



# Iowa Department of Human Services

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## INFORMATIONAL LETTER NO.1153

**DATE:** July 20, 2012

**TO:** Iowa Medicaid Pharmacies

**ISSUED BY:** Iowa Department of Human Services, Iowa Medicaid Enterprise (IME)

**RE:** Reimbursement Changes for Pharmacy and Important Dates #2

This Informational Letter presents an update on the upcoming changes to the Iowa Medicaid pharmacy reimbursement. These changes will take effect on January 1, 2013.

### **Background:**

The 84<sup>th</sup> Iowa General Assembly enacted during the 2012 Iowa Legislative session the requirement that the Department of Human Services (DHS) perform a cost of dispensing (COD) survey and implement an average actual acquisition cost reimbursement (AAC) methodology for all drugs (Senate File 2336, Section 33). Pursuant to this legislation, pharmacies that participate in the Medical Assistance program are required to complete the COD survey. Additionally pharmacies must make available drug acquisition cost invoice information upon request. Any dispensing fee (DF) expenses or acquisition cost information required to be submitted under this legislation that specifically identifies a pharmacy or provider's individual cost will remain confidential.

The IME has worked very closely with the Iowa Pharmacy Association (IPA) and National Association of Chain Drug Stores (NACDS) regarding two separate, but related, projects (1) the COD survey, and (2) the average AAC reimbursement. These projects will be used for the new pharmacy reimbursement methodology. Under this new methodology, drug ingredient costs will be reimbursed based on average AAC and the DF will be based upon the COD survey results. The IME must obtain approval from the Centers for Medicare and Medicaid Services (CMS) in the form of a State Plan Amendment (SPA) for both projects. These changes will be implemented simultaneously on January 1, 2013.

There is significant activity on the federal level regarding pharmacy reimbursement. The extent to which federal reimbursement rates would be available or are appropriate for use in Iowa is unknown at this time. Therefore, Iowa Medicaid will move forward on work to redesign the pharmacy reimbursement program and continue to monitor the CMS project.

## **Updates:**

### 1. COD Survey

- a. Survey packets were sent to Iowa Medicaid-participating pharmacies on June 11, 2012.
- b. Completed surveys are due no later than August 13, 2012. Additional information regarding the COD survey can be found at: [www.mslciowa.com/CostofDispensingSurvey.htm](http://www.mslciowa.com/CostofDispensingSurvey.htm).
- c. A Frequently Asked Questions (FAQ) document related to the COD survey accompanies this letter and can be found at: [www.mslciowa.com/CostofDispensingSurvey.htm](http://www.mslciowa.com/CostofDispensingSurvey.htm)

### 2. Average AAC reimbursement

- a. The IME has contracted with Myers and Stauffer, a certified public accounting firm that provides professional accounting, consulting, data management, and analysis services to government-sponsored healthcare programs. Myers and Stauffer has extensive experience with other State Medicaid Agency AAC programs. Myers and Stauffer has worked with the IME and the pharmacy associations to expand Iowa's average AAC-based reimbursement program to incorporate brand and non-prescription drugs.
- b. The goal of this new average AAC program is to determine the average acquisition cost of the products as a basis for pharmacy reimbursement while remaining compliant with regulations set forth by the federal government and the CMS.
- c. The new average AAC program utilizes the pharmacy acquisition cost survey with which Iowa pharmacies are accustomed. This survey process minimizes administrative burden on providers by requesting information that is readily available in the pharmacy. The average AAC rates will be based on acquisition costs taken from pharmacy invoices.
- d. Surveys requesting drug acquisition cost invoice information for the average AAC program will begin in October 2012. Pharmacies selected for the survey will receive correspondence from Myers and Stauffer outlining the simple process of submitting a month's worth of invoices by fax, mail or electronic submission.
- e. Myers and Stauffer will be conducting these surveys for the IME on a semi-annual basis. *Please note your compliance is mandatory to continue participation in the Iowa Medicaid program.*
- f. A FAQ document related to the average AAC can be found at [www.mslciowa.com/AAC.htm](http://www.mslciowa.com/AAC.htm).

## **Important Information:**

1. Confidentiality: Any dispensing fee expenses or acquisition cost information required to be submitted under this legislation that specifically identifies a pharmacy or provider's individual cost will remain confidential.
2. Approval: The IME must obtain approval from CMS in the form of a State Plan Amendment (SPA) for both the average AAC reimbursement methodology and the DF, based on the COD survey. These changes will be implemented simultaneously.

