Refer to the March 2017 *ForwardHealth Update* (2017-07), titled "Changes to Billing and Reimbursement Policy for Covered Outpatient Drugs," for drug reimbursement policies effective for dates of service on and after April 1, 2017.

Frequently Asked Questions (FAQ) About ForwardHealth's Covered Outpatient Drug Pricing Initiative

Created: October 20, 2016
Revised February 10, 2017

On January 21, 2016, the Centers for Medicare and Medicaid Services (CMS) published the federal Covered Outpatient Drugs Final Rule (CMS-2345-FC). The intent of the federal regulation is to address the rise in prescription drug costs by ensuring that Medicaid programs reform payment methodologies for prescription drugs and to ensure drug rebates accurately reflect market prices. In accordance with the federal rule, ForwardHealth is required to update its pharmacy reimbursement policy. All states are required to be in compliance with the reimbursement requirements of the rule on or before April 1, 2017.

ForwardHealth is using this Frequently Asked Questions (FAQ) document to capture covered outpatient drug pricing questions and share the answers. This document will be revised accordingly as new information becomes available. Questions and answers are dated according to publication or revision date. Providers are encouraged to check this document regularly for new information.

Topic Category Guide

GENERAL INFORMATION

Date: 10/20/2016
Question: Which ForwardHealth programs will be impacted by the upcoming changes to covered outpatient drug reimbursement?

Answer: BadgerCare Plus, Medicaid, Wisconsin AIDS Drug Assistance Program, Wisconsin Chronic Disease Program, and SeniorCare will be impacted by the upcoming changes to covered outpatient drug reimbursement.

Date: 10/20/2016
Question: Who will be impacted by the upcoming changes to covered outpatient drug reimbursement?

Answer: Any provider or organization that submits claims to ForwardHealth for covered outpatient drugs will be impacted by the upcoming reimbursement changes.

Date: 10/20/2016
Question: What is a dispensing provider?

Answer: Wis. Admin. Code § DHS 101.03(45) defines "dispensary providers," as "providers who dispense drugs, medical supplies or equipment upon a prescription or order from a prescriber authorized under ch. 447 or 448, Stats., to prescribe the items."

Date: 2/10/2017
Question: What are covered outpatient drugs?

Answer: Covered outpatient drugs are drugs that are treated as prescribed drugs for the purposes of § 1905(a)(12) of the Social Security Act and meet the definition of a covered outpatient drug as found in § 447.502 of the Covered Outpatient Drugs Final Rule.

The reimbursement requirements in the Final Rule do not apply to diabetic supplies, provider-administered drugs, or specialty drugs. Therefore, ForwardHealth is not changing its reimbursement policy for diabetic supplies, provider-administered drugs, or specialty drugs.

Date: 1/20/2017
Question: Where can I find ForwardHealth's proposed pricing?

Answer: ForwardHealth shared proposed ingredient cost and professional dispensing fee reimbursement at a January 19, 2017, stakeholder meeting. The presentation and handout from the meeting are available on the Covered Outpatient Drug Pricing page of the ForwardHealth Portal. The final reimbursement policy will be published in a future *ForwardHealth Update*.

Date: 2/10/2017
Question: What is a retail community pharmacy?

Answer: A retail community pharmacy is an independent pharmacy, a chain pharmacy, a supermarket pharmacy, or a mass merchandiser pharmacy that is licensed as a pharmacy by the Department of Safety and Professional Services and dispenses medications to the general public at retail prices. This does not include nursing home pharmacies, long-term care facility pharmacies, hospital pharmacies, clinics, charitable or not-for-profit pharmacies, government pharmacies, pharmacy benefit managers, or pharmacies that dispense prescription medications to members primarily through the mail.

Date: 10/20/2016
Question: Will there be provider type-specific changes as a result of the covered outpatient drug pricing initiative?

Answer: ForwardHealth is continuing to evaluate potential reimbursement and policy impacts to certain provider types as a result of the covered outpatient drug pricing initiative. ForwardHealth will engage specific provider types, as needed, to provide further pricing recommendations. Additionally, any changes to policy will be communicated in a future *Update*.

