

State of Mississippi

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

Prescribed Drugs

Medicaid pays for certain legend and non-legend drugs prescribed by a physician or other prescribing provider licensed to prescribe drugs as authorized under the program and dispensed by a licensed pharmacist in accordance with Federal and State laws.

The Mississippi Medicaid Prescription Drug Program conforms to the Medicaid Prudent Pharmaceutical Purchasing Program as set forth in the Omnibus Budget Reconciliation Act of 1990 (OBRA'90).

For beneficiaries under age 21, special exceptions for the use of non-covered drug items may be made in unusual circumstances when prior authorization is given by Medicaid.

1. **Reimbursement Methodology**

EAC (Estimated Acquisition Cost) is defined as the Division's estimate of the price generally paid by pharmacies for pharmaceutical products. EAC may be based on the Average Wholesale Price (AWP) or the Wholesale Acquisition Cost (WAC) or the State Maximum Allowable Cost (SMAC).

SMAC reimbursement will apply to certain multi-source drug products that meet therapeutic equivalency, market availability, and other criteria deemed appropriate by the Division of Medicaid. Actual acquisition cost will be determined through the collection and review of pharmacy invoices and other information deemed necessary by the Division and in accordance with applicable State and Federal law. SMAC rates are based on the average actual acquisition cost per drug of pharmacy providers enrolled in the Medicaid Program, adjusted by a multiplier that is no less than 1.3, which ensures that each rate is sufficient to allow reasonable access by providers to the drug at or below the established SMAC rate. The Division will review the rates on no less than an annual basis and adjust them as necessary to reflect prevailing market conditions and to assure reasonable access by providers.

**A. Brand Name Drugs** (single source, innovator multiple – source) - In reimbursing for brand name drugs Medicaid shall pay for:

- 1.) The lesser of:
  - a.) The provider's usual and customary charge; or
  - b.) The EAC for brand name drugs which is defined as the lesser of:
    - i.) AWP minus 12% plus a dispensing fee of \$3.91; or
    - ii.) WAC plus 9% plus a dispensing fee of \$3.91.
- 2.) Less the applicable co-payment.

**B. Multiple Source Generic Drugs** – In reimbursing for multiple-source generic drugs Medicaid shall pay:

- 1.) The lesser of:
  - a) The provider's usual and customary charge; or
  - b) The Federal Upper Limit (FUL), if applicable, plus a dispensing fee of \$5.50\*; or

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- c) The EAC for multiple source drugs which is defined as the lesser of:
  - i) AWP minus 25% plus a dispensing fee of \$5.50 or
  - ii) SMAC rate and a dispensing fee of \$5.50\*.

2.) Less the applicable co-payment.

\*The dispensing fee for prescriptions to beneficiaries in long-term care facilities for multi-source generic drugs is limited to \$3.91.

**C. Other Drugs**

- 1.) Reimbursement for covered drugs other than the multiple-source drugs  
With CMS upper limits shall not exceed the lesser of:
  - a) The provider's usual and customary charge; or
  - b) The EAC for other than multiple-source drugs which is defined as the lesser of:
    - i) AWP minus 12% plus a dispensing fee of \$3.91; or
    - ii) WAC plus 9% plus a dispensing fee of \$3.91; or
    - iii) SMAC rate and a dispensing fee of \$3.91.
  - c) Less the applicable co-payment
- 2.) Reimbursement for covered non-legend products or over-the-counter products is the less of:
  - a) The provider's usual and customary charge; or
  - b) The EAC for multiple source drugs which is defined as the lesser of:
    - i) AWP minus 25% plus a dispensing fee of \$3.91 or
    - ii) SMAC rate and a dispensing fee of \$3.91.
  - c) Less the applicable co-payment

**2. Dispensing Fee**

Dispensing fees are determined on the basis of surveys that are conducted periodically by the Division of Medicaid and take into account various pharmacy operational costs. Between surveys, the dispensing fee may be adjusted based on various factors (i.e., CPT, etc.). The dispensing fee of \$3.91 for sole source drugs and \$5.50 for multi-source drugs is paid for non-institutionalized beneficiaries. The dispensing fee paid for institutionalized beneficiaries is \$3.91.

**3. Usual and Customary Charges**

The provider's usual and customary charge is defined as the charge to the non-Medicaid patient. The state agency obtains the provider's usual and customary charge from the pharmacy invoice. The accuracy of the usual and customary charge is validated by Division staff in the field who conducts on-site audits. Audits of prescription files and usual and customary fee schedules will be the means by which compliance with this stipulation is assured.

**4. EPSDT Beneficiaries**

Prescribed drugs for EPSDT beneficiaries, if medically necessary, which exceed the limitations and scope for Medicaid beneficiaries, as covered in this Plan, are reimbursed according to the methodology in the paragraphs above.

## Notice of Proposed Rule Adoption

### State of Mississippi Office of the Governor Division of Medicaid

#### Economic Impact Statement

Implementation of the State Maximum Allowable Cost (SMAC) Program enables the Division to reimburse pharmacy ingredient costs for multi-source drugs according to the *actual* acquisition costs of Medicaid-enrolled pharmacy providers. Unlike national pricing benchmarks which produce rates that are too high for some drugs and too low for others, SMAC rates will be accurate, consistent, and predictable. In addition, rates are regularly updated to remain current and reflective of changes in pharmacy market conditions.

The Division expects to initially set SMAC rates for 838 drugs groups, which is expected to reduce annual expenditures for those drugs by \$32.9 million in total program expenditures. The estimate was determined by analyzing historical utilization data; specifically, by taking the annual units dispensed for each drug group and then multiplying that amount by the estimated per unit reduction in ingredient reimbursement.

Generic Legend Drugs	
Annualized Paid Generic Claims*	2,741,648
Current Generic Dispensing Fee	\$4.91
Current Generic Dispensing Fee Expenditure	\$13,461,492
<b>Proposed Generic Dispensing Fee</b>	<b>\$5.50</b>
Projected Generic Dispensing Fee Expenditure	\$15,079,064

Decrease in expenditures due to initial SMAC rates

\$32.9M

Increase in dispensing fee

\$ 1.6 M

\$31.3M total funds

\$7.56M state funds

These expenditure reductions are consistent with new Federal upper limit reductions that are being imposed by the Centers for Medicare and Medicaid Services under the authority of the Deficit Reduction Act of 2005.