3. Important Dates: A more comprehensive timeline is included at the end of this letter.

|  |                 |
|--|-----------------|
| Cost of Dispensing Survey Due Date   | August 13, 2012 |
| Drug acquisition cost invoice information survey requests sent to pharmacies | October 2012    |
| Dispensing Fee (DF) determination  | October 2012    |
| Implementation of average AAC and new DF                                     | January 1, 2013 |

4. Updates: Additional Informational Letters will be released as the change in reimbursement proceeds.

5. Pharmacy Listserv: For additional updates on the change in reimbursement, please send your email address to [pharmacy@mslc.com](mailto:pharmacy@mslc.com) requesting to be added to the Iowa Medicaid pharmacy listserv.

Contact information for this process can be found at [www.msliciowa.com](http://www.msliciowa.com). This website will be updated as new information becomes available. Additionally, staff may be contacted by email at [pharmacy@mslc.com](mailto:pharmacy@mslc.com) or by calling 1- 800-591-1183.

# Iowa Medicaid Enterprise Pharmacy Cost of Dispensing Survey Frequently Asked Questions

## ***Is the Iowa Medicaid Pharmacy Cost of Dispensing Survey mandatory?***

Yes. During the 2012 Iowa Legislative session, the 84<sup>th</sup> Iowa General Assembly enacted a requirement that the Department of Human Services perform a cost of dispensing survey (Senate File 2336, Section 33). Pharmacies that participate in the Medical Assistance program are required to complete the cost of dispensing survey, pursuant to that legislation.

## ***When is the survey due?***

Survey responses are due August 13, 2012.

## ***If I submit my tax form/financial statement, which sections can I skip?***

If you submit a copy of your financial statements or income tax return, Myers and Stauffer will complete Section IIB on pages 3 & 4 and sections IID on page 6. You will still need to complete pages 1, 2, Section IIA on page 3, and page 5.

## ***Will the information submitted be treated confidentially?***

Cost of dispensing information that specifically identifies a pharmacy and is submitted under the legislative requirement (Senate File 2336, Section 33) will remain confidential. For reporting purposes, the submitted information will be aggregated and de-identified.

## ***Where can I obtain more information regarding the COD survey?***

Information regarding the cost of dispensing survey can be found at: [www.mslciowa.com/CostofDispensingSurvey.htm](http://www.mslciowa.com/CostofDispensingSurvey.htm). Information provided includes survey materials, frequently asked questions, and a communications plan. In addition, providers may contact Myers and Stauffer via email at [disp\\_survey@mslc.com](mailto:disp_survey@mslc.com) or by calling 1- 800-374-6858 with questions regarding the cost of dispensing survey.

**Timeline for Cost of Dispensing (COD) Survey and Average Actual Acquisition Cost (AAC) Survey  
Pharmacy Reimbursement Transition**

**July 2012**

| <b>Timeline</b>  | <b>Date</b>                         |
|--|-------------------------------------|
| <b>Cost of Dispensing Survey</b>   |                                     |
| Cost of Dispensing (COD) surveys mailed by Myers & Stauffer                                    | June 11, 2012                       |
| Notification for Provider Education webinars   | June 11, 2012                       |
| Provider Education: Conduct COD survey training webinars immediately after survey distribution | June 18, 2012 to June 22, 2012      |
| ----Provider Education Webinar   | June 19, 2012 at 8:30am – 9:30am CT |
| ----Provider Education Webinar   | June 21, 2012 at 2:00pm – 3:00pm CT |
| Survey due date.   | August 13, 2012                     |
| Survey data entry, analysis, and report writing.   | August 14, 2012 to October 1, 2012  |
| Final report delivered to IME.   | October 2012                        |
| <b>Acquisition Cost Survey</b>   |                                     |
| Meetings with stakeholder groups to discuss new reimbursement                                  | July 3, 2012 1:00pm – 2:00pm CT     |
| Info. Letter 2-COD Update & average AAC Intro.   | July 2012                           |
| Mail survey letters to pharmacy providers  | October 1, 2012                     |
| Deadline for submitting pharmacy invoices  | October 19, 2012                    |
| Draft average AAC rates to IME for review  | November 16, 2012                   |
| Info. Letter 3- Implementation   | Beginning – mid-December            |
| <b>POS Programming</b>   |                                     |
|  | Effective January 1, 2013           |
| <b>SPA</b>   |                                     |
| Notice to Tribes   | June 7, 2012                        |
| Public Notice in Paper   | October 2012 (Once DF confirmed)    |
| Submit State Plan Amendment (SPA) to CMS   | July 2012/October 2012 submit DF    |
| <b>CMS Approval</b>  | <b>January 1, 2013</b>              |
| <b>Average AAC &amp; New DF Effective</b>  | <b>January 1, 2013</b>              |