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**

MEAC is defined as the Division's best estimate of the actual purchase price generally and currently paid by providers for a drug, identified by NDC number, marketed or sold by a particular manufacturer or labeler.

A. **Brand Name** (Single source, Innovator multiple source) **and Single Source Generic Drugs** - Single Source generic drugs are defined as those drugs going off patent and a single source generic house has exclusivity for a period of time. Reimbursement methodology for brand name drugs and single source generic drugs is:

1. The lesser of:
   - The usual and customary charge; or
   - The Federal Upper Limit (FUL), for certain multiple source drugs, and a dispensing fee of $3.91 or
   - Average Wholesale Price (AWP) less 12% and a dispensing fee of $3.91 or
   - Wholesale Net Unit Price/Wholesale Acquisition Cost (WAC) plus 9% and a dispensing fee of $3.91.

2. Less the applicable co-payment.

B. **Multiple Source Generic Drugs**- CMS defines multiple source generic drugs as a product with three or more versions of the product related therapeutically equivalent (A-rated) regardless of the ratings of other versions (B-rated) and at least three suppliers are listed in the current editions of published national compendia. Reimbursement methodology for multiple source generic drugs is:

1. The lesser of:
   - The usual and customary charge; or
   - The Federal Upper Limit (FUL), if applicable, and a dispensing fee of $4.91*; or

- Average Wholesale Price (AWP) less 25% and a dispensing fee of $4.91*;

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 lower of:

   - The Mississippi Estimated Acquisition Cost for the drug plus a reasonable dispensing fee; or
   - The provider's usual and customary charge to the general public.

2. Reimbursement for covered non-legend products or over-the-counter products is limited to the lower of the Division's estimated shelf price for the drug plus a reasonable dispensing fee or the charge to the general public for the drug.

The Division of Medicaid shall reduce the rate of reimbursement to providers for any service by .74% of the allowed amount for that service.

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 $4.91 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
For
Pharmacy Providers

The Executive Director of Medicaid is required by law to recommend expenditure containments when expenditures are expected to exceed funds available for any fiscal year. Medicaid is facing a $90,000,000 shortfall in state revenues for FY2009; therefore, certain cost containment measures have been identified as necessary to balance Medicaid's budget. These measures include reducing certain non-institutional providers an additional .74% reduction in reimbursement in addition to the 5% reduction as outlined in Miss. Code Ann. § 43-13-117 (1972 as amended).

It is estimated that it will cost the Division of Medicaid approximately $5,000 to enforce the increased reduction in payments to providers. This includes system changes and staff time.

An estimate of the total economic impact for pharmacy providers, including small business providers, is noted in the chart below. The total economic impact for providers in State FY 2009 is equal to the sum of federal and state savings noted in the chart below. The Division of Medicaid estimated the impact utilizing the actual and estimated expenditures for the same services for FY2008.

FFY2008 Federal Savings	FFY2008 State Share Savings	FFY2009 Federal Savings	FFY2009 State Share Savings
$ 145,747	$ 45,296	$ 1,303,984	$ 415,404

The Division of Medicaid is facing a $90,000,000 shortfall in state revenues for FY2009. If this cost containment measure is not enacted, there will not be sufficient revenues to reimburse providers for the entire year.

State law limits cost containment measures that may be taken and precludes the Governor from changing eligibility or benefits; therefore, the best option to minimize overall Medicaid reimbursement levels and achieve these state savings is to restructure payments in this manner. An oral proceeding on this proposed rule is scheduled as described on the cover sheet (Notice of Proposed Rule Adoption) provided herewith. Persons may also submit written comments as described on the cover sheet (Notice of Proposed Rule Adoption) provided herewith.

A full copy of the Economic Impact Statement may be obtained from the Division of Medicaid's web site at www.dom.state.ms.us.