Date: 10/20/2016
Question: Are managed care organizations impacted by the Covered Outpatient Drugs Final Rule?

Answer: Managed care organizations will not be required to adopt a new payment or reimbursement methodology. They will continue to reimburse providers based on their ability to maintain adequate access to a network of providers.

Date: 02/10/2017
Question: What is the timeline for ForwardHealth's transition to the covered outpatient drug pricing reimbursement methodology?

Answer: The following are planned milestones for compliance with the Covered Outpatient Drugs Final Rule:

- Winter 2016-17: State Plan Amendment submitted to CMS and agreement negotiated
- March 2017: *Update(s)* published
- April 1, 2017: Implementation of the new reimbursement methodology and policies

Date: 10/20/2016
Question: Where can I find more ForwardHealth covered outpatient drug information?

Answer: ForwardHealth will use *Updates*, electronic messaging, and the Covered Outpatient Drug Pricing page to communicate covered outpatient drug pricing information.

Providers and other interested parties are encouraged to sign up for the Outpatient Drug Rule email subscription in order to receive important updates. Additionally, providers are encouraged to check the Portal page regularly for new information.

REIMBURSEMENT METHODOLOGY

Date: 10/20/2016
Question: What is a Federal Upper Limit (FUL)?

Answer: A FUL is a CMS-maximum-allowed price for a covered outpatient drug. The FUL represents an aggregate upper limit, which gives states flexibility to determine payment rates for individual drugs in accordance with the approved state plan as long as states do not exceed the FUL aggregate. For drugs that have a FUL calculated, a state may use the calculated FUL price for reimbursement, or it may use another metric for reimbursement, as long as that metric will allow the Wisconsin Department of Health Services (DHS) to remain within the FUL aggregate. The final CMS FULs were published on April 1, 2015.

There are two types of FULs:

1. Multi-source drugs (generic or brand name drugs with generic equivalents)
2. Other drugs

State Medicaid programs will have to track and monitor spending for these drugs in the aggregate and report compliance to CMS every year for multi-source drugs and every three years for other drugs.

The Centers for Medicare and Medicaid Services has published the "Affordable Care Act Federal Upper Limit Methodology and Data Elements Guide," which explains the methodology used in calculating the FULs.

Date: 10/20/2016
Question: How will ForwardHealth reimburse covered outpatient drugs?

Answer: In order to comply with the Covered Outpatient Drugs Final Rule, ForwardHealth will reimburse covered outpatient drugs according to a separate ingredient cost and a professional dispensing fee. Ingredient cost reimbursement will move from Estimated Acquisition Cost (EAC) to Actual Acquisition Cost (AAC). Additionally, ForwardHealth will transition from the dispensing fee to a professional dispensing fee.

Date: 1/20/2017
Question: Will the repackaging allowance be impacted by the new reimbursement methodology?

Answer: ForwardHealth will continue to reimburse a repackaging allowance. Billing policies will be clarified in an upcoming provider *Update*.

Date: 1/20/2017
Question: Will reimbursement for compound drugs be affected by the new reimbursement methodology?

Answer: Compound drugs are covered outpatient drugs and will be affected by the new reimbursement methodology. There will be an add-on reimbursement of $7.79 for compound drugs, which will be in addition to the provider's assigned professional dispensing fee reimbursement rate. Information regarding the add-on will be communicated in a future *Update*.

Date: 1/20/2017
Question: Are there changes to member cost-sharing or copayments?

Answer: Brand and generic cost shares and copayments will remain the same, with the exception of copayments for tablet splitting for SeniorCare members, which will be discontinued.

INGREDIENT COST REIMBURSEMENT
Date: 02/10/2017
Question: How will ForwardHealth reimburse for ingredient cost?

Answer: Ingredient cost reimbursement will move from EAC to AAC. ForwardHealth will use the National Average Drug Acquisition Cost (NADAC) provided by CMS to establish AAC for non-specialty, non-340B Program covered outpatient drugs. The Medicaid website provides NADAC pricing.

Because not all covered outpatient drugs have a NADAC, ForwardHealth will establish an alternative reimbursement methodology for some drugs. To ensure compliance with AAC requirements in the Covered Outpatient Drugs Final Rule, when no NADAC is available for non-specialty, non-340B drugs, ForwardHealth is proposing to reimburse at Wholesale Acquisition Cost (WAC) +0% or State Maximum Allowable Cost, if available.

