

## Department of Health and Human Services – Division of Medical Assistance

### Pharmacy Reimbursement

#### **Ingredient Cost**

The cost of a drug is calculated from the lowest cost on file of the following: WAC + 6%, the federal (FUL) or state MAC (SMAC) price; the enhanced specialty discount; the hemophilia enhanced specialty discount, or the usual and customary charge. WACs are updated weekly via File Transfer Protocol (FTP) from First Data Bank. State MACs are updated monthly. Federal MACs are updated by CMS. The enhanced specialty discount drug list is updated quarterly. The hemophilia enhanced discount list is updated annually.

340B priced drugs are available to pharmacies who qualify as a 340B entity. If a 340B purchased drug is dispensed to a Medicaid beneficiary, the provider must submit the actual purchased drug price plus the dispensing fee unless the drug is a hemophilia drug. For hemophilia drugs, 340B providers may submit the state upper limit established for a 340B purchased hemophilia drug plus the dispensing fee.

#### **Dispensing Fees**

The dispensing fee for generic drugs or brand name drugs is added to the cost of the drug. The dispensing fee for generic drugs is based on a pharmacy's quarterly generic dispensing rate. The General Assembly mandates that a dispensing fee shall not be paid for refills of the same drug twice within the same month.

### Definitions

**340B priced drugs:** The 340B Program provides discounts on outpatient drugs to safety net providers. The program allows safety net providers to increase patient services with savings realized from participation in the 340B program. Covered entities determine whether they will use 340B drugs for their Medicaid patients (carve-in) or whether they will purchase drugs for their Medicaid patients through other mechanisms (carve-out).

**Enhanced Specialty Discount:** The General Assembly [Session Law 2008-107, Section 10.10(e)] required a State-determined upper payment limit on select single-source specialty drugs that cost in excess of \$1,500 per month.

**FDB (First Data Bank):** a national drug data file that provides prices, descriptions, and clinical information on drugs approved by the FDA.

**FUL (Federal Upper Limit):** a federal payment ceiling that applies to multiple source drugs. The ACA revised the Social Security Act to require a FUL as no less than 175 percent of the weighted average (determined on the basis of utilization) of the most recently reported monthly average manufacturer prices (AMP) for multiple source drugs that are available for purchase by retail community pharmacies on a nationwide basis.

**Hemophilia Enhanced Specialty Discount and State Upper Limits for 340B Purchased Hemophilia Products:** The General Assembly [Session Law 2012-142, Section 10.48(a2)] required establishment of a specialty pharmacy program for hemophilia drugs with savings primarily from 340B purchased drugs.

**SMAC (State Maximum Allowable Cost):** a state-determined reimbursement ceiling that applies to products with A-rated equivalents marketed by at least two labelers that is based on a percentage factor applied to the lowest priced generic.

**U & C Charge (Usual & Customary Charge):** the price that the general public would pay for the drug at the retail pharmacy.

**WAC (Wholesale Acquisition Cost):** a price developed by manufacturers and is the baseline price at which wholesale distributors purchase products