



STATE OF TENNESSEE

Pharmacy Stakeholder Meeting

December 20, 2016

WELCOME & AGENDA

9:30 **Introductions (TennCare)**

9:40 **Tennessee AAC Survey (Myers and Stauffer LC)**

- CMS Covered Outpatient Drugs Final Rule (CMS-2345-FC)
- Actual Acquisition Cost (AAC)
 - Definition
 - AAC Model Reimbursement Options
 - Reimbursement Requirements
 - TN AAC Survey Process

Questions regarding TN AAC Survey Process

10:20 **Tennessee Professional Dispensing Fee Survey (Mercer)**

- PDF Survey Methodology (CMS-2345-FC)
- Survey Technical Assistance

Questions regarding PDF Survey Process



QUESTIONS DURING WEBINAR

- To have your questions answered:
 - Use the chat box
 - Identify your full name and the pharmacy/organization you represent when you submit your question
 - Only questions with identified name/pharmacy will be answered
- We will answer as many questions as possible in our time allotted at the end of the presentation



TN ACTUAL ACQUISITION COST SURVEY

Pharmacy Stakeholder Meeting

Myers and Stauffer LC

COVERED OUTPATIENT DRUGS FINAL RULE (CMS-2345-FC)

- Published February 1, 2016
- New ACA FULs, effective April 1, 2016, implementation May 1, 2016
- Ingredient costs reimbursed based on actual acquisition cost
- Defines professional dispensing fee

FEDERAL UPPER LIMIT (FUL)

- FUL formula revised to set a floor for the FULs that are below acquisition cost as measured by a national survey of retail pharmacy acquisition costs (i.e., the NADAC).
- Compares the weighted average of AMP x 175% to the comparable generic NADAC for each FUL group.
- When the weighted average of AMP x 175% is below the generic NADAC, the FUL will be adjusted to equal the most current monthly generic NADAC rates.

EXCEPTIONS TO CALCULATING A FUL

- CMS will not calculate a FUL in the following instances:
 - When there are multiple NADAC prices within the FUL Product Group.
 - When there is not at least one corresponding NADAC NDC-11 for comparison to the FUL Product Group.
 - When the FUL Product Group is for a “5i drug” that is not generally dispensed to retail community pharmacies

ACTUAL ACQUISITION COST (AAC)

- Defines AAC to mean the agency's determination of the pharmacy providers' actual prices paid to acquire drug products marketed or sold by specific manufacturers.
- Replaces estimated acquisition cost (EAC) with AAC.
- Explains that the change to an AAC model of reimbursement was necessary as it represents a more accurate reference price to be used by states to reimburse providers for drugs.

AAC MODEL REIMBURSEMENT

- Examples of how a state can implement an AAC model of reimbursement include, but are not limited to, the following:
 - Developing a state survey of retail pharmacy providers' pricing;
 - Utilizing a national survey of retail pharmacy providers' pricing, such as the National Average Drug Acquisition Cost (NADAC);
 - Utilizing published compendia prices, such as the Wholesale Acquisition Cost (WAC) (States will be expected to make adjustments to this benchmark to reflect discounts and other price concessions in the marketplace).
 - Utilizing average manufacturer price (AMP) based pricing

REIMBURSEMENT REQUIREMENTS

- Requires that when states propose changes to either the ingredient cost or professional dispensing fee, states must consider both to ensure that total reimbursement to the pharmacy provider is in accordance with requirements of section 1902(a)(30)(A) of the Social Security Act (the Act).
- When proposing reimbursement changes, states are required to submit a state plan amendment (SPA) to CMS for review which includes a survey or other reliable data to support any proposed changes to either or both of the components of the reimbursement methodology.

REIMBURSEMENT FOR DRUGS PURCHASED UNDER OTHER FEDERAL DRUG PROGRAMS

- Requires that the state plan describe the agency's payment methodology for prescription drugs, including the agency's payment methodology for drugs dispensed by all the following:
- A covered entity described in section 1927(a)(5)(B) of the Act (340B covered entity pharmacy).
 - Covered entities are required to either carve out or carve in all prescriptions.

