

Alabama Medicaid Agency

*Medicaid Pharmacy
Reimbursement*

Stakeholder Meeting

September 26, 2019



AGENDA



Welcome and Introductions

Federal Reimbursement Requirements

State Medicaid Program Reimbursement Options

Alabama's Current Reimbursement Methodology

Understanding the NADAC

Alabama Reimbursement Options

MYERS AND STAUFFER LC



ABOUT US

We are a public accounting firm with six engagement teams providing diverse services to state and federal agencies managing government-sponsored health care programs. The Alabama Medicaid Agency (ALMA) has contracted Myers and Stauffer LC (MSLC) to assist in maintaining, updating, and improving the Medicaid pharmaceutical reimbursement program since 2008.



OUR MISSION

We are dedicated to delivering Medicare and Medicaid expertise with exceptional service.



WEBSITE

<https://www.myersandstauffer.com>



Project Team



Darold Barnes, RPh
SENIOR MANAGER

- 40 years of experience
- Former independent pharmacy owner, Long Term Care pharmacy manager
- **Practice areas:** Pharmaceutical pricing, specialty drugs, 340B claims review, regulation and policy review
- Project manager for state Medicaid programs and consulting for CMS Division of Pharmacy



Bobby Courtney
SENIOR MANAGER

- 20 years of experience
- Attorney specializing in public health law and policy
- **Practice areas:** Federal healthcare regulations and policies, Medicaid waivers, managed care, LTSS, pharmaceutical pricing
- Project manager and SME for several state and federal consulting engagements



Cyrena Knight
MANAGER

- 11 years of experience
- **Practice areas:** Medicaid pharmacy pricing through data and fiscal analysis, 340B policy and claims review, quality assurance reviews, and client relations
- Project manager of acquisition cost-based programs for multiple state Medicaid programs

Federal Reimbursement Requirements

CMS Covered Outpatient Drugs Final Rule

CMS-2345-FC

State Plan Amendment (SPA) submitted for approval by CMS and implemented by April 1, 2017

Alabama's current SPA (AL-17-0001) was approved on July 28, 2017

Ingredient cost reimbursement is required to be based on actual acquisition costs

Dispensing fee is redefined as a professional dispensing fee

New Federal Upper Limit (FUL) rates for generic drugs, implemented May 1, 2016, are now updated monthly

FULs are a mandated component of reimbursement

State Medicaid Program Reimbursement Options

*Ingredient Cost
Reimbursement
Methodologies*

Ingredient Reimbursement

- CMS defines average Actual Acquisition Cost (AAC) to be the agency's determination of the pharmacy providers' actual prices paid to acquire drug products marketed or sold by specific manufacturers
- Examples of how a state may implement AAC reimbursement include¹:
 - 1) **AAC**: Develop a state specific benchmark
 - 2) **NADAC** (National Average Drug Acquisition Cost): Utilize the national AAC benchmark
 - 3) **WAC** (Wholesale Acquisition Cost): Utilize published pricing compendia adjusted to reflect discounts and other pricing concessions in the marketplace

To date, CMS has ONLY approved WAC adjusted as a backup reimbursement option.
In effect, states only have two ingredient options: AAC and NADAC.

¹ Department of Health and Human Services, CMS. (2016, February 11) SMD: Implementation of the Covered Outpatient Drugs Final Regulation Provisions Regarding Reimbursement for Covered Outpatient Drugs in the Medicaid Program. [Open Letter to State Medicaid Directors]. Available at <https://www.medicare.gov/medicaid/prescription-drugs/covered-outpatient-drug-policy/index.html>

Alabama's Current Reimbursement Methodology

Average Acquisition Cost

Alabama's Average Acquisition Cost (AAC) Program

- Alabama moved to AAC in 2010
- Mandatory semi-annual provider surveys requesting invoices from the most recent month
- Weekly AL AAC rate updates based upon published pricing changes and provider inquiries
- AL AAC calculated using drug groups of therapeutically equivalent products to maximize cost effectiveness



How are Alabama's AAC Rates Updated?

Three Types of Rate Updates

Provider Surveys (Rebase)

Invoices collected from a random sample of pharmacy providers

Semi-Annually

Changes in Published Pricing

Weighted updates to AAC rates to mirror changes in published pricing

Weekly

Provider Help Desk Inquiries

AAC rates are evaluated utilizing current invoice observations obtained from provider inquiries

As Needed

All AAC rate updates are reviewed by our team of analysts, pharmacy technicians, and pharmacists.

