

NCPA AAC Principles/Best Practices

General:

- Benchmark or prices must be updated frequently—otherwise AAC can easily become an outdated price. State Plan Amendments should specify the frequency of the reimbursement updates
- Benchmark must correspond to retail pharmacy costs, and not include purchasers such as hospitals, physicians, pharmacy benefit managers and other similar entities. The benchmark for pharmacy reimbursement should not be inclusive of discounts, rebates, and other price concessions not available to retail pharmacies
- Benchmark and dispensing fee must be considered together in order to ensure that pharmacies are properly reimbursed (need to factor in the total cost of acquiring the drug, inventory management, dispensing and professional services)
- Need to maintain incentives to dispense lower-cost generic drugs. Because generics are purchased in commodity market—there is a wide range of manufacturer's prices. Smaller pharmacies purchase at a higher price than large self warehousing chains---therefore states may wish to consider using a “median” reimbursement benchmark—rather than average---for generics. Or—use median for smaller pharmacies and average for larger chains.

Independent Pharmacy Specific:

- Pharmacy reimbursement is important to all—but critical to independents—93% Rx revenues
- Fundamental differences exist in purchasing capabilities; independents and small chains purchase generics 25-50% higher than large chains—Federal govt. recognizes this—the new AMP law grants CMS the authority to set higher reimbursement for generics for independents
- In addition to considering the use of median acquisition cost for independents—should the dispensing fee structure be tiered to allow for higher reimbursement for those pharmacies with a certain percentage of Medicaid scripts? Or alternately, allow higher dispensing fee for pharmacies with lower total prescription volume (i.e., Oregon)

Dispensing Fee/Survey Considerations

- NCPA recommends that any State Plan Amendment to switch to AAC reimbursement must specify that a cost of dispensing survey be completed on an annual basis.
- The State should include with the survey instrument a clear explanation as to what the data is going to be used for and the extreme importance of an accurate and timely response. The state may also wish to stipulate that a certain response rate will be required in order for the COD survey to be deemed statistically valid
- States may wish to provide a dispensing fee incentive for those pharmacies that serve a significant number of Medicaid beneficiaries or where Medicaid claims make up a certain percentage of their total prescription volume. These pharmacies could receive an additional amount (i.e.--\$.50) added to the base dispensing fee or to those pharmacies for whom generics make up at least a certain percentage of their total prescription volume [these dispensing fee incentives could be provided in addition to the use of median acquisition cost adjustment for independents or lieu of....)

Outstanding Questions

- To accommodate for delays in updating data, as well as the fact that the prices paid by pharmacies for drugs vary, a multiplier should be considered as part of any formula using acquisition cost as a benchmark
- Should there be a single, national benchmark or uniform AAC process to be used by all Medicaid programs—given diversity of states—may or may not be advantageous
- If a single AAC system is developed for all state Medicaid programs, should this benchmark also be made available by private payors as well??
- Should LTC pharmacies be included in the same AAC process—and given specific adjustments to account for the higher overall costs of doing business or should there be an entirely separate process deal with these entities??
- How should the reimbursement rate be set for those products without an AAC? Concern is that states may view these products as a safety net – set the reimbursement at an artificially low rate to offset any shortfalls in the overall program. (Oregon set reimbursement for these products at WAC + 0)