REIMBURSEMENT FOR DRUGS PURCHASED UNDER OTHER FEDERAL DRUG PROGRAMS

- A contract pharmacy under contract with a 340B covered entity described in section 1927(a)(5)(B) of the Act.
- An Indian Health Service, Tribal and Urban Indian pharmacy (I/T/U).

REIMBURSEMENT FOR DRUGS PURCHASED UNDER OTHER FEDERAL DRUG PROGRAMS

- In accordance with the requirements, the state's payment methodology for drugs dispensed by 340B covered entities, 340B contract pharmacies, and I/T/U pharmacies must be in accordance with the definition of AAC in the final regulation.
 - For drugs purchased through the 340B program, reimbursement should not exceed the 340B ceiling price.
 - For drugs purchased outside the 340B program, the reimbursement should not exceed the provider's AAC.
 - For drugs purchased through the Federal Supply Schedule (FSS), reimbursement should not exceed the FSS price.

NADAC / TN AAC

TennCare has determined the basis for AAC reimbursement will be either:

National Average Drug Acquisition Drug file (NADAC)

or

State Specific TN AAC

or

Combination TN AAC/NADAC



NATIONAL AVERAGE DRUG ACQUISITION COST (NADAC)

- Acquisition based pricing index provided by CMS.
- Random nationwide sample of Retail Community Pharmacies which includes Independent and Chain pharmacies in all states (excludes closed door pharmacies).
- Monthly survey requests invoice purchase records from most recent 30 day period.

NATIONAL AVERAGE DRUG ACQUISITION COST (NADAC)

- NADAC calculation excludes: Discounts, Rebates, Chargebacks, Free Goods:
 - Typically not included on invoice.
 - Typically not correlated to individual drug products or invoices.
- NADAC rates are calculated for Brand and Generic CMS covered outpatient drugs:
 - 89% of Brand claims and 79% of Brand expenditures
 - 98% of Generic claims and 94% of Generic expenditures

NATIONAL AVERAGE DRUG ACQUISITION COST (NADAC)

- NADAC rates are updated on a weekly and monthly schedule:
 - Weekly updates occur for help desk calls and Brand drugs to reflect changes in published pricing
 - Monthly updates occur to reflect the results of the ongoing monthly acquisition cost survey for Brand and Generic drugs

TN ACTUAL ACQUISITION COST

- Acquisition based pricing submitted by specific TN Medicaid participating pharmacies.
- Pharmacies surveyed every 6 months requesting invoice purchase records from the most recent 30 day period.
- State specific rates are calculated for all TN Medicaid covered drugs.
- Rates are updated on a weekly basis to reflect changes in published pricing.

TN AAC SURVEY PROCESS

- Initial Survey
 - All pharmacy providers will be selected to participate.
 - Provider survey letters will be mailed December 30, 2016.
 - Requesting invoices December 1, 2016 – December 31, 2016.
 - All brand and generic drug purchases from all wholesale suppliers
 - Responses and invoices due January 18th, 2017
- Ongoing Surveys
 - Randomly selected providers will be surveyed every 6 months.
 - Chain/Independent
 - Urban/Rural
 - Requesting invoices from previous month's purchases

TN AAC SURVEY PROCESS

- Providers are requested to submit invoices by January 18, 2017.
 - Invoices can be submitted in printed or electronic format and should include:
 - National Drug Code (NDC)
 - Purchase price of drug (drug ingredient cost only)
 - Quantity purchased
 - Purchase date for each product
 - “Item number” to NDC crosswalk, if item numbers or other proprietary nomenclature is used on invoices
 - Wholesale suppliers may submit purchasing history directly to Myers and Stauffer

TN AAC SURVEY SUMMARY

- February 1, 2016
 - Final Rule published requiring states to replace Estimated Acquisition Cost with Actual Acquisition Cost.
- December 30, 2016
 - Surveys mailed to pharmacy providers requesting invoice records from December 1, 2016 – December 31, 2016.
- January 18, 2017
 - Invoice records due to Myers and Stauffer, LC.
- Early March (Date to be communicated)
 - Stakeholder Webinar/Call to review reimbursement methodology.
- April 1, 2017
 - TennCare must comply with revisions to reimbursement methodology.

