



Iowa Department of Human Services

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INFORMATIONAL LETTER NO.1250

DATE: June 12, 2013

TO: Iowa Medicaid Pharmacies

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

RE: Pharmacy Reimbursement

EFFECTIVE: June 21, 2013

Background:

In 2012, the Iowa legislature required that the Department of Human Services (DHS) implement an average actual acquisition cost (AAC) reimbursement methodology for all drugs (Senate File 2336, Section 33). On February 1, 2013, DHS implemented this reimbursement methodology, with drug ingredient costs reimbursed based on average AAC and dispensing fee (DF) based on cost of dispensing survey results.

Updates:

1. Average Actual Acquisition Cost (AAC) reimbursement

- a. Semi-annual Rebase
 - i. The average AAC rates are based on semi-annual surveys of Iowa pharmacy invoices. The most recent survey was in April 2013, with the rates updated to reflect changes in the cost of drugs prior to the **June 21, 2013, effective date.**
 - ii. Pharmacies selected for the survey (approximately 50 percent of all enrolled pharmacies) received correspondence from Myers and Stauffer outlining the simple process of submitting a month's worth of invoices by fax, mail, or electronic submission. Please note that compliance, regarding submission of requested information, is required.
 - iii. Before average AAC rates, based on survey results, are published, they are updated to reflect changes in drug pricing that occurred between drug purchase dates and rate publication dates. This allows for the average AAC rates to reflect changes in drug prices that occurred between survey collection and rate publication.
- b. Rate Updates: All rate updates are posted at www.msliciowa.com, and update notices are distributed, via email, with the semi-annual rebasing of reimbursement rates.
- c. Pharmacy Listserv: For updates regarding pharmacy reimbursement, send your email address to pharmacy@mslc.com to request to be added to the Iowa Medicaid pharmacy listserv.

2. Federal Upper Limits

- a. Rate Setting
 - i. The Centers for Medicare and Medicaid Services (CMS) is responsible for establishing the Federal Upper Limit (FUL) rates. The FULs, prior to the Affordable Care Act (ACA), were set at 150 percent of the published price for the least costly therapeutic equivalent, using the methodology then found at 42 CFR 447.332, which CMS has continued to apply (see “Federal Upper Limits” at <http://medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Benefits/Prescription-Drugs/Federal-Upper-Limits.html>, paragraph beginning, “Once we publish the final AMP-based FULs, ...”). The last update to the FUL rates by CMS was October 26, 2009.
 - ii. The ACA requires CMS to calculate a FUL as no less than 175 percent of the weighted average of the most recently reported monthly average manufacturer prices (AMP). The final FUL rates based on this methodology have yet to be released; only the draft rates are published at this time.
 - iii. The federal FUL regulations require states to meet the FULs in the aggregate.
- b. Reimbursement: Iowa Medicaid reimbursement methodology is to pay the lesser of:
 - i. Ingredient cost, based on average actual acquisition cost (AAC), plus dispensing fee
 - ii. FUL, plus dispensing fee
 - iii. Usual & Customary (U&C) charge
- c. Update: Iowa Medicaid is aware of issues with the FUL drugs where the average AAC rate exceeds the current FUL rate. Due to CMS not updating the FULs, and upon a request for review, Iowa will not apply the FUL to a drug if:
 - the product does not meet the criteria for establishment of a federal upper limit, pursuant to section 1927(e)(4) of the Social Security Act (three or more therapeutically and pharmaceutically equivalent products), or the amount of the FUL is now below 150 percent of the published price for the least costly therapeutic equivalent, and
 - the current FUL is less than the Iowa average AAC.
- d. Process: Providers may request that the IME review the FUL and average AAC price for particular drugs through the Myers and Stauffer Help Desk. Providers who wish the IME to consider a FUL review may make such a request by contacting Myers and Stauffer at the contact information below.
- e. Aggregate FUL limit: This FUL override process is contingent on the State’s ability to meet all federally-applied FULs in the aggregate.
- f. Drug List: The pharmacy reimbursement website contains the FUL list. The list will be updated as needed to identify those FUL rates that will not be applied for reimbursement, as well as the effective date of the change. The list may be viewed at <http://www.msliciowa.com/AAC.htm> .
- g. Termination: This FUL override process will terminate when the AMP-based FULs are implemented by the CMS. The IME will evaluate the new FULs when implemented.

3. Contact Information:

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