Alabama's AAC Provider Survey Process

- Invoice observations from a representative sample of approximately 250-350 chain and independent pharmacies located in Alabama (excluding 340B pharmacies)
- **MANDATORY** semi-annual survey requesting invoices from the most recent month:
 - Pharmacies surveyed at minimum once every two years (potential to be surveyed more often)
 - Survey letters mailed on the 1st and 15th days of the survey month
- AAC rate calculation process: approximately 6-8 weeks
- Proposed AAC rates submitted to Alabama for final approval
- All approved AAC rates are adjusted for published pricing changes prior to implementation

Provider Help Desk Inquiries

- Provider submits an AAC rate review inquiry with invoice documentation
- Help desk technicians perform initial review:
 - Assess provider's cost compared to range of costs used to set current rate
 - Research changes in market conditions
 - Review current acquisition cost data
 - Submit findings and proposed action to analyst for review
- Analyst performs secondary review and submits findings to pharmacist
- Pharmacist gives final review and confirmation of proposed rate update or denial
- Rate update, if applicable, is included on the next AL AAC rate file
 - Rate is backdated to provider's date of service (typically no more than 30 days)
- Help desk technician contacts inquiring provider to inform them of the outcome

Alabama's Ingredient Reimbursement Logic¹

Notwithstanding specific reimbursement described in this section, payment for covered outpatient drugs (both brand and generic) dispensed by a:

- Retail community pharmacy
- Specialty pharmacy
- Long-term care or institutional pharmacy (when not included as an inpatient stay)
- 340B eligible entities (including 340B contract pharmacies) not listed on the U.S. Department of Health and Human Services Health Resources & Service Administration (HRSA) 340B Drug Pricing Program Database
- Indian Health Service, Tribal and Urban Indian pharmacy

Shall not exceed the lowest of:

- The Alabama Average Acquisition Cost (AAC) of the drug; when no AAC is available, the Wholesale Acquisition Cost (WAC)+ 0%, plus a professional dispensing fee of \$10.64,
- The Federal Upper Limit (FUL), plus a professional dispensing fee of \$10.64, or
- The provider's Usual and Customary (U&C) charge to the general public regardless of program fees.

¹ ALA. ADMIN. CODE r. 560-X-16 (2019). ALA. MEDICAID AGENCY, MEDICAID STATE PLAN, AL-17-0001, ATTACHMENT 4.19-B (2019), available at https://medicaid.alabama.gov/documents/9.0_Resources/9.8_State_Plan/9.8_State_Plan_PDF_Version_bookmarked_06.24.19.pdf.

Understanding the NADAC

*Background on the NADAC in
relation to the AL AAC*

National Average Drug Acquisition Cost

NADAC: CMS-Published National AAC Benchmark

- VOLUNTARY monthly survey requesting invoices from the most recent month
- Invoice observations from independent and chain pharmacies in all states (excluding 340B pharmacies)
- NADAC rates are updated weekly and monthly:
 - Weekly:
 - Brand drug updates from published pricing changes
 - Brand and generic drugs from provider help desk inquiries
 - Rate adjustments from help desk inquiries are not backdated to provider's date of service
 - Monthly:
 - Brand and generic updates from the monthly cost survey process

Side by Side Comparison

Policy	AL AAC	NADAC
Timing for survey-based rate updates	Semi-Annual	Monthly
Frequency of rate changes in published pricing	Weekly for brand and generic drugs	Weekly for brand drugs only
Frequency of rate adjustments in response to provider inquires	Up to daily – can be backdated to the pharmacy’s date of service	Weekly – cannot be backdated
Drugs included in the rate calculations	All AL Medicaid covered drugs are eligible for an AAC rate; allows for flexibility to calculate AAC rates based upon Alabama-specific conditions	Only drugs on the Medicaid Covered Outpatient drugs file; does not consider individual states’ conditions in the NADAC calculation

Side by Side Comparison (Cont.)

Policy	AL AAC	NADAC
Publication Basis	FDB's clinical formulation ID drug group (GSN)	NDC
Rates for drugs with different package sizes (e.g. creams, ointments, vials)	Blended AAC rate for different package sizes in the drug group	Possible different rates for different package sizes in the drug group
Rates for brand drugs from multiple manufacturers within the same drug group (e.g. Proventil, ProAir, Ventolin)	Blended brand AAC rate for multiple manufacturers' products when appropriate. Otherwise, no AAC rate is set for the drug group	When there are clear pricing differences, specific rates are calculated for each manufacturer's product
Rates for drugs that have both legend and OTC products	Same rate for both legend and OTC products	Different rates for legend and OTC products

Alabama Reimbursement Options

Alabama's Current Backup Reimbursement

- When there is no AAC rate, Alabama's current backup reimbursement is WAC + 0%
- Reasons why an AAC rate might not be available:
 - Significant pricing differences within drug group
 - Insufficient acquisition cost data
 - Market availability
 - Newly available products
- Types of brand drugs without an AAC:
 - OTC insulin products (i.e., Novolin, Humulin)
 - High-dollar "specialty" drugs
 - Brand drugs with multiple manufacturers within the same drug group
 - Drugs with different package sizes with the same drug group

NADAC Equivalency Metrics

- Published on a quarterly basis by CMS¹
- Monitors relationship between NADAC rates and published pricing benchmarks
- Illustrates the aggregate mean and median discounts off of Wholesale Acquisition Cost (WAC) and Average Wholesale Price (AWP)