Questions on AAC Webinar:

- Use the chat box function to submit your question
- Identify your full name and pharmacy/organization you represent when submitting
- We will answer as many questions as possible in our time allotted at the end of the presentation

Follow up AAC Survey Questions:

- Contact Myers and Stauffer LC directly

TN AAC Survey Help Desk
(Darold Barnes, RPh or Susan Parr, CPhT)
800-591-1183
tnpharmacy@mslc.com

- Contact TennCare

Dr. Raymond McIntire
(615) 507-6497
Raymond.Mcintire@tn.gov





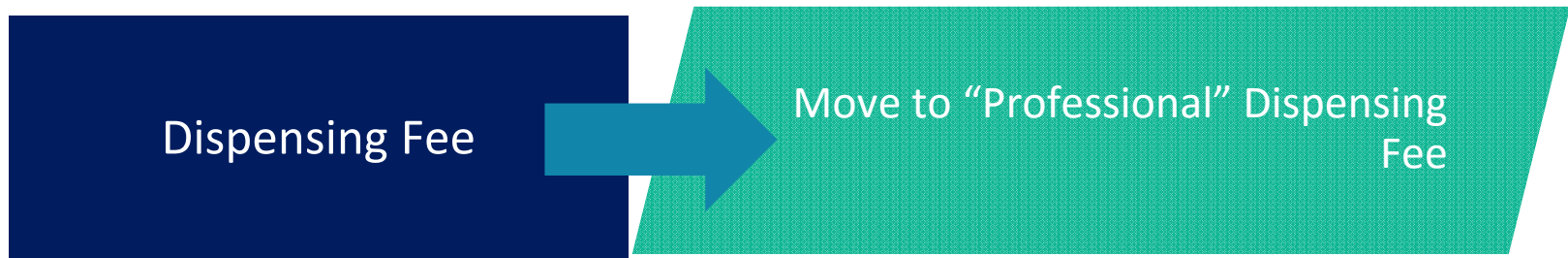
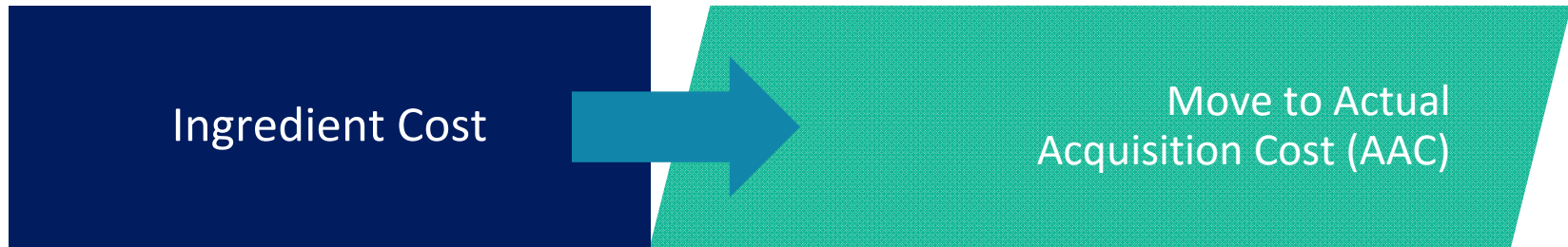
TN PROFESSIONAL DISPENSING FEE SURVEY

