drugs
  - National Average Drug Acquisition Cost (NADAC)
  - When no NADAC, Wholesale Acquisition Cost (WAC) +0 percent or State Maximum Allowed Cost (SMAC), if available
- Federal 340B Drug Pricing Program (340B) Drugs
  - Calculated 340B ceiling price
  - When no 340B ceiling price, WAC -50 percent
  - Noncovered drugs acquired through 340B and dispensed by 340B contract pharmacies

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Specialty Drug Reimbursement

- Reimbursement for specialty drugs is not covered within the AAC requirements of the final rule.
- For drugs that satisfy ForwardHealth's definition of specialty drug, reimbursement will continue to be:
  - Updated monthly.
  - Based on a review of product availability and specialty pricing in the marketplace.

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Professional Dispensing Fee

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Feedback

- Four-tiered structure does not reward efficiency, quality, and value.
- Specialty and long-term care pharmacies will not be appropriately reimbursed.
- The wide range between the proposed reimbursement tiers is problematic.
- Medication Therapy Management (MTM) reimbursement is not adequate and does not reward high-quality pharmacies.
- Eliminating the repackaging allowance adversely impacts long-term care pharmacies.

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Analysis

- Mercer examined the data for outliers to understand what was driving the wide range between the proposed reimbursement tiers.
- Mercer identified data anomalies and called corporate contacts to provide opportunity to correct the data.

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Findings

- Further analysis identified an underlying data validity issue with reported corporate overhead costs:
  - Some responses incorrectly reported corporate overhead costs.
  - These costs were inappropriately allocated in the professional dispensing fee calculation, which resulted in an inflated average cost to dispense.
  - Responses with average costs of dispensing more than three standard deviations from the average were dropped as outliers. Many of these drops were identified as having inflated corporate overhead costs.

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Impact

- 45 survey responses were removed because of incorrect reporting of corporate overhead costs.
- With this removal, the response rate for the survey is approximately 76 percent.
- The Cost of Dispensing Survey Report will be updated; the October 28 version is no longer valid.

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Results

- Reviewing regression analysis will determine if there were different variables that impacted the "cost of dispensing":
  - Total prescription volume was still the most significant indicator of a provider's average cost to dispense.
  - High percentage of Medicaid prescription volume (greater than 20 percent) also yielded statistical significance.
- Moving to a two-tiered reimbursement model will address the significance of both total prescription volume and high percentage of Medicaid prescription volume.

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Rates

Provider Types	Total Annual Prescription Volume	Professional Dispensing Fee Rate
Retail Community, 340B, Specialty, and Clinic/Outpatient	0–34,999	$15.69
	35,000 or more	$10.51

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Fiscal Impact

- Overall professional dispensing fee reimbursement will increase by approximately $88.3 million.
  - This is a $5.4 million difference from the estimated fiscal impact of the proposed professional dispensing fee rates.

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Other Reimbursement Changes

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Repackaging Allowance

- ForwardHealth will continue to reimburse a repackaging allowance of $0.015 per unit.
  - This will ensure value-added payments for long-term care pharmacies who provide the bulk of these services.
  - Billing policies will be clarified in a *ForwardHealth Update*.

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Compound Dispensing Fee

- ForwardHealth will ensure pharmacies producing compound drugs are compensated for this value-added service.
  - Providers who bill a compound drug will be allowed both their assigned professional dispensing fee rate and an add-on reimbursement of $7.79.

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Medication Therapy Management Program Changes

- MTM intervention-based services are included in the professional dispensing fee and will no longer be a separate billable service.
- MTM comprehensive medication review/assessment (CMR/A) will continue to be a billable service in 15-minute increments.
- Reimbursement for CMR/As will increase:
  - $85 for the initial CMR/A.
  - $40 for follow-up CMR/As.

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Next Steps for ForwardHealth

- Send out an Attestation Survey to determine tier assignments.
- Update the covered outpatient drug page of the ForwardHealth Portal.
- Submit the State Plan Amendment (SPA) to CMS and publish a public notice.
- Implement system requirements.
- Publish an *Update* with reimbursement policies; the *Update* will be shared for industry review.
- Implement by April 1 effective date.