Quarter Ending	Brand Legend Drugs				Generic Legend Drugs			
	WAC Mean	WAC Median	AWP Mean	AWP Median	WAC Mean	WAC Median	AWP Mean	AWP Median
June 2018	-4.4%	-4.0%	-20.4%	-20.0%	-47.6%	-53.0%	-78.0%	-85.8%
September 2018	-4.3%	-4.0%	-20.3%	-20.0%	-47.3%	-52.3%	-78.3%	-86.1%
December 2018	-4.3%	-4.0%	-20.3%	-20.0%	-47.7%	-51.9%	-78.4%	-86.1%
March 2019	-4.6%	-4.0%	-20.6%	-20.0%	-47.3%	-51.7%	-78.8%	-86.2%
June 2019	-4.4%	-4.0%	-20.4%	-20.0%	-45.8%	-49.5%	-78.4%	-85.7%

¹ Department of Health and Human Services, CMS. (2019, June 20) NADAC Equivalency Metrics. Available at <https://www.medicare.gov/medicaid/prescription-drugs/downloads/retail-price-survey/nadac-equiv-metrics.pdf>

Alabama's Proposed Backup Reimbursement

WAC – 4% for Brand Drugs Only

- Consistent with NADAC Equivalency Metrics and AAC Rebase Rates
- Seven (7) approved SPAs utilizing a “WAC – X%” backup reimbursement methodology
- Average brand claim without an AL AAC reimbursement:
 - WAC + 0%: \$773.54
 - WAC – 4%: \$742.60
\$ 30.94

State	Backup Reimbursement Methodology
Delaware	WAC for brand and WAC -2% for generic
Illinois	WAC - 4.4% for brand and WAC - 17.5% for generic
New Jersey	WAC - 2%
New York	WAC - 3.3% for brand and WAC - 17.5% for generic
Pennsylvania	WAC - 3.3% for brand and WAC - 50.5% for generic
Tennessee	WAC - 3% for brand and WAC - 6% for generic
Texas	Retail: WAC - 2%; LTC: WAC - 3.4%; Specialty: WAC - 8%

Top 20 Drugs¹ by NDC without an AL AAC

Ranking	NDC	Drug Name	WAC (as of 7/1/2019)	WAC - 4% (as of 7/1/2019)	Per Unit Difference	Average Impact Per Claim
1	59310057922	PROAIR HFA 90 MCG INHALER	7.63882	7.33327	(0.30555)	(\$2.99)
2	00088221905	LANTUS SOLOSTAR 100 UNIT/ML	28.35400	27.21984	(1.13416)	(\$19.84)
3	64011030103	MAKENA 275 MG/1.1 ML AUTOINJECT	730.00000	700.80000	(29.20000)	(\$128.42)
4	50242004062	XOLAIR 150 MG VIAL	1,106.36000	1,062.10560	(44.25440)	(\$138.79)
5	00078065615	JADENU 360 MG TABLET	168.90666	162.15039	(6.75627)	(\$592.77)
6	64011024702	MAKENA 250 MG/ML VIAL	803.00000	770.88000	(32.12000)	(\$127.57)
7	64011024301	MAKENA 1,250 MG/5 ML VIAL	803.00000	770.88000	(32.12000)	(\$157.77)
8	00169770521	NORDITROPIN FLEXPOR 10 MG/1.5	831.53333	798.27200	(33.26133)	(\$168.16)
9	00074969403	LUPRON DEPOT-PED 30 MG 3MO KIT	9,384.13000	9,008.76480	(375.36520)	(\$358.28)
10	50242007401	NUTROPIN AQ NUSPIN 10 INJECTOR	628.67500	603.52800	(25.14700)	(\$194.41)
11	00169770821	NORDITROPIN FLEXPOR 15 MG/1.5	1,247.30000	1,197.40800	(49.89200)	(\$228.85)
12	00069018921	IBRANCE 125 MG CAPSULE	564.59714	542.01325	(22.58389)	(\$457.32)
13	51167066101	SYMDEKO 100/150 MG-150 MG TABS	400.00000	384.00000	(16.00000)	(\$896.00)
14	70370108001	INGREZZA 80 MG CAPSULE	215.80000	207.16800	(8.63200)	(\$252.25)
15	57894006103	STELARA 90 MG/ML SYRINGE	22,004.61000	21,124.42560	(880.18440)	(\$836.35)
16	00002871501	HUMULIN 70-30 VIAL	14.87000	14.27520	(0.59480)	(\$18.54)
17	58468021002	AUBAGIO 14 MG TABLET	243.43285	233.69554	(9.73731)	(\$264.46)
18	64406000602	TECFIDERA DR 240 MG CAPSULE	130.12416	124.91919	(5.20497)	(\$298.96)
19	00074024302	HUMIRA(CF) 40 MG/0.4 ML SYRING	2,587.04500	2,483.56320	(103.48180)	(\$241.10)
20	63004871001	HP ACTHAR GEL 80 UNIT/ML VIAL	7,778.40000	7,467.26400	(311.13600)	(\$2,968.31)

¹ Analysis based upon final, paid claims with a date of service between April 1, 2018, and March 31, 2019, and with no Alabama AAC on the date of service. Top 20 NDCs are identified by a combination of drug spend and utilization.

Feedback & Questions

Please submit comments to both:

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Comments are due by

Noon CST on Friday, October 11, 2019



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