



# REIMBURSEMENT OPTIONS FOR MEDICAID DRUGS

SOCIAL SERVICES APPROPRIATIONS SUBCOMMITTEE  
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ISSUE BRIEF

## **SUMMARY**

At least three states have begun a new reimbursement methodology for Medicaid drugs. Alabama, Oregon, and Idaho have seen savings following the implementation of a reimbursement system based on Actual Acquisition Cost and raising their dispensing fees. This brief is for information purposes and requires no legislative action.

## **DISCUSSION AND ANALYSIS**

Alabama, Oregon, and Idaho changed their Medicaid's reimbursement to pharmacies for drugs to a system based on Actual Acquisition Cost and raised their dispensing fees. The three states currently contract with Myers and Stauffer to help obtain the information for reimbursement based on Actual Acquisition Cost. In Alabama and Oregon all enrolled pharmacies participate in a survey to provide pricing information about every two years. Drug prices in those two states are updated as often as weekly. The information obtained in the survey is kept confidential. Idaho updates its prices at least annually and checks the market for unusual changes.

### ***How Does Utah Reimburse for Drugs in Medicaid?***

Utah, as with most other states, reimburses pharmacies for Medicaid drugs based on an industry-reported wholesale price. Utah Medicaid pays a dispensing fee per drug of \$3.90 to urban pharmacies and \$4.40 to rural pharmacies.

### ***Alabama Estimated Savings of \$30.5 Million for FY 2011***

Alabama included savings of \$30.5 million total funds in its FY 2011 budget. Alabama raised its dispensing fee for pharmacies from \$5.40 to \$10.64 per prescription based on information in an independent survey. Alabama has paid under its new system since October 2010.

### ***Oregon Saw Savings of 6% in the First Year Following Implementation***

Oregon saw savings of 6% in the first year following changes to its pharmacy reimbursement system (2011 vs 2010). Oregon Medicaid raised its dispensing fee and pays pharmacies from \$9.68 to \$14.01 per prescription depending on the total volume of the pharmacy. Oregon has paid under its new system since January 2011.

### ***Idaho Estimates Savings of \$6.6 Million***

Idaho estimates savings of \$6.6 million total funds in its FY 2012 budget. Idaho raised its dispensing fee for pharmacies and pays from \$11.51 to \$15.11 per prescription depending on the total volume of the pharmacy. Idaho has paid under its new system since October 2011. Idaho legislative staff report that savings were slightly above projections through March 2012.

## **ADDITIONAL RESOURCES**

1. **Alabama** - [http://medicaid.alabama.gov/CONTENT/4.0\\_Programs/4.5.0\\_Pharmacy/4.5.1\\_AAC.aspx](http://medicaid.alabama.gov/CONTENT/4.0_Programs/4.5.0_Pharmacy/4.5.1_AAC.aspx)
2. **Oregon** - <http://www.oregon.gov/oha/pharmacy/Pages/reimburse-method/index.aspx>
3. **Idaho**
  - a. <http://www.healthandwelfare.idaho.gov/Portals/0/Providers/Medicaid/MA11-24.pdf>
  - b. <http://www.healthandwelfare.idaho.gov/Medical/PrescriptionDrugs/tabid/119/Default.aspx>

- c. <http://www.healthandwelfare.idaho.gov/Portals/0/Medical/MedicaidCHIP/HB260%20-%20FAQs.pdf>

4. **Utah**

- a. Overview of Medicaid's pharmacy program - [http://le.utah.gov/lfa/reports/cobi2012/LI\\_LJA.htm#appr\\_LJA](http://le.utah.gov/lfa/reports/cobi2012/LI_LJA.htm#appr_LJA)
- b. Pharmacy program page - <http://www.health.utah.gov/medicaid/pharmacy/index.php>

**APPENDIX A - MEDICAID COVERED OUTPATIENT PRESCRIPTION DRUG REIMBURSEMENT INFORMATION BY STATE; QUARTER ENDING JUNE 2012 (SOURCE: THE CENTERS FOR MEDICARE & MEDICAID SERVICES)**

## Medicaid Covered Outpatient Prescription Drug Reimbursement Information by State

**Quarter Ending June 2012**

ASP=average sale price, AWP=average wholesale price, WAC=wholesaler acquisition cost, FFS=fee for service, U/C=Usual and Customary, State MAC=State Maximum Allowance Cost, FUL=Federal upper limit, 340B=prices charged to covered entities under the Public Health Services Act and AAC=actual acquisition cost
NH=nursing home, FQHC=Federally Qualified Health Centers
*CMS Approved State Plans or State Source
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Copayment information has been deleted from this reimbursement chart. You can locate general copayment information at <http://medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Cost-Sharing/Cost-Sharing.html>.

