Texas Vendor Drug Program

Pharmacy Provider Procedure Manual

Pricing & Reimbursement

Effective Date

- March 2018

The Pharmacy Provider Procedure Manual (PPPM) is available online at txvendordrug.com/about/policy/manual.

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Document History Log

STATUS [1]	REVISION [2]	EFFECTIVE	DESCRIPTION [3]
Revision	1.4	03/01/2018	Update: 1.0 - Links
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Revision	1.1	01/01/2017	Update.
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1. Status should be represented as “Baseline” for initial issuances, “Revision” for changes to the Baseline version, and “Cancellation” for withdrawn versions

2. Revisions should be numbered according to the version of the issuance and sequential numbering of the revision; e.g., “1.2” refers to the first version of the document and the second revision.

3. Brief description of the changes to the document made in the revision.

1 Drug Pricing

Pursuant to the Covered Outpatient Final Rule of the Affordable Care Act of 2010, reimbursement of outpatient prescription drugs must be based on the drug's Average Acquisition Cost (AAC). Pharmacy providers must use the current Texas Drug Code Index as the reference for allowable package sizes of reimbursable legend and non-legend drugs, and will then be reimbursed at AAC plus a reasonable dispensing fee.

AAC is defined as an estimate of prices generally and currently paid in the market. It may be one of the following:

1. Wholesale estimated acquisition cost (WEAC);
2. Direct acquisition cost (DEAC), according to the pharmacist's usual purchasing source and the pharmacist's usual purchasing quantity;
3. Long term care pharmacy acquisition cost (LTCPAC); or
4. Specialty pharmacy acquisition cost (SPAC)

The AAC is verifiable by invoice audit conducted by Texas HHS to include necessary supporting documentation that will verify the final cost to the provider.

The WEAC, LTCPAC, and SPAC prices are established using market or government sources, which include, but are not limited to:

- Reported manufacturer pricing
- First Databank
- Redbook
- Weighted Average Manufacturer Price as published by the Centers for Medicare & Medicaid Services (CMS)
- National Average Drug Acquisition Cost (NADAC), as published by CMS; or
- Gold Standard pricing service

The DEAC is established by Texas HHS using direct price information supplied by a drug manufacturer.

Pharmacy providers participating in the 340B Drug Pricing Program must identify all outpatient pharmacy claims filled with 340B stock for 340B-eligible people. Refer

to the Health Resources and Services Administration chapter of the PPPM to learn more about billing requirements for eligible pharmacies.

This methodology applies to the pricing on all claims processed by Texas HHS beginning June 1, 2016. Retroactive claims will be processed with the pricing on the date of service. The change is not related to, and does not impact, reimbursement rates associated with pharmacy reimbursement through Medicaid managed care.

NADAC pricing is generated by CMS and pricing disputes should be directed to CMS. Refer to the section of "NADAC Pricing Questions" of the Contact Information chapter of the PPPM for pricing contacts.

2 Ingredient Cost/Reimbursement Methodologies

Ingredient costs may differ by the type of pharmacy and the benchmark for reimbursement is primarily the National Average Drug Acquisition Cost (NADAC), the benchmark of retail pharmacy acquisition costs developed by CMS as previously discussed. Texas HHS uses a drug's wholesale acquisition cost (WAC) price when NADAC pricing is unavailable.

2.1 Retail Pharmacy

The ingredient cost is equal to the NADAC price, or (WAC minus 2 percent) if NADAC pricing is not available.

2.2 Long-term Care Pharmacy

A long-term care (LTC) pharmacy is defined as one for which the total Medicaid claims for prescription drugs to residents of long term care facilities exceeds 50 percent of the pharmacy's total Medicaid claims per year. Long term care pharmacies are typically not open to the public for walk-in business.

The ingredient cost is equal to (NADAC minus 2.4 percent), or (WAC minus 3.4 percent) if NADAC pricing is not available.

2.3 Specialty Pharmacy

A specialty pharmacy is one that meets all of the following criteria:

- Processes more than 10% of Medicaid Specialty Claims per year compared to total claims, as described in Section 354.1853 (relating to Specialty Drugs)
- Obtains volume-based discounts or rebates on specialty drugs from manufacturers or wholesalers; and
- Dispenses at least 80 percent of filled prescriptions by shipment through the U.S. Postal Service or other common carrier to customers or healthcare professionals (including physicians and home health providers).

The ingredient cost is equal to (NADAC minus 1.7 percent), or (WAC minus 8 percent) if NADAC pricing is not available.

3 Professional Dispensing Fees

Payment for legend drug and non-legend drug (OTC) prescriptions are reimbursed at the lesser of the following:

1. AAC plus a reasonable dispensing fee
2. The Usual and Customary (UAC) price charged the general public
3. The Gross Amount Due (GAD), if provided

The reimbursement amount is determined by adding $7.93 (the fixed component) to the ingredient cost and dividing the sum by 0.9804% (the variable component). An additional $0.15 is added to that amount if the pharmacy has been certified as providing free delivery service to people enrolled in Medicaid. Another $0.50 will be added to that amount if the pharmacy dispenses a premium preferred generic.

Table 1- VDP Reimbursement Calculation

Value	Component
$7.93	Fixed component
0.9804%	Variable component

Value	Component
$0.15	Delivery incentive (based on provider file) applied to all legend claims after all calculations are complete. • Note: 340B pharmacies do not receive delivery incentive
$0.50	Premium Preferred Generic (PPG) incentive applied to all Medicaid PPG drugs after all calculations are complete. • Note: Incentive does not apply to $0.00 total payment amount claims.

For example, if the ingredient cost of a drug is $10.00, the pharmacy's total reimbursement will be calculated in the following way:

- $10.00 plus $7.93
  - *equals $17.93*
- $17.93 divided by 0.9804
  - *equals $18.28*
- Pharmacies with a delivery agreement will add $0.15
  - *equals $18.43*
- Pharmacies that used a premium preferred generic drug will add $0.50
  - *equals $18.93*

If the submitted UAC or GAD price for this item is less than the amount calculated above, the pharmacy will be paid the UAC or GAD price. Pharmacy staff should submit their true UAC price for all claims.

The total dispensing fee shall not exceed $200 per prescription.

- Refer to the Enrollment chapter of the PPPM to learn more about the delivery incentive.
- Refer to the Drug Policy chapter of the PPPM to learn more about premium preferred generic drugs.
- Refer to the Health Resources and Services Administration chapter of the PPPM to learn more about requirements for 340B Drug Pricing Program eligible pharmacies.