12. Prescribed drugs, dentures, and prosthetic devices; and eyeglasses prescribed by a physician skilled in diseases of the eye or by an optometrist

a. Prescribed Drugs

A. Payment for ingredient cost for covered outpatient legend and non-legend drugs for all pharmacy and medication types that are not otherwise identified within this section shall be based upon the lesser of methodology.

PROPOSED

Lesser of Methodology:

i. Brand Drugs

a. The usual and customary charge to the public or submitted ingredient cost;

OR

b. The National Average Drug Acquisition Cost (NADAC), as defined in B, plus up to the established professional dispensing fee;

OR

c. The ACA Federal Upper Limit (FUL) plus up to the established professional dispensing fee;

OR

d. The calculated State Actual Acquisition Cost (SAAC), as defined in C, plus up to the established professional dispensing fee

ii. Generic Drugs

a. The usual and customary charge to the public or submitted ingredient cost;

OR

b. The National Average Drug Acquisition Cost (NADAC), as defined in B, plus up to the established professional dispensing fee;

OR

c. The ACA Federal Upper Limit (FUL) plus up to the established professional dispensing fee;

OR

d. The calculated State Actual Acquisition Cost (SAAC), as defined in C, plus up to the established professional dispensing fee

iii. Backup Ingredient Cost Benchmark

If NADAC is not available, the allowed ingredient cost, unless otherwise defined, shall be the lesser of Wholesale Acquisition Cost (WAC) + 0%, State Actual Acquisition Cost (SAAC) or ACA Federal Upper Limit.

12. Prescribed drugs, dentures, and prosthetic devices; and eyeglasses prescribed by a physician skilled in diseases of the eye or by an optometrist

a. Prescribed Drugs (Continued)

iv. Limited Access and Specialty Drugs

Limited Access Drugs, defined as drugs not available for dispensing in all retail pharmacies based on price or separate agreements between manufacturer and pharmacy, and Specialty Drugs will be reimbursed at the Lesser of Methodology plus up to the established professional dispensing fee. If NADAC is not available then the Backup Ingredient Cost Benchmark will apply which will use the lesser of Wholesale Acquisition Cost (WAC) + 0%, State Actual Acquisition Cost (SAAC) or ACA Federal Upper Limit.

PROPOSED

v. 340B Drug Pricing Program

a. **Covered Legend and non-legend drugs, including specialty drugs, purchased through the Federal Public Health Service's 340B Drug Pricing Program (340B) by pharmacies that carve Medicaid into the 340B Drug Pricing Program shall be reimbursed at the 340B actual Invoice Price but no more than the 340B ceiling price [provided or calculated by Average Manufacturer Price (AMP) minus Unit Rebate Amount (URA)] plus up to the established professional dispensing fee. The State will not recognize 340B contract pharmacies.**

b. **Physician administered drugs, including specialty drugs, purchased through the 340B Program will be reimbursed at the 340B actual invoice price but no more than the 340B ceiling price [provided or calculated by Average Manufacturer Price (AMP) minus Unit Rebate Amount (URA)] plus up to the established professional dispensing fee.**

vi. Federal Supply Schedule (FSS) and FQHC

Facilities purchasing drugs, specialty drugs, and physician administered drugs through the Federal Supply Schedule (FSS) or drug pricing program under 38 U.S.C. 1826, 42 U.S.C. 256b, or 42 U.S.C. 1396-8, other than the 340B Drug Pricing Program, shall be reimbursed by the lesser of methodology with the addition of their actual acquisition cost, but no more than the Federal Supply Schedule price, plus up to the established professional dispensing fee. Federally Qualified Health Centers (FQHC) will be reimbursed by the encounter rate.

