

Fee-for-Service Pharmacy Provider Notice #196
****Pharmacy Drug Pricing & Reimbursement****

April 2, 2015

Dear Kentucky Medicaid Provider:

Thank you for your continued commitment to the health and welfare of Kentuckians throughout the Commonwealth! We are often asked to explain the Kentucky Medicaid Fee-for-Service (FFS) Pharmacy Program reimbursement policy. We have prepared this notice to provide you with additional clarification and resources regarding the drug pricing and reimbursement methodology currently utilized.

The Kentucky Medicaid FFS Pharmacy Program uses a set of pricing methods and a developed algorithm to determine drug reimbursement to pharmacy providers. The purpose for the drug pricing and reimbursement methodology is to ensure that providers use a less expensive therapeutically equivalent drug whenever possible. This allows for compliance with the generic substitution law (KRS 217.822), while delivering quality care for all recipients.

Pricing Methods

The Kentucky Medicaid FFS Pharmacy Program utilizes the following pricing methods when determining drug reimbursement:

- **Wholesale Acquisition Cost (WAC)** – The manufacturer’s list price for a drug product when sold to wholesalers. WAC does not represent actual transaction prices and does not include discounts, rebates, or other price concessions.
- **Federal Upper Limit (FUL)** – An established price cap used by the Centers for Medicare and Medicaid Services (CMS), U.S. Department of Health and Human Services, in a State Medicaid Program. These drugs must be multiple source drug products, also known as “multi-source drugs,” that are rated therapeutically equivalent. Additional information regarding the FUL can be found at: <http://www.medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Benefits/Prescription-Drugs/Federal-Upper-Limits.html>

- **Usual and Customary (U&C)** – The price a pharmacy charges the general public for a product. This information is submitted on the Point-of-Sale (POS) claim by the pharmacy and is located in the “**Pricing Segment**” / **NCDPDP field #426-DQ**.
- **Maximum Allowable Cost (MAC)** – A pricing cap established by each state. Current Kentucky Medicaid guidelines for MAC pricing include the requirement that there are two or more drug manufacturers and that the drug is listed as a multi-source drug. Additional information regarding the Kentucky Medicaid FFS MAC Program can be found at: <https://kyportal.magellanmedicaid.com> and click the Provider/Resources/Documents/Drug Info/MAC tabs.

Reimbursement Algorithm

Additionally, the FFS Pharmacy Program utilizes the following payment algorithm for drug reimbursement:

As of October 31, 2011, providers are reimbursed the lesser of:

- Branded Drugs: WAC + 2% (plus dispensing fee); **OR**
- Generic Drugs: WAC + 3.2 % (plus dispensing fee); **OR**
- FUL + dispense fee; **OR**
- MAC + dispense fee; **OR**
- Usual & Customary (U & C)

Dispensing fees are as follows:

- Branded drugs: \$4.50
- Generic drugs: \$5.00

The above information regarding the payment algorithm and additional information regarding POS billing for the FFS Pharmacy Program is located in the **Kentucky Medicaid Pharmacy Provider Point-of-Sale (POS) Billing Manual** and can be found at: <https://kyportal.magellanmedicaid.com> and click the Provider/Resources/Documents tabs.



Determining Price Type

When reviewing the adjudicated claim response information, pharmacy providers can determine which price type was utilized in calculating the reimbursement by reviewing **NCPDP field 522-FM “Basis of Reimbursement Determination.”** This field will display the price type used and the correlating responses, as seen in the chart below:

Price Type	Basis of Reimbursement Determination (Displayed in pharmacy software; NCPDP field 522-FM)
FUL	Contract Pricing
MAC	MAC pricing ingredient cost paid
U&C	Usual and Customary Paid as Submitted
WAC	WAC

Please contact your software vendor if you are having trouble locating this field. For additional information regarding the NCPDP fields, please review the **D.0 Payer Specs** located at: <https://kyportal.magellanmedicaid.com> and click the Provider/Resources/Documents tabs.

Reimbursement Inquiries

Pharmacy providers should note that reimbursement paid according to the **MAC** price type, is the only reimbursement that can be appealed to Kentucky Medicaid. Upon adjudication, if the final price type is **WAC, FUL** or **U&C**, then **NO price adjustment** can be granted, as these reimbursement types are regulated by the government. When appealing the MAC price, please complete the **MAC Price Research Request Form** found at: <https://kyportal.magellanmedicaid.com> and click the Provider/Resources/Documents/Drug Info/MAC tabs.

We hope that this information helps to clarify any questions you have regarding drug reimbursement for the Kentucky Medicaid FFS Pharmacy Program. Please contact **Magellan Medicaid Administration** at kyproviders@magellanhealth.com for any additional information or questions you may have.

Sincerely,

Harris Taylor, CPhT

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Kentucky Medicaid Fee-for-Service Pharmacy Program's Contact Information		
Clinical Support Center	1-800-477-3071 Sunday – Saturday 24 hours a day	Please contact the Clinical Support Center to request a prior authorization (PA) or to check the status of a request. NOTE: The only drugs that are now required to be submitted via fax are Brand Medically Necessary, Buprenorphine products, Synagis[®], and Zyvox[®].
Pharmacy Support Center	1-800-432-7005 Sunday – Saturday 24 hours a day	Please contact the Pharmacy Support Center when claims assistance is required. Timely filing, lock-in, and early refill (ER) overrides can be obtained through this call center.
Provider Services	1-877-838-5085 Monday – Friday 8:00 am – 4:30 pm	Please contact Provider Services if you have questions about enrollment or when updating your license or bank information.
Member Services	1-800-635-2570 Monday – Friday 8:00 am – 5:00 pm	Please contact Member Services if you are a member or if you as the provider have questions regarding the member's benefits or eligibility coverage dates.