

Alabama Medicaid Agency Pharmacy Reimbursement Modification

Goal

To establish a transparent, timely and accurate pharmacy reimbursement system on actual acquisition cost (invoice) data and a Cost of Dispensing Survey, and do so with all stakeholder involvement and support. ***This proposal is built into the Agency's FY11 budget for a total savings of \$30.5 million/\$8.9 million state.***

A. Why is a modification for pharmacy reimbursement needed:

- Current reimbursement based on logic/data supplied by drug manufacturers (i.e. AWP, WAC)
- National and State court rulings have deemed this current reimbursement methodology "inaccurate", "inflated", "fraudulent"
- Trial discovery documents identified multiple OIG, GAO, HHS audits that found AWP\WAC inaccurate determinants of price
- Not appropriate for the State and its taxpayers to be held responsible for continued overpayment based on fraudulent and inflated prices
- Nationwide issue being addressed by all states

B. Proposed Reimbursement Modification (3 Phase Process)

- I. Base pharmacy reimbursement on acquisition survey (what it cost the pharmacy from actual invoices)
 - Requires contractor (RFP process/Myers & Stauffer is current vendor)
 - Pharmacy Associations' support
 - Does not account for all discounts received by pharmacy

Methodology

1. Random sample survey of all enrolled pharmacies at least weekly
 2. Each pharmacy participates once every two years
 3. Pharmacy submits one month's invoices from all sources
 4. Average cost per drug calculated by Contractor
- II. Cost of Dispensing (COD) Survey
 - Increase dispensing fee to \$10.64 (currently \$5.40)
 - In conjunction with Contractor (HID) and Pharmacy Associations, the Agency developed an aggressive, statistically valid COD survey
 - Statistical survey completed; report finalized
 - III. Pharmacy Professional Services (in development)
 - Expands medical home concept by incorporating pharmacies into a "Medical Neighborhood" concept
 - Would allow pharmacies to be reimbursed for professional services while providing patient-centered coordinated care
 - "Shared savings" effort similar to one offered within the Agency's Patient 1st Program
 - Agency working closely with Pharmacy Associations during development

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C. Timeline

Action	Proposed Date
Admin Code/SPA process/Coding for Phases I & II	Feb-July 2010
Phase III development	Summer 2010
Implementation Phase I & II	Aug 2010