STATE	INGREDIENT COST	DISPENSING FEE	STATE MAC
State of Alabama	Ingredient cost is AAC or if not available WAC plus 9.2%, or U/C; blood clotting factors: ASP +6%	Dispensing fee is \$10.64; \$10.00 (tablet splitting); \$10.00 (long term drug maintenance)	STATE MAC Yes
State of Alaska	Ingredient cost is AWP minus 5%	Dispensing fee is \$3.45 to \$11.46 (based on pharmacy/Medicaid volume)	STATE MAC No
State of Arizona	Ingredient cost is AWP minus 15%; FQHCs and FQHC Look-alikes at the lesser of billed charges or the 340B ceiling price	Dispensing fee is \$2.00 (FFS only); \$8.75 (FQHCs and FQHC Look-alikes)	STATE MAC No
State of Arkansas	Ingredient cost is AWP minus 20% (generic); AWP minus 14% (brand)	Dispensing fee is \$5.51	STATE MAC Yes
State of California	Ingredient cost is AWP minus 17%	Dispensing fee is \$7.25; \$8.00 (legend drugs dispensed to residents in skilled nursing facilities or intermediate care facilities)	STATE MAC Yes
State of Colorado	Ingredient cost is lower of AWP minus 45% (generic); AWP minus 14.5% (brand); Direct Price plus 18%; AWP minus 12% (approved rural )	Dispensing fee is \$4.00 (retail pharmacy); \$1.89 (institutional pharmacy)	STATE MAC Yes

<b>STATE</b>	<b>INGREDIENT COST</b>	<b>DISPENSING FEE</b>	<b>STATE MAC</b>
State of Connecticut	Ingredient cost is AWP minus 72% with exceptions(selected multi-source brand and generic); AWP minus 16% (brand)	Dispensing fee is \$2.00*	STATE MAC Yes
State of Delaware	Ingredient cost is AWP minus 14% (traditional, retail independent & retail chain pharmacies); AWP minus 16% (non-traditional, long term care & specialty pharmacies)	Dispensing fee is \$3.65	STATE MAC Yes
District of Columbia	Ingredient cost is WAC plus 3%	Dispensing fee is \$4.50	STATE MAC Yes
State of Florida	Ingredient cost is lower of AWP minus 16.4% or WAC plus 1.5%	Dispensing fee is \$3.73 (for non-340B billed drugs); \$7.50 (340B billed drugs)	STATE MAC Yes
State of Georgia	<p>Ingredient cost is AWP minus 11%; Select Specialty Pharmacy Rate for certain disease states that are rare and/or complex with a reimbursement methodology determined by wholesaler/manufacturer data, a comparison to other State agencies' reimbursement information, and publicly available drug prices from other payers;</p> <p>Maximum allowable reimbursement for an injectable drug administered by a provider or their designee in an outpatient setting is ASP plus 6% as determined on January 1<sup>st</sup> of the applicable year;</p> <p>Most Favored Nations rate submitted by the provider and accepted by the State</p>	Dispensing fee is \$4.63 (for-profit pharmacy); \$4.33 (not-for-profit)	STATE MAC Yes
State of Hawaii	Ingredient cost is AWP minus 10.5%	Dispensing fee is \$5.00	STATE MAC Yes
State of Idaho	Ingredient cost is average AAC, or where there is no average AAC reimbursement is WAC	<p>Tiered dispensing fees:</p> <p>Less than 39,999 claims a year = \$15.11</p> <p>Between 40,000 and 69,999 claims per year = \$12.35</p> <p>70,000 or more claims per year = \$11.51</p>	STATE MAC Yes

<b>STATE</b>	<b>INGREDIENT COST</b>	<b>DISPENSING FEE</b>	<b>STATE MAC</b>
State of Illinois	Ingredient cost is WAC plus 1% ( multiple source legend); WAC plus 1% ( single source legend); WAC plus 25% (over-the-counter drugs)	Dispensing fee is \$6.35 (multiple source); \$3.40 (single source)	STATE MAC Yes
State of Indiana	Ingredient cost is AWP minus 16% (brand); AWP minus 20% (generic); Reimbursement for physician administered drugs is WAC plus 5% or ASP plus 6% for those drugs without a published WAC	Dispensing fee is \$3.00	STATE MAC Yes
State of Iowa	Ingredient cost is AWP minus 12%	Dispensing fee is \$4.34	STATE MAC Yes
State of Kansas	Ingredient cost is WAC minus 8.6% (generic); WAC plus 4.6% (brand); Invoice pricing for drugs without WAC or SMAC	Dispensing fee is \$3.40	STATE MAC Yes
State of Kentucky	Ingredient cost is AWP minus 14% (generic); AWP minus 15% (brand)	Dispensing fee is \$5.00 (generic); \$4.50 (brand)	STATE MAC Yes
State of Louisiana	Ingredient cost is AWP minus 13.5% (independent pharmacies); AWP minus 15% (chain pharmacies)  Reimbursement for Cost of the Influenza Vaccine at: \$17. 37 for intramuscular injected influenza vaccine - preservative free, \$13.22 for intramuscular injected influenza vaccine, and \$22.03 for intranasal influenza vaccine or billed charges, whichever is the lesser amount	Dispensing fee is \$5.77*	STATE MAC Yes
State of Maine	Ingredient cost is AWP minus 15%; AWP minus 17% (direct supply); AWP minus 20% (mail order)	Dispensing fee is \$3.35; \$1.00 (mail order); \$4.35 and \$5.35 (compounding); \$12.50 (filling insulin syringe)	STATE MAC Yes