12. Prescribed drugs, dentures, and prosthetic devices; and eyeglasses prescribed by a physician skilled in diseases of the eye or by an optometrist

a. Prescribed Drugs (Continued)

PROPOSED

vii. Clotting Factor

c. **Pharmacies dispensing Antihemophilic Factor products will be reimbursed at the lesser of methodology plus up to the established professional dispensing fee. If NADAC is not available, the lesser of methodology for the allowed ingredient cost shall be the Wholesale Acquisition Cost (WAC) + 0%, State Actual Acquisition Cost (SAAC) or ACA Federal Upper Limit.**

d. **Pharmacies dispensing Antihemophilic Factor products purchased through the Federal Public Health Service's 340B Drug Pricing Program (340B) by pharmacies that carve Medicaid into the 340B Drug Pricing Program shall be reimbursed at the 340B actual Invoice Price but no more than the 340B ceiling price [provided or calculated by Average Manufacturer Price (AMP) minus Unit Rebate Amount (URA)] plus up to the established professional dispensing fee.**

viii. Drugs Purchased at Nominal Price

Facilities purchasing drugs at Nominal Price (outside of 340B or FSS) shall be reimbursed by their actual acquisition cost.

ix. Physician Administered Drugs

Reimbursement rates for Physician Administered Drugs are a "fee schedule" as determined by the Medicare rate (ASP + 6%). If the Medicare rate is not available then other published pricing or manual pricing shall be used to determine reimbursement. Under the fee schedule methodology, reimbursement is based on the lesser of the billed charge for each procedure or the maximum allowable for each procedure.

B. **The National Average Drug Acquisition Cost (NADAC) is a pricing benchmark published by CMS that calculates ingredient average acquisition costs experienced by retail community providers across the country. When Brand and Generic NADACs are available for the same ingredient, reimbursement will be based on the Generic NADAC.**

C. **State Upper Limit (SUL) shall apply to certain drugs identified administratively, judicially or by a federal agency as having a published price exceeding the ingredient cost. The calculated SAAC shall be obtained from actual acquisition costs from multiple resources, if available. Depending on the variance, either the highest acquisition cost, an average of the acquisition costs or invoice price shall be used in determining a SAAC. When Brand and Generic drugs are available for the same ingredient, reimbursement will be based on the Generic State Actual Acquisition Cost (SAAC).**

12. Prescribed drugs, dentures, and prosthetic devices; and eyeglasses prescribed by a physician skilled in diseases of the eye or by an optometrist

a. Prescribed Drugs (Continued)

D. Investigational drugs are excluded from coverage.

E. The State does not have federally recognized tribes. Indian Health Services, tribal and urban Indian pharmacies payment methodology for outpatient administered medication does not apply.

F. Pharmacies providing covered outpatient prescription services for Certified Long-Term Care beneficiaries will be reimbursed for ingredient cost using the lesser of methodology plus up to the established professional dispensing fee.

G. The Professional Dispensing Fee for covered outpatient legend and non-legend drugs shall take into consideration the State's Preferred Drug List status for the drug being dispensed and equals the average professional dispensing fee in the aggregate:

- **Brand and Non-preferred Brand = $9.00**
- **Brand Preferred and Generic Medication drug = $10.50**

PROPOSED

Mark up

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES - OTHER TYPES OF CARE

Revised: ~~June~~April 1, ~~2010~~2017

12. Prescribed drugs, dentures, and prosthetic devices; and eyeglasses prescribed by a physician skilled in diseases of the eye or by an optometrist

a. ~~a.~~ Prescribed Drugs

~~The reimbursement rate has two components:~~

~~DISPENSING FEE: The Dispensing Fee is set at $5.51, which represents the survey findings of a statistically valid actual cost of dispensing. An additional differential dispensing fee shall be given to pharmacy providers when a generic that does not have a State or federal upper limit is dispensed. The additional differential dispensing fee is set at $2.00.~~

~~INGREDIENT COST: To assure quality of care and access; to assure efficiency and economy and safeguard against unnecessary utilization payment for ingredient cost for brand name drugs and all other drugs for which a specific limit has not been established is limited to the lesser of the provider's usual and customary charge or 86% of AWP (AWP 14%) for brand name drugs and 80% of AWP (AWP 20%) for multi-source (generic) drugs.~~

~~PAYMENT LIMITATIONS-INGREDIENTS: Arkansas Medicaid identifies certain brand and generically available drugs and places an upper limit on these drugs. Acquisition costs on these drugs are obtained from multiple sources. Depending on the variance, either the highest acquisition cost or an average of the acquisition costs is obtained and a percentage applied to determine a state upper limit.~~

~~Those drugs identified administratively, judicially or by a federal agency as having an Average Wholesale Price far exceeding the actual acquisition cost, and whose average sales price is presented to the state, will be subject to a state upper limit set by reference to the average acquisition cost.~~

A. Payment for ingredient cost for covered outpatient legend and non-legend drugs for all pharmacy and medication types that are not otherwise identified within this section shall be based upon the lesser of methodology.