PROFESSIONAL DISPENSING FEES
Date: 10/20/2016
Question: What is a professional dispensing fee?

Answer: As defined in 42 C.F.R. § 447.502:

> *Professional dispensing fee* means the professional fee which:
>
> > **(1)** Is incurred at the point of sale or service and pays for costs in excess of the ingredient cost of a covered outpatient drug each time a covered outpatient drug is dispensed;
> >
> > **(2)** Includes only pharmacy costs associated with ensuring that possession of the appropriate covered outpatient drug is transferred to a Medicaid beneficiary. Pharmacy costs include, but are not limited to, reasonable 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 review activities, measurement or mixing of the covered outpatient drug, filling the container, beneficiary counseling, physically 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; and
> >
> > **(3)** 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.

Date: 10/20/2016
Question: Why is the transition from a dispensing fee to a professional dispensing fee necessary?

Answer: The federal Covered Outpatient Drugs Final Rule requires states to implement a professional dispensing fee. The professional dispensing fee is designed to reflect professional services and costs associated with delivering a Medicaid prescription.

Date: 1/20/2017
Question: How will ForwardHealth reimburse for professional dispensing?
Answer: Transitioning to a professional dispensing fee reinforces that the dispensing fee should accurately reflect the provider's professional services and associated costs. The professional dispensing fee reimbursement rate structure will be a tiered model based on a provider's overall annual

prescription volume. A provider will be assigned a professional dispensing fee reimbursement rate tier based on overall annual prescription volume. Professional dispensing fee pricing tiers will be assigned based on individual National Provider Identifiers. The professional dispensing fee is not intended to offset loss of payment for ingredient cost.

ForwardHealth shared professional dispensing fee rate recommendations at a January 19, 2017, stakeholder meeting. The presentation and handout from the meeting are available on the Covered Outpatient Drug Pricing page of the Portal. The final professional dispensing fees will be published in a future *Update*.

Date: 1/20/2017
Question: What are the proposed professional dispensing fees?

Answer: ForwardHealth proposes the following tiered professional dispensing fees based on a pharmacy's overall annual prescription volume:

- 0-34,999 prescriptions/year: $15.69
- 35,000 or more prescriptions/year: $10.51

A federally qualified health center (FQHC)-specific professional dispensing fee rate of $24.92 will be established for tribal FQHCs and for SeniorCare claims for community health centers.

More information about ForwardHealth's proposed covered outpatient drug reimbursement is available on the Covered Outpatient Drug Pricing page of the Portal. The final professional dispensing fees will be published in a future *Update*.

Date: 10/20/2016
Question: For chain pharmacies, is total prescription volume based on the chain collectively or on individual locations?

Answer: Prescription volume is based on the individual pharmacy location, not the pharmacy chain as a whole.

Date: 10/20/2016
Question: When will the new professional dispensing fees be implemented?

Answer: ForwardHealth will implement the professional dispensing fees for dates of service (DOS) on and after April 1, 2017.

Date: 10/20/2016
Question: What was the process for determining the professional dispensing fees?

Answer: The Department of Health Services contracted with a health care consulting firm, Mercer, to conduct the Professional Dispensing Fee Survey to obtain information about the costs associated with

dispensing covered outpatient drugs to ForwardHealth members. The collected data was used to determine the proposed professional dispensing fees.

The most significant factor that impacted the professional dispensing fees was total prescription volume. This is because total prescription volume is the most accurate indicator of a pharmacy's costs. For example, a pharmacy with a low total prescription volume will have higher costs associated with dispensing covered outpatient drugs. The proposed dispensing fees vary based on a pharmacy's total annual prescription volume in order to ensure accurate reimbursement and continued member access to covered outpatient drugs.

Date: 10/20/2016
Question: Were all Professional Dispensing Fee Survey responses used in the survey analysis?

Answer: ForwardHealth considered all survey responses. Responses that lacked sufficient data and/or were extreme outliers were not used.