Pharmacy Stakeholder Meeting

Mercer

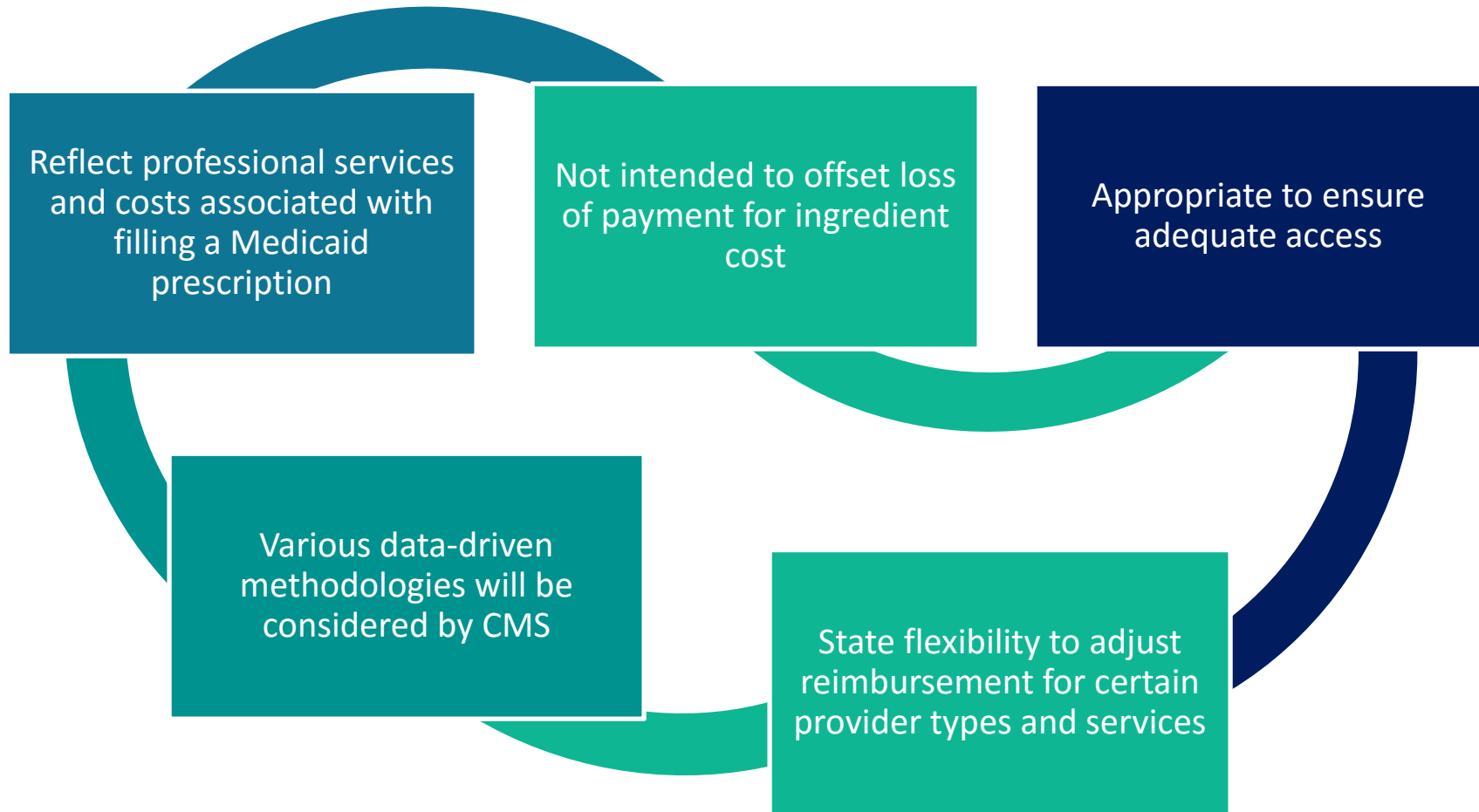
COVERED OUTPATIENT DRUG FINAL RULE

FFS REIMBURSEMENT REQUIREMENTS



PROFESSIONAL DISPENSING FEE SURVEY

FINAL RULE REQUIREMENTS



PROFESSIONAL DISPENSING FEE SURVEY

CMS DEFINITION

Professional dispensing fee does not include:

