

Notice of Change in Medicaid State Plan

The Commissioner of the Tennessee Department of Finance and Administration is providing official notification, pursuant to 42 CFR § 447.205, of intent to file an amendment to the Medicaid State Plan. This amendment will be filed with the Centers for Medicare and Medicaid Services (CMS).

The subject of this amendment is a change in the methodology by which pharmacies are reimbursed for providing services to TennCare enrollees. This change in reimbursement methodology is required by federal law and by the Covered Outpatient Drugs Rule published by CMS (February 1, 2016).

Reimbursement of a pharmacy for dispensing a drug to a patient is generally based on two factors:

- The cost of ingredients contained in the drug, and
- The fee charged by the pharmacy for dispensing the drug.

The proposed amendment revises the manner in which these two elements are calculated. Ingredient cost will reflect the actual cost of the medication, while dispensing fees will be based on the cost to pharmacies of filling a prescription.

Ingredient Cost

Currently, TennCare reimburses pharmacies for ingredient cost using an estimated acquisition cost (EAC) methodology. In compliance with the Covered Outpatient Drugs Rule, the proposed amendment will replace EAC with an actual acquisition cost (AAC) methodology for determining ingredient cost. As applied by TennCare, AAC will incorporate such drug pricing benchmarks as the Federal Upper Limit, the Tennessee Average Actual Acquisition Cost, the National Average Drug Acquisition Cost, the Wholesale Acquisition Cost, and Usual and Customary pricing.

While most of the benchmarks used in TennCare's AAC methodology are maintained and updated by external sources, Tennessee Average Actual Acquisition Cost is calculated with data from a survey administered to pharmacies participating in the TennCare network. An initial survey of all participating pharmacies was conducted to determine the Tennessee Average Actual Acquisition Cost benchmark that will be in place when the new pharmacy reimbursement methodology is implemented. Additional surveys of randomly selected pharmacies will be conducted periodically to ensure that the benchmark remains current and accurate.

Professional Dispensing Fees

TennCare currently pays pharmacies \$2.50 for dispensing brand-name drugs and \$3.00 for dispensing generic drugs, except in the case of long-term care pharmacies, which are paid \$5.00 for dispensing brand-name drugs and \$6.00 for dispensing generic drugs. For compounded prescriptions, pharmacies are currently paid a dispensing fee of \$10.00, \$15.00, or \$25.00 depending on the amount of preparation time involved.

In compliance with the Covered Outpatient Drugs Rule, the proposed amendment will introduce a new set of professional dispensing fees. The new fees—which take into account the type of pharmacy involved (e.g., ambulatory, long-term care, specialty, 340B covered entity, etc.) and other considerations—have been calculated using data from a survey administered to pharmacies participating in the TennCare network. The purpose of the survey was to determine the average cost of

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dispensing prescriptions in the state of Tennessee. Additional “cost of dispensing” surveys will be conducted at least every three years, so that professional dispensing fees may be adjusted as appropriate and necessary.

Additional Information About the Amendment

The proposed effective date of the amendment is April 1, 2017. For drugs other than blood clotting factor products, implementation of the amendment is projected to result in an increase in aggregate annual expenditures ranging from \$6 million to \$8 million. For blood clotting factor products, implementation of the amendment is projected to result in a decrease in aggregate annual expenditures ranging from \$12 million to \$15 million.

Copies of this notice will be available in each county office of the Tennessee Department of Health. A draft version of the amendment to Tennessee’s Medicaid State Plan is available at <http://tn.gov/assets/entities/tenncare/attachments/PharmacySPA.pdf>. Written comments concerning the amendment may be submitted by email to public.notice.tenncare@tn.gov or may be mailed to Dr. Wendy Long, Director, Bureau of TennCare, 310 Great Circle Road, Nashville, Tennessee 37243. Persons wishing to review copies of written comments received may submit their requests to the same email and/or physical address.

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