Date: 2/10/2017
Question: Will a report of statistical data and participants in the Professional Dispensing Fee Survey be made available?

Answer: Yes, the Cost of Dispensing Prescription Drugs to Medicaid Member Pharmacy Survey Report, is published on the Covered Outpatient Drug Pricing page of the Portal.

Date: 10/20/2016
Question: Is a copy of the Professional Dispensing Fee Survey available?

Answer: Yes, the Professional Dispensing Fee Survey documents are linked on the Covered Outpatient Drug Pricing page of the Portal.

To comply with the Final Rule and assist in establishing a professional dispensing fee, DHS contracted with Mercer, a health care consulting firm, to conduct a Cost of Dispensing Survey. As a result of the data Mercer collected through the June 2016 Cost of Dispensing Survey, a tiered professional dispensing fee structure will be implemented based on total annual prescription volume.

Date: 2/10/2017
Question: How will ForwardHealth assign the professional dispensing fee reimbursement to providers?

Answer: In January 2017, DHS contracted with the health care consulting firm, Mercer, to conduct a Prescription Volume Attestation Survey to determine each dispensing provider's annual prescription volume (for all prescriptions dispensed, not just Medicaid prescriptions). ForwardHealth will use the reported annual prescription volume for calendar year 2016 to assign the appropriate professional dispensing fee reimbursement rate for each provider for DOS on and after April 1, 2017.

Date: 2/10/2017
Question: Who was required to complete the Prescription Volume Attestation Survey?

Answer: Providers who submit noncompound or compound drug claims to ForwardHealth with National Drug Codes were required to attest to their annual prescription volume.

Date: 2/10/2017
Question: When will providers receive their professional dispensing fee tier assignment?

Answer: ForwardHealth will communicate professional dispensing fee tier assignments in March 2017 to providers who submitted their annual prescription volume; however, providers should already know their assigned professional dispensing fee reimbursement rate because it is based on the prescription volume they have reported:

- 0–34,999 prescriptions/year: $15.69
- 35,000+ prescriptions/year: $10.51

Providers who did not respond will automatically be assigned the lowest professional dispensing fee reimbursement rate ($10.51) offered by ForwardHealth.

Date: 2/10/2017
Question: How do providers report changes to prescription volume since initial reporting? When are providers eligible for a professional dispensing fee tier reassignment?

Answer: Providers are only eligible for professional dispensing fee tier reassignments during the annual attestation process. Professional dispensing fee tiers will not be adjusted to account for prescription volume changes.

Date: 2/10/2017
Question: Is a copy of the Prescription Volume Attestation Survey available?

Answer: Yes, the Prescription Volume Attestation Survey documents are available on the Covered Outpatient Drug Pricing page of the Portal.

340B DRUG PRICING PROGRAM
Date: 10/20/2016
Question: Who is a 340B Program provider?

Answer: A 340B Program provider is an entity or organization that has registered with the 340B Program. The 340B Program enables covered entities to fully utilize federal resources, reaching more eligible patients and providing more comprehensive services. The 340B Drug Pricing Program requires drug manufacturers to provide outpatient drugs to eligible health care organizations/covered entities at significantly reduced prices. Providers may determine if they are an eligible organization/covered entity

and may register with the 340B Program through the Health Resources and Services Administration website.

Date: 10/20/2016
Question: What 340B Program entities will be impacted by the Covered Outpatient Drugs Final Rule?

Answer: Indian Health Services, Tribal, and Urban Indian pharmacies will be impacted by the Covered Outpatient Drugs Final Rule. Further information will be communicated in a future *Update*.

Date: 10/20/2016
Question: How will Wisconsin Medicaid reimburse 340B covered outpatient drugs?

Answer: Because NADAC pricing is not available for 340B-covered outpatient drugs, ForwardHealth will use 340B ceiling prices to comply with AAC requirements in the Covered Outpatient Drugs Final Rule. 340B providers who dispense 340B stock to Medicaid members will be reimbursed at the lesser of the 340B ceiling price or the provider-submitted AAC.

Because not all 340B covered outpatient drugs have a 340B ceiling price, ForwardHealth will establish an alternative reimbursement methodology for some drugs. To ensure compliance with AAC requirements in the Covered Outpatient Drugs Final Rule, when a 340B ceiling price is not available, ForwardHealth is proposing to reimburse at WAC -50%.

