



# ForwardHealth Covered Outpatient Drug Reimbursement

Rachel Currans-Henry, Director of Bureau of Benefits Management

Division of Health Care Access and Accountability

Wisconsin Department of Health Services (DHS)

Mercer Government Human Services Consulting

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# Introductions





# DHS Team Members

- Kevin Moore, Wisconsin Medicaid Director
  - [Kevin.Moore@dhs.wisconsin.gov](mailto:Kevin.Moore@dhs.wisconsin.gov)
- Rachel Currans-Henry, Director of Bureau of Benefits Management
  - [Rachel.CurransHenry@dhs.wisconsin.gov](mailto:Rachel.CurransHenry@dhs.wisconsin.gov)
- Kimberly Smithers, Pharmacy Section Chief
  - [Kimberly.Smithers@dhs.wisconsin.gov](mailto:Kimberly.Smithers@dhs.wisconsin.gov)
- Kelsey Gmeinder, Pharmacy Policy Analyst
  - [Kelsey.Gmeinder@dhs.wisconsin.gov](mailto:Kelsey.Gmeinder@dhs.wisconsin.gov)



# Agenda

- Background and Centers for Medicare and Medicaid Services (CMS) Final Rule Requirements
- Fiscal Impact on DHS and Providers—Change in Ingredient Reimbursement
  - Analysis and Impact
  - 340B Reimbursement
  - Specialty Drug Program Changes



# Agenda

- Professional Dispensing Fee
  - CMS Definition
  - Survey Participation and Study Observations
  - New Fee Structure
  - Provider Reimbursement Examples
- Other Reimbursement Changes
- Questions



# Background

- Effective April 1, 2017, DHS will be changing its covered outpatient drug reimbursement methodology to comply with the federal rule.
  - Ingredient cost reimbursement will move from estimated acquisition cost (EAC) to actual acquisition cost (AAC).
  - This does not include provider-administered drugs.
  - Professional dispensing fees will be implemented.
- DHS must demonstrate a process that meets compliance with federal upper limits.



# Reimbursement Changes

## Rule Requirements





# Proposed Pharmacy Reimbursement Change—Overall Fiscal Impact

- To implement required changes to ingredient reimbursement and the professional dispensing fee for ForwardHealth's pharmacy programs in order to comply with the CMS Covered Outpatient Drug final rule
  - Estimated total overall pharmacy reimbursement increase of approximately \$31.2 million (All Funds)





## Past Milestones

- April 5: Held a meeting with Pharmacy Society of Wisconsin (PSW) to discuss upcoming ForwardHealth pharmacy reimbursement policy changes
- April 29: Sent message with draft copies of the Cost of Dispensing Survey and Survey Instructions to PSW and National Association of Chain Drug Stores (NACDS); from April 29–May 4, associations and members had an opportunity to comment or ask questions
- May 10: Held a meeting with non-pharmacy associations to discuss ForwardHealth covered outpatient drug reimbursement



## Past Milestones, continued

- May 19: Sent message to PSW and NACDS explaining how their comments on the survey instructions and survey tool were addressed and how their input helped shape the final versions of these documents
- May 27: Sent survey and instructions to providers via email or direct mail; survey was available June 1–25
- June 17: Held a meeting with PSW leadership to discuss ingredient cost reimbursement



## Past Milestones, continued

- July 8: Held a meeting with PSW leadership and members to discuss ingredient cost reimbursement policy direction
- Summer 2016: Met with non-pharmacy associations and members to discuss ingredient cost reimbursement



# Project Timeline

<b>AAC Reimbursement Analysis</b>	March 2016–July 2016
<b>Cost of Dispensing (COD) Pre-Survey</b>	March 2016–April 2016
<b>COD Survey</b>	May 2016–August 2016
<b>Total Reimbursement Analysis</b>	August 2016–September 2016
<b>State Plan Amendment (SPA) Submission</b>	Winter 2016-17: Submit materials to CMS and negotiate agreement
<b>AAC-Based Reimbursement Effective Date</b>	April 1, 2017: Implement ingredient cost and professional dispensing fee in the Medicaid Management Information System (MMIS)