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Questions and Discussion

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A. Wisconsin will reimburse the following prescribed drugs with an Ingredient Cost methodology in accordance with Actual Acquisition Cost (AAC) as defined at 42 CFR 447.512 and Professional Dispensing Fee as defined at 42 CFR 447.502.

1. **Brand name and generic drugs** and other drugs/products meeting the definition of covered outpatient drug in 42 CFR 447.502 will receive an ingredient cost based on AAC plus professional dispensing fee.
   a. AAC is defined as the lesser of:
      - National Average Drug Acquisition Cost (NADAC) plus a professional dispensing fee, or
      - The provider's usual and customary charge.
   b. **If NADAC is unavailable**, AAC is the lesser of:
      - Wholesale Acquisition Cost (WAC +0%) plus a professional dispensing fee,
      - State Maximum Allowable Cost (SMAC) rate, if available, plus a professional dispensing fee, or
      - The provider's usual and customary charge.
   c. **State MAC rates** are established through market research when there is sufficient market penetration by a generic alternative or alternatives to the brand innovator product to obtain meaningful discounts from the price of the brand innovator product/NADAC. Prices are based on current acquisition cost data and subject to change based on market factors. Wisconsin and its SMAC contractor use a national database of wholesaler information that includes pricing information from at least two wholesalers who currently do business in the State. SMAC rates are intended as a supplemental reimbursement benchmark to ensure the State reimburses providers appropriately in situations where no NADAC exists and WAC+0% is not reflective of pharmacy acquisition cost.

      The SMAC program uses a two-step pricing factor calculation. SMAC rates are set based on the greater of 150% of the lowest-cost product in the most commonly used package size or 120% of the second lowest-cost product. All pricing is updated quarterly and ad hoc updates are made as needed to account for marketplace price increases, drug shortages or in response to provider inquiries.

      SMAC rates are published on the ForwardHealth Website at: https://www.forwardhealth.wi.gov/WIPortal/content/provider/medicaid/pharmacy/resources.htm.spage

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d. **Professional Dispensing Fee (Effective 4/1/2017)** – Professional dispensing fees are determined on the basis of State-conducted surveys of pharmacy operational and overhead costs. This fee is reviewed periodically for reasonableness. Professional dispensing fees will be based on the annual prescription volume of the enrolled pharmacy. The professional dispensing fee tiers are as follows:
   - Less than 34,999 claims per year = $15.69
   - 35,000 or more claims per year = $10.51

   An annual attestation by each Medicaid-enrolled pharmacy provider documents prescription volume and determines the tier under which the pharmacy will be paid for the subsequent year.
e. **Compound Drug Allowance (Effective 4/1/2017)** is $7.79 and reimbursed in addition to a provider's assigned professional dispensing fee. The add-on rate is determined on the basis of State-conducted surveys and will be reviewed periodically for reasonableness.
f. **Repackaging Allowance** is $0.015 per unit billed and reimbursed in addition to a provider's assigned professional dispensing fee when repackaging occurs.

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2. **340B covered entity** purchased drugs under 1927(a)(5)(B) of the Act including designated **340B Indian Health Service/Tribal/Urban (I/T/U) pharmacies** will receive an AAC Ingredient cost that is no more than the 340B ceiling price plus a professional dispensing fee as defined above in (A)(1)(d).
   a. AAC is defined as:
      - The State calculated 340B ceiling price plus a professional dispensing fee, or
      - If the ceiling price is not available, WAC -50% plus a professional dispensing fee.
3. **Drugs purchased outside of the 340B program by covered entities** will be reimbursed an ingredient cost based on the AAC plus professional dispensing fee as noted in (A)(1) above.
4. **Drugs acquired through the federal 340B drug price program and dispensed by 340B contract pharmacies are not covered.**
5. **Drugs acquired via the Federal Supply Schedule (FSS)** – Ingredient cost based on AAC plus a professional dispensing fee as defined above in (A)(1)(d).
      - Providers are required to bill the actual acquisition cost for these drugs.
      - Reimbursement will not exceed the billed amount.
6. **Drugs acquired at Nominal Price (outside of 340B or FSS)** – Ingredient cost based on AAC plus a professional dispensing fee as defined above in (A)(1)(d).
      - Providers are required to bill the actual acquisition cost for these drugs.
      - Reimbursement will not exceed the billed amount.