The professional dispensing fee methodology will be the same for 340B covered outpatient drugs.

Because states should not collect rebates on 340B drugs (so as not to "double dip" into federal rebates), ForwardHealth will prohibit the use of 340B contract pharmacies.

Date: 10/20/2016
Question: Will contract pharmacies be able to dispense and bill 340B drugs for ForwardHealth members?

Answer: Contract pharmacies may not dispense 340B drugs to ForwardHealth members. To ensure program integrity and prevent "double dipping," ForwardHealth will prohibit the use of 340B contract pharmacies for ForwardHealth members, and contract pharmacies will not be able to submit claims to ForwardHealth for 340B drugs.

DIABETIC SUPPLIES

Date: 10/20/2016
Question: Are diabetic supplies affected by the Covered Outpatient Drugs Final Rule?

Answer: Diabetic supplies are not included in the Covered Outpatient Drugs Final Rule; therefore, ForwardHealth's current reimbursement for diabetic supplies, including the dispensing fee, will not change as a result of the covered outpatient drug pricing initiative. Refer to the ForwardHealth Online

Handbook for policy regarding reimbursement for diabetic supplies. The Centers for Medicare and Medicaid Services does not publish a NADAC for diabetic supplies.

MEDICATION THERAPY MANAGEMENT

Date: 01/20/2017
Question: Is Medication Therapy Management (MTM) impacted by the Covered Outpatient Drugs Final Rule?

Answer: Yes. ForwardHealth's proposed tiered professional dispensing fees incorporate MTM intervention-based service (IBS) reimbursement. Therefore, IBS will no longer be a separately reimbursable service.

Comprehensive medication review/assessments (CMR/As) reimbursement will increase to the following:

- $85.00 for initial assessments
- $40.00 for follow-up assessments

PROVIDER-ADMINISTERED DRUGS

Date: 10/20/2016
Question: Are provider-administered drugs impacted by the Covered Outpatient Drugs Final Rule?

Answer: No, ForwardHealth will not be revising pricing methodology for provider-administered drugs.

SPECIALTY DRUGS

Date: 10/20/2016
Question: Are specialty drugs impacted by the Covered Outpatient Drugs Final Rule?

Answer: Specialty drugs that may be dispensed by a retail community pharmacy are impacted by the Covered Outpatient Drug Final Rule. For the drugs currently on ForwardHealth's Specialty Drug Reimbursement Rates list, if the majority of the National Drug Codes (NDCs) for a specific drug class have a NADAC, then the drug class will be reimbursed using the NADAC, or WAC +0% if a NADAC is not available. If the majority of the NDCs for a specific drug class do not have a NADAC, then the drug class will continue to be reimbursed using the current specialty drug reimbursement methodology, which is WAC +/-%. The tiered professional dispensing fee will apply to specialty drugs.

Date: 10/20/2016
Question: What is the definition of specialty drugs?

Answer: There is not an industry standard for defining specialty drugs, nor are specialty drugs defined by the Covered Outpatient Drugs Final Rule. For the covered outpatient drug pricing initiative, ForwardHealth's proposed definition of specialty drugs is those drugs requiring comprehensive patient care services, clinical management, and product support services.

The proposed definition includes criteria consistently included in other states' definitions of specialty drugs:

- Prescribed for complex, chronic, or rare medical conditions
- Not routinely stocked at a majority of retail community pharmacies
- Require special handling, storage, inventory, or distribution
- Require complex education and treatment maintenance

Date: 10/20/2016
Question: Which drugs does ForwardHealth define as specialty drugs?

Answer: Determination of specialty drugs will be based on review of drug classes. ForwardHealth's specialty drug list will include drug classes where the majority of the drugs do not have an available NADAC. Specialty drugs that may be dispensed by a retail community pharmacy and that belong to a drug class with a majority of drugs that have a NADAC are included in the AAC requirements of the Covered Outpatient Drugs Final Rule. A list of specialty drugs, which is updated monthly, is available on the Pharmacy Resources page of the Portal.