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Newsletter

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TO: Providers of Pharmaceutical Services – **For Action**
Hospitals, Federally Qualified Health Centers (FQHCs), Health
Maintenance Organizations – **For Information Only**

SUBJECT: **Changes to Fee-For-Service (FFS) Reimbursement for Retail
and Long-Term-Care Pharmaceutical Services**

EFFECTIVE: NJ FamilyCare (NJFC) pharmacy claims with service dates **on or
after April 1, 2017**

Pharmaceutical Assistance to the Aged and Disabled (PAAD),
Senior Gold (SG) Prescription Discount Program, AIDS Drug
Distribution Program (ADDP) and Cystic Fibrosis (CF) pharmacy
claims with service dates **on or after July 1, 2017**.

PURPOSE: To notify providers of pharmaceutical services of changes in NJFC,
PAAD, SG, CF and ADDP pharmacy reimbursement for **primary** pharmacy claims due
to Covered Outpatient Drug Rule (CMS 2345-FC) requirements.

BACKGROUND: Sections 447.512(b) and 447.502 of the Social Security Act (SSA),
also referred to as the Covered Outpatient Drug Rule (CMS 2345-FC), established State
Medicaid requirements for reimbursement of covered outpatient drugs. CMS 2345-FC
replaces Estimated Acquisition Cost (EAC), the current basis for calculating ingredient
drug costs, with Actual Acquisition Cost (AAC) and replaces the pharmacy dispensing fee
with a professional fee.

The AAC is a more accurate reference price for states to reimburse pharmacies for
ingredient drug costs. In order to proceed with proposed changes to either the ingredient
drug cost or professional fee, the State was required to consider both in order to ensure
that total pharmacy reimbursement was adequate to ensure access and quality of care.

The effective date for implementation of the Covered Outpatient Drug Rule varies by
State pharmacy benefit program due to the need for regulatory support for these
changes.

- Sections 447.512(b) and 447.502 of the Social Security Act (SSA) mandate that
the Covered Outpatient Drug Rule be implemented for NJFC FFS pharmacy
claims with service dates on or after April 1, 2017.

- Since this change in reimbursement for PAAD, SG, and CF pharmacy claims must be adopted as part of the State Fiscal Year 2018 Appropriations Act, the Covered Outpatient Drug Rule requirements shall be implemented for PAAD, SG and CF pharmacy claims with service dates on or after July 1, 2017.
- ADDP claims with service dates on or after July 1, 2017 shall also be subject to the covered outpatient rule requirements.
- Reimbursement for PAAD, SG, ADDP and CF pharmacy claims with service dates on or after April 1, 2017 and prior to July 1, 2017 remains unchanged.

By definition, AAC means the actual prices paid by a pharmacy to acquire drug products marketed or sold by manufacturers. The maximum allowable ingredient drug cost, calculated based on an AAC, is defined as the **lowest of**:

- the National Average Drug Acquisition Cost (NADAC) Retail Price Survey, as compiled by Myers and Stauffer, LLC, on behalf of the Center for Medicaid and CHIP Services; or an alternative benchmark of Wholesale Acquisition Cost (WAC) less a volume discount of two (2) percent, in the absence of a NADAC price;
- the Federal Upper Limit (FUL) price for covered outpatient drugs ([see https://www.medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Benefits/Prescription-Drugs/Federal-Upper-Limits.html](https://www.medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Benefits/Prescription-Drugs/Federal-Upper-Limits.html));
- the State Upper Limit (SUL) price for covered outpatient drugs (see https://www.njmms.com/downloadDocuments/Current_NJ_SUL_Rates_02-17-17.pdf) calculated as 100% of drug acquisition costs for covered outpatient drugs as determined by State-sponsored pharmacy surveys;
- the 340B Drug Discount Program* ceiling price; or an alternative benchmark of WAC less a volume discount of twenty-five (25) percent in the absence of a 340B ceiling price, when applicable; or
- A pharmacy's usual and customary charge.

*Section 340B is referred to in the Public Health Service Act of 1992. Section 340B requires that drug manufacturers that have entered into the federal Medicaid Drug Rebate Agreement offer discounted prices, referred to as 340B ceiling prices, to certain covered entities, including but not limited to disproportionate share hospitals (DSH) and federally qualified health centers (FQHCs). The 340B ceiling price is defined as a drug's Average Manufacturer's Price (AMP) minus a drug's federal Unit Rebate Amount (URA).

A 340B-participating pharmacy may be a retail pharmacy, referred to as a 'contract' pharmacy, that has entered into a contract arrangement with a 340B covered entity or a pharmacy operated by a 340B-covered entity, such as a DSH hospital or a FQHC.