# AAC-Based Ingredient Cost

- Overall ingredient reimbursement will decrease by approximately 5.4% (\$60.3 million) as a result of compliance with federal law and transition to an AAC-based ingredient cost reimbursement model
- ForwardHealth will reimburse covered outpatient drugs at:
  - National Average Drug Acquisition Cost (NADAC), when available
  - When no NADAC is available, Wholesale Acquisition Cost (WAC) + 0%



# AAC-Based NDC Analysis

	Total Unique NDCs	Percent of Total	Total Claims	Percent of Total
Total: NADAC	15,400	84%	12,474,400	98%
Total: No NADAC, but WAC	2,800	15%	300,200	2%
Total: No NADAC, no WAC	190	1%	5,800	0%
<b>Total</b>	<b>18,300</b>	<b>100%</b>	<b>12,780,400</b>	<b>100%</b>

CY2015 utilization



# 340B Reimbursement



## 340B Reimbursement

- 340B providers who carve in Medicaid will be reimbursed at the lesser of the 340B ceiling price or submitted acquisition unit cost:
  - When no 340B ceiling price available, WAC - 50%
- 340B providers will be reimbursed for professional dispensing fees in the same structure as other providers.
- ForwardHealth will prohibit the use of 340B contract pharmacies.





# Specialty Drug Reimbursement



# Specialty Drug Reimbursement and the Final Rule

- Specialty drug reimbursement is not within the AAC requirements of the federal rule.
- The final rule does not define the term “specialty drug” or “specialty pharmacy.”
  - There is no industry standard set of characteristics associated with specialty drugs or specialty pharmacy.
- Specialty drugs purchased through retail community pharmacy are included in the NADAC.



# Specialty Drug Reimbursement

## DHS Specialty Definition

- Proposed specialty drug definition for SPA submission:  
*Specialty drugs are those requiring comprehensive patient care services, clinical management, and product support services.*
- Proposed definition includes criteria consistently included in other definitions of specialty drugs:
  - Prescribed for complex, chronic, or rare medical conditions
  - Not routinely stocked at a majority of community retail pharmacies
  - Require special handling, storage, inventory, or distribution
  - Require complex education and treatment maintenance



# Specialty Drug Reimbursement Methodology and Determination

- Determination of specialty drugs will be based on review of individual drug or drug class
- ForwardHealth specialty drug list will include drug classes where the majority of the drugs do not have an available NADAC
  - Generally not dispensed in a community retail pharmacy
- Specialty drug reimbursement will continue to be:
  - Updated monthly
  - Based on a review of product availability and specialty pricing in the marketplace



# Specialty Drug Reimbursement

- Seventy-three percent of the top 10 specialty drugs billed do not have a NADAC.
- Approximately two-thirds of payments made for the top 10 specialty drugs do not have a NADAC.
  - Fifty-five percent of oral oncology products did not have a NADAC (60% of drug expenditures for the Specialty Drug class).
  - No blood factor products had a NADAC.



# Specialty Drug List—Updates

## Current Wisconsin Specialty Disease States

Disease states that will be removed from specialty drug rates after the NADAC implementation are indicated in **RED**.