Lesser of Methodology:

i. Brand Drugs

a. The usual and customary charge to the public or submitted ingredient cost;

OR

b. The National Average Drug Acquisition Cost (NADAC), as defined in B, plus up to the established professional dispensing fee;

OR

c. The ACA Federal Upper Limit (FUL) plus up to the established professional dispensing fee;

OR

d. The calculated State Actual Acquisition Cost (SAAC), as defined in C, plus up to the established professional dispensing fee

ii. Generic Drugs

a. The usual and customary charge to the public or submitted ingredient cost;

OR

b. The National Average Drug Acquisition Cost (NADAC), as defined in B, plus up to the established professional dispensing fee;

OR

c. The ACA Federal Upper Limit (FUL) plus up to the established professional dispensing fee;

OR

d. The calculated State Actual Acquisition Cost (SAAC), as defined in C, plus up to the established professional dispensing fee

iii. Backup Ingredient Cost Benchmark

If NADAC is not available, the allowed ingredient cost, unless otherwise defined, shall be the lesser of Wholesale Acquisition Cost (WAC) + 0%, State Actual Acquisition Cost (SAAC) or ACA Federal Upper Limit.

12. Prescribed drugs, dentures, and prosthetic devices; and eyeglasses prescribed by a physician skilled in diseases of the eye or by an optometrist

a. Prescribed Drugs (Continued)

~~Reimbursement for the ingredient cost of these drugs is limited to the lesser of the state upper limit, federal upper limit or the providers usual and customary.~~

~~The State may deviate from the lesser of payment in the event that the state determines, under a HCFA approved separate/supplemental drug rebate agreement, that in the aggregate the expenditures for these drugs agreed to in the separate/supplemental rebate agreement would be reduced.~~

~~PAYMENT LIMITATION INGREDIENT COST AND DISPENSING FEE: The total charge cannot exceed the provider's actual usual and customary charge to the public.~~

~~Rationale for Rates:~~

~~In January 2001, the Division of Medical Services (DMS) Prescription Drug Program commissioned surveys to determine the cost of dispensing prescriptions and the Agency's best estimate of the acquisition costs generally and currently paid by providers for prescription drugs in the State of Arkansas. Final reports on each survey were issued June 30, 2001. Based upon the finding of the report establishing the Agency's best estimate of the price generally and currently paid by providers in Arkansas, DMS amends the Estimated Acquisition Cost component of Medicaid reimbursement rate for prescription drugs. DMS will implement the amended rate effective March 1, 2002. Based upon the findings of the survey the dispensing fee component of the rate will not be amended. The present rate reimburses providers approximately 110% of the estimated median cost of dispensing prescription drugs and should afford access equivalent to the general population.~~

~~The estimated acquisition cost survey analyzed acquisition cost data for more than 8000 drug products, representing approximately 94% of Arkansas Medicaid drug reimbursement. The survey contained the following summary of significant findings:~~

~~1. For the 334 pharmacies in the sample with external invoices, acquisition costs ranged from 71.2% to 87.7% of the AWP. The average acquisition cost was 82.2% of the AWP, with a standard deviation of 1.2%.~~

iv. ~~2. Including pharmacies that provided invoices from an internal wholesaler, the average acquisition cost was 82.7% of the AWP, with a standard deviation of 1.4%.~~Limited Access and Specialty Drugs

