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*******IMPORTANT NOTICE*******

IMPLEMENTATION OF NEW PHARMACY PRICING RULES EFFECTIVE APRIL 1, 2017

As you may know, State Medicaid agencies are being directed by the federal Centers for Medicare and Medicaid Services (CMS) to adopt fee-for service pharmacy payment policies designed to pay pharmacies for the actual acquisition cost of drugs plus a reasonable professional dispensing fee, based on the actual cost to the pharmacy of dispensing drugs to Medicaid members. Additional details can be found on the CMS Fact Sheet at this link: <https://www.cms.gov/Newsroom/MediaReleaseDatabase/Fact-sheets/2016-Fact-sheets-items/2016-01-21.html>. A copy of the CMS Covered Outpatient Drugs Final Rule (CMS-2345FC) published on February 2, 2016 can be found on the Federal Register at this link:

<https://www.federalregister.gov/articles/2016/02/01/2016-01274/medicaid-program-covered-outpatient-drugs>

As part of this directive, beginning in September 2016 the Department of Vermont Health Access (DVHA) invited all Medicaid enrolled pharmacies to participate in a pharmacy cost of dispensing survey, to analyze the cost of dispensing prescription medications to Vermont Medicaid members. The survey was partnered with the New England States Consortium Systems Organization (NESCSO) and the accounting firm of Myers and Stauffer LC, a reputable firm with extensive experience in pharmacy costs and reimbursement. That survey is now complete, and can be found on the following link: <http://dvha.vermont.gov/for-providers/pharmacy>

Based on the results of this survey, Vermont has determined that the new “Professional Dispensing Fee” for retail community pharmacies, institutional or long-term care pharmacies, and non-FQHC 340B pharmacies will be \$11.13, and for specialty pharmacies will be \$17.03. Therefore, the dispensing fee will be adjusted from the current \$4.75 (in-state) and \$2.50 (out-of-state) on April 1, 2017.

In addition, the Department of Vermont Health Access (DVHA) has conducted extensive analysis to determine the ingredient cost benchmarks needed to more accurately reflect actual pharmacy acquisition cost for ingredient cost reimbursement. DVHA will use a “lower-of” methodology utilizing the benchmark of **National Average Drug Acquisition Cost (NADAC)** in place of the current methodology. The NADAC is based on CMS’ (Centers for Medicare and Medicaid Services) monthly surveys of retail pharmacies to determine average acquisition cost for covered outpatient drugs. This additional federal pricing source will update each month when published by CMS. Beginning 4/1/2017, Change Healthcare (formerly Goold Health Systems) will

implement the first of the monthly updated NADAC prices and incorporate these into the “lower of logic” when calculating the reimbursement consistent with the pharmacy pricing reimbursement policy.

Payment of covered outpatient drugs, including over-the-counter drugs, dispensed by an enrolled pharmacy will include the reimbursement for the **Actual Acquisition Cost (AAC) of the drug plus a professional dispensing fee**. AAC is defined as the lower of:

- a. The National Drug Average Acquisition Cost (NADAC);
- b. The Wholesale Acquisition Cost (WAC) + 0%;
- c. The State Maximum Allowable Cost (SMAC);
- d. The Federal Upper Limit (FUL)
- e. AWP-17%;
- f. Submitted Ingredient Cost;
- g. The provider’s Usual and Customary (U&C) charges; or
- h. The Gross Amount Due (GAD)

Based on extensive analysis of DVHA’s claims, this change will be largely cost-neutral to total drug reimbursements. Overall, brand drug reimbursement will decrease, while generic drug reimbursement will rise, creating an overall reduction of one-half of one percent (0.5%) in reimbursement to all pharmacies. We will post more information on this over the next few weeks.

For questions or comments, please email AHS.DVHANADAC@vermont.gov or call Stacey Baker at 802-241-0140

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