ANEMIA/NEUTROPENIA	MISC: HYPOCALCEMIA
ANTICOAGULANT	MISC: IRON OVERLOAD
ANTI-INFECTIVE	MISCELLANEOUS: INJECTABLE & OTHER ROUTE
BLOOD CELL DEFICIENCY	MULTIPLE SCLEROSIS
<b>CYTOKINE AND CAM ANTAGONISTS</b>	ONCOLOGY
ENDOCRINE DISORDER	ONCOLOGY - ADJUNCT THERAPY
ENZYME DEFICIENCY	ONCOLOGY - ORAL
GROWTH HORMONE	OPHTHALMIC CONDITIONS
HEMOPHILIA	<b>ORGAN TRANSPLANT/IMMUNOSUPPRESSANT</b>
HEPATITIS	<b>OSTEOPOROSIS</b>
<b>HIV</b>	OTHER SPECIALTY CONDITION
IMMUNE DEFICIENCY	PSORIASIS
LIPITROPICS, OTHER	PULMONARY
MISC.: IRON DEFICIENCY	PULMONARY HYPERTENSION
<b>MISC: ANTIPSYCHOTIC INJECTABLE</b>	RHEUMATOID ARTHRITIS AND OTHER INFLAMMATORY CONDITIONS
<b>MISC: HYPERPARATHYROIDISM</b>	RSV PREVENTION