<b>STATE</b>	<b>INGREDIENT COST</b>	<b>DISPENSING FEE</b>	<b>STATE MAC</b>
State of Maryland	Ingredient cost is lower of AWP minus 12%, WAC plus 8%, direct price plus 8% or distributor price when available	Dispensing fee is \$3.51(generic); \$2.56(brand); \$4.46 (generic to NH); \$3.51 (brand to NH); \$6.89 (home IV therapy)	STATE MAC Yes
State of Massachusetts	Ingredient cost is WAC plus 5% (all drugs except 340B billed drugs); actual acquisition cost (340B billed drugs)	Dispensing fee is \$3.00 (all drugs except 340B billed drugs); \$10 (340B billed drugs)	STATE MAC Yes
State of Michigan	Ingredient cost is AWP minus 13.5% (independent pharmacy (1 to 4 stores); AWP minus 15.1% (chain pharmacies (5+ stores)	Dispensing fee is \$2.75 (long term care); \$2.50 all other providers; \$6.00 (cream, emulsion, nasal drops, ointments or optic drugs); \$10.00 (compounded capsules, powders or suppositories)	STATE MAC Yes
State of Minnesota	Ingredient cost is WAC plus 2%; Ingredient cost is WAC plus 4% (independently owned pharmacies located in a small rural or isolated rural location)	Dispensing fee is \$3.65 ( plus \$0.30 for legend unit dose drugs)	STATE MAC Yes
State of Mississippi	Ingredient cost is lower of AWP minus 12% or WAC plus 9% (brand); AWP minus 25% (generic)	Dispensing fee is \$3.91 (brand); \$5.50 (generic)	STATE MAC Yes
State of Missouri	Ingredient cost is lower of AWP minus 10.43% or WAC plus 10%	Dispensing fee is \$4.09	STATE MAC Yes
State of Montana	Ingredient cost is WAC plus 2%	Dispensing fee is \$6.40; \$12.50 to \$22.50 (compounding)	STATE MAC Yes
State of Nebraska	Ingredient cost is AWP minus 11%	Dispensing fee is \$3.27 to \$5.00 (based on service delivery, unit dosage or 3 <sup>rd</sup> party payors)*	STATE MAC Yes
State of Nevada	Ingredient cost is WAC plus 2%	Dispensing fee is \$4.76; \$22.40 daily (home IV therapy); \$16.80 daily (nursing facility IV therapy)	STATE MAC No

<b>STATE</b>	<b>INGREDIENT COST</b>	<b>DISPENSING FEE</b>	<b>STATE MAC</b>
State of New Hampshire	Ingredient cost is AWP minus 16% or WAC plus 0.8%	Dispensing fee is \$1.75; Compound dispensing fee is \$1.75	STATE MAC Yes
State of New Jersey	Ingredient cost is AWP minus 17.5%	Dispensing fee is \$3.73 up to \$3.99 (twenty-four hour emergency service and impact area location)*	STATE MAC Yes
State of New Mexico	Ingredient cost is lower of AWP minus 14%; WAC as submitted to State; manufacturer price as submitted to State; pharmacy invoice price as obtained through audits	Dispensing fee is \$2.50 except in the instances when pharmacist uses product selection, in which case it is \$3.65	STATE MAC Yes
State of New York	Ingredient cost is AWP minus 17% (brand); AWP minus 25% (generic)	Dispensing fee is \$3.50 (generic); \$3.50 (brand)	STATE MAC Yes
State of North Carolina	Ingredient cost is WAC plus 7% or AWP minus 14.5% if WAC is not available, ASP plus 2.39% or AWP minus 13.61% when ASP is not available for physician administered drugs	Dispensing fee is \$5.60 (generic); \$4.00 (brand)	STATE MAC Yes
State of North Dakota	Ingredient cost is lower of AWP minus 10% or WAC plus 12.5%	Dispensing fee is \$5.60 (generic legend drugs); \$4.60 (brand legend drugs); 1.5 times the allowed amount (EAC, FUL, or MAC) up to a maximum of \$4.60 (non-legend drugs that are prescribed; plus \$0.15 per pill (pill splitting)	STATE MAC Yes
State of Ohio	Ingredient cost is WAC plus 7%; AWP minus 14.4% (if WAC cannot be determined)	Dispensing fee is \$1.80	STATE MAC Yes
State of Oklahoma	Ingredient cost is lower of AWP minus 12%; WAC + 5.6% (if AWP is not available); ASP +6% (injectable drugs)	Dispensing fee is \$4.02	STATE MAC Yes