Limited Access Drugs, defined as drugs not available for dispensing in all retail pharmacies based on price or separate agreements between manufacturer and pharmacy, and Specialty Drugs will be reimbursed at the Lesser of Methodology plus up to the established professional dispensing fee. If NADAC is not available then the Backup Ingredient Cost Benchmark will apply which will use the lesser of Wholesale

Acquisition Cost (WAC) + 0%, State Actual Acquisition Cost (SAAC) or ACA Federal Upper Limit.

v. 340B Drug Pricing Program

a. Covered Legend and non-legend drugs, including specialty drugs, purchased through the Federal Public Health Service's 340B Drug Pricing Program (340B) by pharmacies that carve Medicaid into the 340B Drug Pricing Program shall be reimbursed at the 340B actual Invoice Price but no more than the 340B ceiling price [provided or calculated by Average Manufacturer Price (AMP) minus Unit Rebate Amount (URA)] plus up to the established professional dispensing fee. The State will not recognize 340B contract pharmacies.

b. Physician administered drugs, including specialty drugs, purchased through the 340B Program will be reimbursed at the 340B actual invoice price but no more than the 340B ceiling price [provided or calculated by Average Manufacturer Price (AMP) minus Unit Rebate Amount (URA)] plus up to the established professional dispensing fee.

vi. Federal Supply Schedule (FSS) and FQHC

Facilities purchasing drugs, specialty drugs, and physician administered drugs through the Federal Supply Schedule (FSS) or drug pricing program under 38 U.S.C. 1826, 42 U.S.C. 256b, or 42 U.S.C. 1396-8, other than the 340B Drug Pricing Program, shall be reimbursed by the lesser of methodology with the addition of their actual acquisition cost, but no more than the Federal Supply Schedule price, plus up to the established professional dispensing fee. Federally Qualified Health Centers (FQHC) will be reimbursed by the encounter rate.

12. Prescribed drugs, dentures, and prosthetic devices; and eyeglasses prescribed by a physician skilled in diseases of the eye or by an optometrist

a. Prescribed Drugs (~~continued~~Continued)

~~3. Eight of the pharmacies in the sample were institutional providers that dispensed prescriptions to patients in long term care or other institutional settings. Acquisition costs at these pharmacies for brand name drug products averaged 79.5% of the AWP, as compared to 82.2% for pharmacies that dispensed prescriptions in traditional retail settings. This difference was found to be statistically significant by the application of a t-test at the 5% level of significance.~~

~~4. Of the 1,752 brand name drug products, acquisition costs for brand name drugs ranged from 33.5% to 99.3% of the AWP with an average acquisition cost of 81.0% of the AWP (based on observations from external invoices only).~~

~~5. The acquisition costs for multi-source drugs exhibited much greater variation, but averaged 54.0% of the AWP for drugs without FUL prices. For multi-source drugs with FUL prices, the average acquisition cost was 17.8% of the AWP and 45.9% of the FUL.~~

~~The survey concluded that the present ingredient reimbursement rate provides payments in excess of costs incurred by Arkansas pharmacies. The agency expends a high proportion of its drug budget on prescription for brand name drugs. The survey also suggested that the present reimbursement rate may provide an incentive to dispense higher cost drug products. DMS is setting a rate that is consistent with the survey that will safeguard against unnecessary utilization, assure payments are consistent with efficiency, economy and quality of care, and sufficient to enlist enough providers so that care and services are available at least to the extent such care and services are available to the general population.~~

~~The survey predicts to a 95% level of confidence, that the mean estimated acquisition cost for brand name drugs ranges from 82.0% to 82.3% of AWP. The average estimated acquisition cost is 82.7% of AWP (AWP - 17.3%). For multi-source drugs with no federal upper limits (FUL) the average estimated acquisition cost ranges from 10% to 85% of AWP. The average estimated acquisition costs is 67.5% of AWP (AWP-32.5%). Under the rule payment for brand name drugs and all other drugs for which a specific limit has not been established is limited to the lesser of the provider's usual and customary charge or 86% of AWP (AWP-14%) for brand name drugs and 75% of AWP (AWP-25%) for generic or multi-source drugs.~~

vii. Clotting Factor

c. Pharmacies dispensing Antihemophilic Factor products will be reimbursed at the lesser of methodology plus up to the established professional dispensing fee. If NADAC is not available, the lesser of methodology for the allowed ingredient cost shall be the Wholesale Acquisition Cost (WAC) + 0%, State Actual Acquisition Cost (SAAC) or ACA Federal Upper Limit.

