



New State SPAs Reimburse 340B Covered Entities at Actual Acquisition Cost: Creates Disincentives For 340B Entities to Choose the Lowest Cost Drugs

August 21, 2017

On January 21, 2016 the Centers for Medicare & Medicaid Services (CMS) released the Covered Outpatient Drugs (COD) final rule that addresses key areas of Medicaid drug reimbursement and changes made to the Medicaid Drug Rebate Program by the Affordable Care Act.

The final rule requires states to reimburse 340B safety net outpatient clinics at actual acquisition cost (AAC) plus a state-set “professional” dispensing fee. However, the rule allows some flexibility and permits states to reimburse up to the 340B ceiling price (minimum 340B discount price) even if it exceeds AAC.

To allow for additional flexibility, the final rule permits states to establish an AAC reimbursement based on several different pricing benchmarks, including: national average drug acquisition cost (NADAC), average manufacturers price (AMP), wholesale acquisition cost (WAC).

Basing Medicaid reimbursement on the 340B ceiling prices allows 340B entities to retain savings obtained through sub-ceiling prices. These savings could be shared with the state. However, as outlined in the table below, most states submitting SPAs recently have defaulted to AAC to reimburse 340B eligible entities. This removes incentives for 340B clinics to choose drugs that cost less than alternatives. Additionally, 340B AAC for some drugs could be higher than the 340B-ceiling price due to add-on costs from wholesalers and others. Purchasing those drugs would create a reimbursement loss for the 340B eligible entities.

To be in compliance with the final rule, states that did not have CMS approved 340B reimbursement policies were required to submit a State Plan Amendment (SPA) to detail how 340B covered entities will be reimbursed for drugs and drug device combinations by April 2017 (with a grace period to June 2017).

| State | Definition of AAC | 340B Reimbursement | Contract pharmacies | Professional Dispensing Fee |
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| Iowa — IA-17-001 | Lowest of FUL; total submitted charge; usual/customary; or AAC (determined from biannual surveys of Iowa Medicaid) | The submitted 340B AAC (not to exceed 340 ceiling price) plus professional dispensing fee | Drugs acquired through the federal 340B drug pricing program and | \$10.02 |

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| | enrolled pharmacies. If no state AAC is available, the AAC will be defined as WAC) | | dispensed by 340B contract pharmacies are not covered. | |
| Delaware DE-17-002 | The lower of usual/customary, NADAC, WAC, DE-MAC, AAC. AAC or AAC for drug reimbursement is derived using the mythology below | 340B purchased Drug AAC for dispensed drugs + dispensing fee, AAC for physician administered drugs, \$0.00 dispensing fee | Drugs acquired through the federal 340B drug pricing program and dispensed by 340B contract pharmacies are not covered | \$10 dispensing fee; |
| Nebraska NE-17-0003 | | Carved in: the 340B AAC, but no more than the 340B ceiling price, plus dispensing fee. Practitioner administered injectable medication, including specialty drugs, purchased through the 340B program will be reimbursed at the 340B AAC and no more than the ceiling price. | a 340B contract pharmacy under contract with a 340B covered entity is not covered. | \$10.02. |
| Kentucky KY-17-001 | Drug pricing resources that may be used to compare AAC for multiple source drugs include NADAC, WAC, manufacturer's price list, AMP for5i, pharmacy providers, wholesalers (the "logic" below) | Carve in: 340B AAC or the amount determined by the lowest logic above which shall include the 340B ceiling price, plus dispensing fee. Carve out: reimbursed by the lowest logic above, plus dispensing fees. | Contract pharmacy drugs not covered. | \$10.64 dispensing fee per drug per month. |
| Utah UT-17-0002 | | Covered entities required to submit the 340B acquisition cost on the claim. Carve in: the lesser of 340B AAC plus dispensing fee or the billed charges. | 340B covered entities may not utilize contract pharmacies to bill Utah Medicaid unless there is a written agreement in pace to prevent | Dispensing fee: \$9.99 urban, 10.15 rural |

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| | | Carve out: submitted and reimbursement in accordance with the reimbursement rules under this section. (340B AAC or billed charges) | duplicate discounts. | |
| Montana MT-16-0006 | Reimbursement for brand and generic prescribed drugs shall not exceed the lowest of: Usual/customary where allowed ingredient cost is defined as the lower of: AAC or submitted ingredient cost. FUL or submitted ingredient cost. Federal | For 340B purchased drugs specialty or non-specialty will be reimbursed utilizing the logic outlined to the left. 340B providers are required to bill no more than their acquisition cost as their submitted ingredient amount and will be reimbursed no more than the 340B ceiling price. | | \$ 15.00 for pharmacies with an annual prescription volume between 0 and 39,999 prescriptions \$ 13.00 for pharmacies with an annual prescription volume between 40,000 and 69,999 or \$ 11.00 for pharmacies with an annual prescription volume greater than 70,000. |
| Arkansas AR-16-003 | AAC NADAC plus a professional dispensing fee When the NADAC is not available, reimbursement shall be the lesser of the WAC, the State Upper Limit which is established at the State Actual | Carve in: 340B ceiling price plus dispensing fee. Physician administered drugs, including specialty dugs, purchased through the 340B Program will be reimbursed at the 340B actual invoice price but no more than the | Drugs purchased through the 340B pricing program and dispensed by 340B contract pharmacies are not covered | Brand and Non-preferred Brand = \$9.00 Brand Preferred and Generic Medication drug = |

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| | Acquisition Cost (SAAC), or the FUL. | 340B ceiling price. | | \$10.50 |
| District of Columbia DC-17-002 | AAC is based on the lesser of NADAC or WAC plus 0% | Carve-in – 340B AAC plus dispensing fee Carve-out – lesser of usual/customary, AAC, FUL, NADAC, WAC+0%, District’s MAC | Not covered | \$11.15 per prescription |