Only pharmacies operated by covered entities are eligible to receive NJFC FFS payments for 340B prescriptions when dispensed to a 340B-eligible NJFC, or ADDP-eligible beneficiary. The State's 340B policy does not apply to PAAD, SG or CF-eligible beneficiaries. Contract pharmacies shall not be eligible to receive NJFC FFS payments for 340B prescriptions dispensed to 340B-eligible beneficiaries (see the Medicaid Newsletter Volume 27, No. 04).

The Covered Outpatient Drug Rule also replaces the “dispensing fee” with a new “professional fee” as described in Section 447.502 of the SSA. For NJFC-FFS, the base dispensing fee of \$3.73 and the additional dispensing fee (add-on) of \$0.11 for twenty-four hour emergency service will both be replaced by a new professional fee. This change reinforces the Centers for Medicare and Medicaid Services’ (CMS’) position that a pharmacist’s fee should be reflective of professional services and costs.

The Covered Outpatient Drug Rule permitted State Medicaid Programs to either base its change in the dispensing fee on a nationally conducted survey or on a State-conducted survey. New Jersey chose a study conducted by the MPI Group, on behalf of the Coalition for Community Pharmacy Action (CCPA), consisting of the National Association of Chain Drug Stores (NACDS) and the National Community Pharmacists Association (NCPA). The Study identified and quantified state-specific dispensing costs. The *Cost of Dispensing Study* was published in September 2015.

Based on Study results and the requirement that the change from a dispensing fee to professional fee remain budget neutral, the New Jersey Division of Medical Assistance and Health Services (DMAHS) selected the median overall ‘cost of dispense’ per prescription, identified in the Study results. To view a copy of the survey, please go to <https://mopa.memberclicks.net/assets/docs/cost%20of%20dispensing.pdf>.

DMAHS has opted to apply the new professional fee to retail, as well as long-term-care pharmacy services. As a result of this policy change, the current payment of a capitated dispensing fee for pharmacy services provided to nursing facility residents shall be discontinued. Servicing pharmacies will no longer be required to submit to the State a copy of the agreement between the servicing pharmacy and the nursing facility (Enclosure A) and shall be reimbursed the same professional fee for dispensing covered outpatient drugs, regardless of the type of delivery system provided.

ACTION: Changes to NJFC-FFS reimbursement for retail and long-term-care pharmaceutical services are described in the tables below. The ‘X’ is used to indicate pricing elements that apply by program during specified service periods.

- NJFC-FFS reimbursement for ingredient drug costs will change from EAC to AAC pricing, including application of NADAC and new SUL pricing based on 100 percent of acquisition drug costs (see tables below);
- 340B ceiling prices shall only apply when 340B covered outpatient drugs are dispensed by a covered entity pharmacy. 340B contract pharmacies are not eligible to receive NJFC or ADDP FFS payments for prescriptions dispensed to 340B-eligible beneficiaries.

Regardless of service date, 340B ceiling prices do not apply to State-funded pharmacy benefit programs, including PAAD, SG and CF. Identified claims with service dates on or after July 1, 2017, shall be denied payment by Error Code 2296, “Claim not eligible for 340B pricing.”

- A new professional fee for retail and long-term-care pharmacy claims of \$10.92, shall replace the current dispensing fee.

The New Jersey Division of Medical Assistance and Health Services shall monitor claims to ensure that 'days supply' reporting is consistent with standards of professional practice. Identified practice pattern changes shall be reported to the Office of the State Comptroller, Medicaid Fraud Division for their review and further action.

**REPORTED CLAIM SERVICE DATES
040117 TO 063017**

PROGRAM	WAC-1%	NADAC	WAC-2%	340B	WAC-25%	SUL (100%)	SUL (150%)	FUL	U & C	DF/PF
NJFC		X	X	X	X	X		X	X	\$10.92
LTC		X	X	X	X	X		X	X	\$10.92
PAAD	X			NA*	NA*		X	X	X	\$3.73
SG	X			NA*	NA*		X	X	X	\$3.73
CF	X			NA*	NA*		X	X	X	\$3.73
ADDP	X						X	X	X	\$3.73

*NA = Not Applicable

**REPORTED CLAIM SERVICE DATES
ON OR AFTER 070117**

PROGRAM	WAC-1%	NADAC	WAC-2%	340B	WAC-25%	SUL (100%)	SUL (150%)	FUL	U & C	DF/PF
NJFC		X	X	X	X	X		X	X	\$10.92
LTC		X	X	X	X	X		X	X	\$10.92
PAAD		X	X	NA*	NA*	X		X	X	\$10.92
SG		X	X	NA*	NA*	X		X	X	\$10.92
CF		X	X	NA*	NA*	X		X	X	\$10.92
ADDP		X	X	X	X	X		X	X	\$10.92

*NA = Not Applicable

If there are any questions regarding this Newsletter, please contact Molina Medicaid Solutions Provider Services at 1-800-776-6334.

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