d. Pharmacies dispensing Antihemophilic Factor products purchased through the Federal Public Health Service's 340B Drug Pricing Program (340B) by pharmacies that carve Medicaid into the 340B Drug Pricing Program shall be reimbursed at the 340B actual Invoice Price but no more than the 340B ceiling price [provided or calculated by Average Manufacturer Price (AMP) minus Unit Rebate Amount (URA)] plus up to the established professional dispensing fee.

viii. Drugs Purchased at Nominal Price

Facilities purchasing drugs at Nominal Price (outside of 340B or FSS) shall be reimbursed by their actual acquisition cost.

ix. Physician Administered Drugs

Reimbursement rates for Physician Administered Drugs are a "fee schedule" as determined by the Medicare rate (ASP + 6%). If the Medicare rate is not available then other published pricing or manual pricing shall be used to determine reimbursement. Under the fee schedule methodology, reimbursement is based on the lesser of the billed charge for each procedure or the maximum allowable for each procedure.

B. The National Average Drug Acquisition Cost (NADAC) is a pricing benchmark published by CMS that calculates ingredient average acquisition costs experienced by retail community providers across the country. When Brand and Generic NADACs are available for the same ingredient, reimbursement will be based on the Generic NADAC.

C. State Upper Limit (SUL) shall apply to certain drugs identified administratively, judicially or by a federal agency as having a published price exceeding the ingredient cost. The calculated SAAC shall be obtained from actual acquisition costs from multiple resources, if available. Depending on the variance, either the highest acquisition cost, an average of the acquisition costs or invoice price shall be used in determining a SAAC. When Brand and Generic drugs are available for the same ingredient, reimbursement will be based on the Generic State Actual Acquisition Cost (SAAC).

12. Prescribed drugs, dentures, and prosthetic devices; and eyeglasses prescribed by a physician skilled in diseases of the eye or by an optometrist ~~(Continued)~~

a. Prescribed Drugs (Continued)

~~The survey predicts that 99.9% of pharmacies in Arkansas have an acquisition cost equal to or less than 86% of AWP for brand name drugs. The estimated acquisition cost reimbursement component of the Medicaid reimbursement rate provides an average reimbursement to cost ratio similar to the average within the pharmacy industry. A reimbursement rate providing a return similar to the return derived from the general population should assure Medicaid recipients access to services equal to the general population.~~

~~The survey concluded that there is no significant difference in estimated acquisition costs of independent and chain retail pharmacies. The survey reveals that pharmacies which purchase brand name drugs from external wholesalers have a lower average estimated acquisition cost than pharmacies purchasing brand name drugs from an internal wholesaler. Based upon these observations it is reasonable to conclude that all providers have access to similar efficiencies and economies and should be able to engage in purchasing practice at or near the statewide average.~~

~~The survey estimates that ¾ of multi-source (generic) drugs are purchased at AWP-25% or less. As is the case with brand name drugs, the survey predicts that all classifications of pharmacies have access to similar efficiencies and economies and should be able to purchase multi-source drugs at or near the statewide average.~~

D. Investigational drugs are excluded from coverage.

E. The State does not have federally recognized tribes. Indian Health Services, tribal and urban Indian pharmacies payment methodology for outpatient administered medication does not apply.

F. Pharmacies providing covered outpatient prescription services for Certified Long-Term Care beneficiaries will be reimbursed for ingredient cost using the lesser of methodology plus up to the established professional dispensing fee.

G. The Professional Dispensing Fee for covered outpatient legend and non-legend drugs shall take into consideration the State's Preferred Drug List status for the drug being dispensed and equals the average professional dispensing fee in the aggregate:

- Brand and Non-preferred Brand = $9.00
- Brand Preferred and Generic Medication drug = $10.50