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B. Wisconsin will reimburse the following drugs with the reimbursement methodology described as the drugs are not required to meet the AAC definition at 42 CFR 447.512.

1. **Drugs dispensed by IHS/Tribal facilities paid using encounter rates** will be reimbursed AAC for drug costs and reimbursed an FQHC-specific professional dispensing fee of $24.92 and cost reconciled to their approved federal encounter rates.
2. **Non-tribal Federally Qualified Health Centers (FQHCs)** will be reimbursed AAC for drug costs. Professional dispensing fees will be included in the non-tribal FQHC encounter rates except for SeniorCare members which are paid the FQHC-specific professional dispensing fee of $24.92.
3. **Specialty drugs not dispensed by a retail community pharmacy including drugs dispensed primarily through the mail (but not in institutions or long term care)** will receive an ingredient cost plus a professional dispensing fee as defined above in (A)(1)(d). Specialty drug rates will be updated monthly based on a review of product availability and specialty pricing in the marketplace. The specialty drug list is comprised of drug therapy classes where the majority of drugs within the therapy class do not have an available NADAC rate.

   Rates for generic specialty (injectable) products are developed using the SMAC methodology described in (A)(1)(b). For select single-source brand specialty products, Wisconsin or its contractor will use benchmark provider reimbursement discounts (e.g., commercial and/or Medicaid Managed Care) to develop specialty reimbursement rates.

   a. Reimbursement is the lower of:
      - The State determined specialty rate plus a professional dispensing fee or
      - The provider's usual and customary charge.
   b. Specialty rates will be posted to the ForwardHealth Website at: https://www.forwardhealth.wi.gov/WIPortal/content/provider/medicaid/pharmacy/resources.htm.spage

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4. **Hemophilia clotting factor and other blood products** used to treat hemophilia and other blood disorders will be reimbursed based on the specialty drug methodology outlined in (B)(3).
5. **Drugs not dispensed by a retail pharmacy, but dispensed through institutions or long term care when not included as part of an inpatient stay** will receive an ingredient cost plus professional dispensing fee as defined above in (A)(1)(d).
   a. Ingredient cost is paid as the lesser of:
      - NADAC plus a professional dispensing fee or
      - The provider's usual and customary charge.
   b. If NADAC is unavailable, ingredient cost is the lesser of:
      - WAC +0% plus a professional dispensing fee,
      - SMAC rate, if available, plus a professional dispensing fee, or
      - The provider's usual and customary charge.

6. **Physician Administered Drugs (PAD)** –
   - Drug ingredient costs are reimbursed at the Average Sale Price (ASP) Drug Price plus 6%.
   - If there is no ASP, then the drug ingredient costs are reimbursed at NADAC.
   - If there is no ASP or NADAC, then drug ingredient costs are WAC +0%.
   - No professional dispensing fee is reimbursed. Administration costs for PADs are included in the physician, nurse practitioner, OLP and rehabilitation sections of the State Plan.
7. **Investigational Drugs** are not covered under the Medicaid State Plan.

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C. Wisconsin will comply with the updated Federal Upper Limits requirements.
   1. Overall agency payment will not exceed the federal upper limit based on the NADAC for ingredient reimbursement in the aggregate for multiple source drugs and other drugs, including prescription drugs which the prescriber certifies as being medically necessary for a beneficiary.
   2. The State will ensure compliance, at the aggregate level, of MAC rates to not exceed the Federal Upper Limits on an annual basis.

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Thank You

- Email general project comments or questions to: DHSOutpatientDrugRule@dhs.wisconsin.gov
- Additional information and resources on covered outpatient drug reimbursement may be found on the Portal:

  https://www.forwardhealth.wi.gov/WIPortal/content/Provider/medicaid/pharmacy/codp/codp.htm.spage