<b>STATE</b>	<b>INGREDIENT COST</b>	<b>DISPENSING FEE</b>	<b>STATE MAC</b>
State of Oregon	Ingredient cost for single source and multiple source drugs is AAC or where there is no AAC reimbursement is WAC	Dispensing fee varies by claims volume; less than 30,000 claims a year is \$14.01; between 30,000 and 49,999 claims per year is \$10.14; 50,000 or more claims per year is \$9.68	STATE MAC No
State of Pennsylvania	Ingredient cost is lower of WAC plus 7% or AWP minus 14%	Dispensing fee is \$4.00; \$5.00 (compounding)	STATE MAC Yes
State of Rhode Island	Ingredient cost is WAC	Dispensing fee is \$3.40 (outpatient), \$2.85 (long term care)	STATE MAC No
State of South Carolina	Ingredient cost is lower of AWP minus 16% or WAC plus 0.8%	Dispensing fee is \$3.00 (independent pharmacy); \$3.00 (institutional pharmacies)	STATE MAC Yes
State of South Dakota	Ingredient cost is AWP minus 15%	Dispensing fee is \$4.30; \$5.55 (unit dose)	STATE MAC Yes
State of Tennessee	Ingredient cost is lower of AWP minus 13%, MAC or FUL for TennCare Pharmacy Network; Specialty Pharmacy Rates are set separately	Dispensing fee for TennCare Pharmacy Network is \$2.50 (brand); \$3.00 (generic); \$5.00 (brand nursing home) \$6.00 (generic nursing home); \$25 (compound prescriptions)	STATE MAC Yes
State of Texas	Estimated acquisition cost (EAC) is the lower of: AWP minus 15%; Net cost to wholesaler plus 12%; Average Direct Chain Contract Price; or MAC	Dispensing fee is \$7.35 plus 1.96% of ingredient cost of drug	STATE MAC Yes
State of Utah	Ingredient cost is AWP minus 17.4%	Dispensing fee is \$3.90 (urban); \$4.40 (rural)	STATE MAC Yes
State of Vermont	Ingredient cost is AWP minus 14.2% (multiple and single source); AWP minus 16.5% (large volume out-of-state mail order specialty pharmacies)	Dispensing fee \$4.75 (In-State); \$2.50 (Out-of-State); \$19.75 (compound drug fee in-state); \$17.50 (compound drug fee out-of-state)	STATE MAC Yes
State of Virginia	Ingredient cost is AWP minus 13.1%	Dispensing fee is \$3.75; \$5.00 (unit dose drugs)	STATE MAC Yes



<b>STATE</b>	<b>INGREDIENT COST</b>	<b>DISPENSING FEE</b>	<b>STATE MAC</b>
State of Washington	Ingredient cost is AWP minus 16% (single source drugs); AWP minus 16% (multi-source drugs with four or fewer manufacturers/labelers); AWP minus 50% (multi-source drugs with five or more manufacturers/labelers and no MAC or FUL)	Dispensing fee is \$4.24 to \$5.25 (based on 3-tiered pharmacy volume)	STATE MAC Yes
State of West Virginia	Ingredient cost is AWP minus 15% (brand); AWP minus 30% (generic)	Dispensing fee is \$2.50 (brand); \$5.30 (generic); \$8.25 (340B billed drugs)	STATE MAC Yes
State of Wisconsin	Ingredient cost is WAC plus 2% (single source drugs); WAC minus 3.8% (multi-source drugs)	Dispensing fee is \$3.44 (brand); \$3.94 (generic); \$0.015 per unit (for repackaging); \$9.45 to \$22.16 (compound drug fee); \$9.45 to \$40.11 (pharmaceutical care dispensing fee)	STATE MAC Yes
State of Wyoming	Ingredient cost is AWP minus 11%	Dispensing fee is \$5.00	STATE MAC No