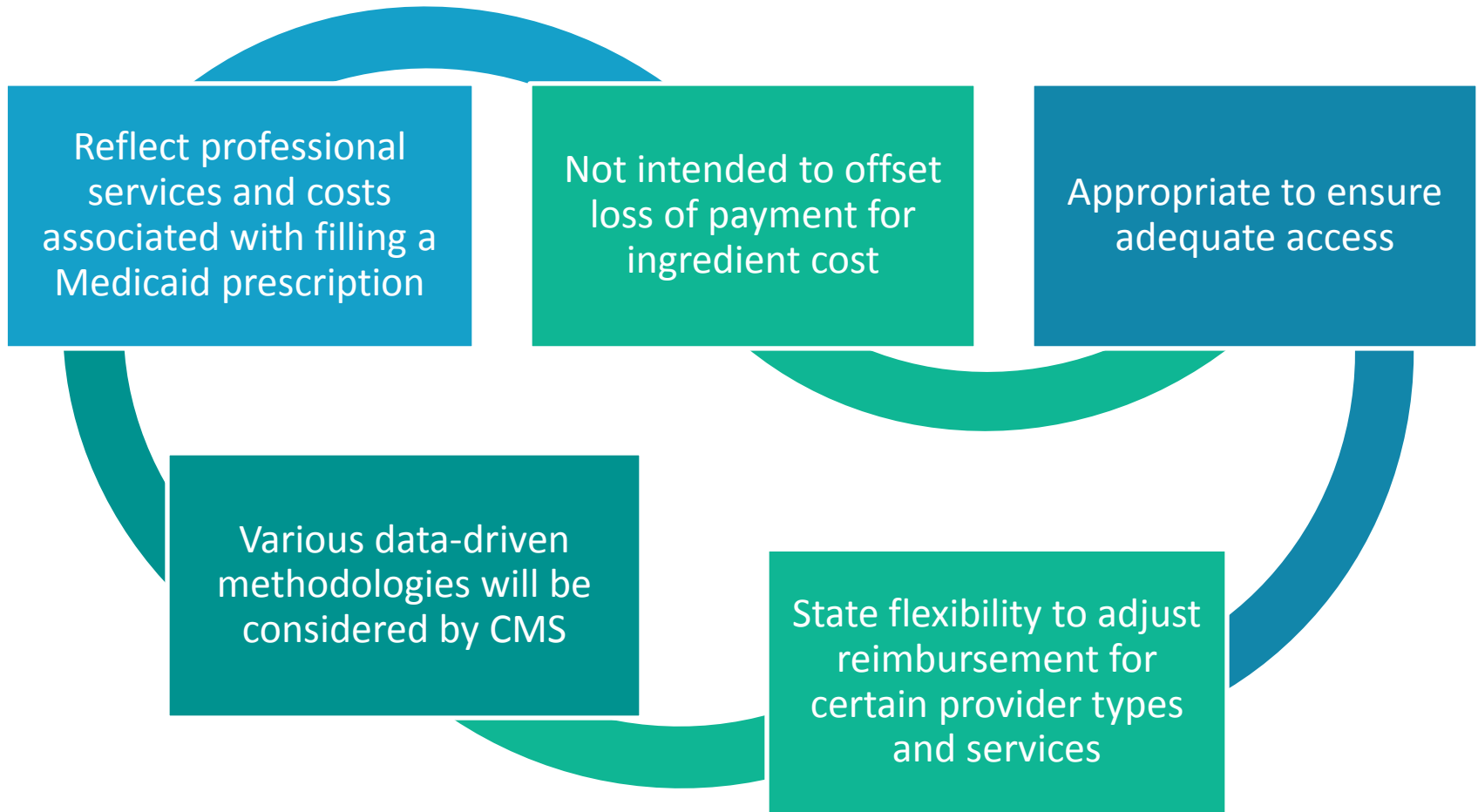


# Professional Dispensing Fee



# Reimbursement Changes

## Professional Dispensing Fees







# CMS Definition of Professional Dispensing Fee

- Professional dispensing fee does not include:
  - Administrative costs incurred by the state in the operation of the covered outpatient drug 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 Participation

- 1,388 pharmacies\* in the survey population
- 1,202 pharmacies responded to the survey, representing a total response rate of 86.6%
- Of the 1,202 pharmacies that responded, 1,010 pharmacies provided usable responses to the study, representing a usable response rate of 72.8%
- 192 pharmacies provided non-usable responses

\* Provider types other than pharmacies are allowed to bill for drugs and were surveyed, including family planning clinics, federally qualified health centers (FQHCs), narcotic treatment centers, clinics, and hospitals, but the term “pharmacy” is being used for simplicity.



# Professional Dispensing Fee Survey Observations

- Several factors that impact the average cost to dispense were considered, but the most accurate indicator was total prescription volume.
- Pharmacies with a lower volume of prescriptions have significantly higher costs of dispensing.
- Results assume that higher volume pharmacies would continue to produce the largest volumes of pharmacy claims.



# New Professional Dispensing Fee Structure

Provider Types	Total Annual Prescription Volume	Proposed Dispensing Fee
Retail Community, 340B, and Clinic/Outpatient	0–32,999	\$21.03
	33,000–65,999	\$13.95
	66,000–98,999	\$9.94
	99,000 or more	\$9.50

Note: DHS will enforce the current dispensing fee policy of one dispensing fee per member per drug per month.



# Dispensing Fee Fiscal Impact

The overall dispensing fee reimbursement will increase by approximately \$93.7 million as a result of compliance with federal law and the transition to a professional dispensing fee model.



# Other Reimbursement Changes



# Repackaging Allowance

ForwardHealth will be incorporating repackaging fees into the professional dispensing fee and tiered reimbursement methodology.



# Compounding Dispensing Fee

ForwardHealth will be incorporating the tiered professional dispensing fees into compounding reimbursement. A compounding add-on will be determined at a later date.





# Medication Therapy Management (MTM) Program Changes

- MTM intervention-based services will be reimbursed through the professional dispensing fee and will no longer be a separate billable service.
- MTM comprehensive medication review/assessment will continue to be a billable service in 15-minute increments.



# Diabetic Supplies

- Diabetic supplies do not fall under the Covered Outpatient Drug final rule.
- Current reimbursement is WAC +2% and a dispensing fee of \$3.94 with a \$0.50 copayment.
- CMS does not publish a NADAC for diabetic supplies.
- To ensure continued access to Wisconsin's preferred diabetic supplies, ForwardHealth will not be revising pricing methodology.



# Questions



# Thank You

- To submit a general project comment or question, email the following address:  
[DHSOutpatientDrugRule@dhs.wisconsin.gov](mailto:DHSOutpatientDrugRule@dhs.wisconsin.gov)
- Contact information for general implementation questions and comments:
  - [Kelsey.Gmeinder@dhs.wisconsin.gov](mailto:Kelsey.Gmeinder@dhs.wisconsin.gov)
  - [Kimberly.Smithers@dhs.wisconsin.gov](mailto:Kimberly.Smithers@dhs.wisconsin.gov)