Administrative costs incurred by the state in the operation of the covered outpatient drug benefit, including systems costs for interfacing with pharmacies

The Preamble of the final rule clarifies that CMS does not identify profit in the definition of professional dispensing fee

States retain the flexibility to create a differential professional dispensing fee reimbursement per provider delivery type

PROFESSIONAL DISPENSING FEE SURVEY

SURVEY METHODOLOGY



PROFESSIONAL DISPENSING FEE SURVEY CHECKLIST

PREPARING FOR THE SURVEY – RESOURCES NEEDED



FINANCIAL STATEMENTS OR TAX RETURNS

From last completed fiscal year
(12 months)



DEMOGRAPHIC INFORMATION

Pharmacy contact information and pharmacy
type



PRESCRIPTION COUNTS

For same time period as financial statements
or tax returns



FLOOR PLANS

Showing square footage or measurements
of the pharmacy (prescription) area and the
non-pharmacy (retail) area



CERTIFICATION

Signature required (electronic or printed
and scanned)

PROFESSIONAL DISPENSING FEE SURVEY

HOW TO RESPOND

WHERE IS THE SURVEY?

<https://ghscapps.mercer.com/tnpharmacy/>

ONLINE

Usernames and passwords were mailed December 14

<https://survey.mercer.com/TennCarePDFS.aspx>

Email RxPDFS@mercer.com

Standard Excel format, multiple tabs, easiest to understand

One tab Excel format, flat file format for large chains



PROFESSIONAL DISPENSING FEE SURVEY

ENTERING DATA

PROFILE
INFORMATION

For comparison groups and to identify statistically significant causes in varying rates

For identification and explanation of certain costs

Questions are non-financial

PROFESSIONAL DISPENSING FEE SURVEY

PROFILE QUESTIONS

- National Provider Identifier (NPI) (10 digits)
- NCPDP Provider Number
- Pharmacy Name
- Street Address
- Street Address (Additional)
- City
- State
- ZIP Code
- County
- Contact Person
- Contact Person's Email
- Telephone Number
- Fax Number

PROFESSIONAL DISPENSING FEE SURVEY

PROFILE QUESTIONS

- Does the pharmacy dispense 340B Drug Pricing Program (340B) drugs?
- Type of ownership
- Was there a change in pharmacy ownership during the reporting period?
- Was the pharmacy open the entire year? If no, list the number of months the pharmacy was open.
- Select the appropriate pharmacy type
- Select the location type of the pharmacy
- How many years has this location been in business as a pharmacy?
- Is one or more of the pharmacists who fill prescriptions at this location also an owner of the store or chain?
- Does the pharmacy provide 24-hour emergency service?
- How many hours per week is the pharmacy department open? (Maximum of 168)
- Is the pharmacy open 24 hours a day?

PROFESSIONAL DISPENSING FEE SURVEY

SQUARE FOOTAGE QUESTIONS

- What was the square footage for the following areas at the end of the reporting period?
 - Prescription area
 - Non-prescription area
 - Total square footage (Sum of a and b)
- Refrigerators used for storing prescription medication may be included in Prescription area square footage.
- Prescription area square footage/Total square footage = Ratio applied to facility expenses.

PROFESSIONAL DISPENSING FEE SURVEY

ENTERING DATA

PRESCRIPTION STATISTICS

How many were filled by this pharmacy for the following categories during the reporting period?	How many were delivered?
Medicaid fee-for-service (FFS)	How many Medicaid prescriptions were delivered to members?
Medicare FFS (if available)	
All other prescriptions (not included above)	Delivery radius in miles



PROFESSIONAL DISPENSING FEE SURVEY

SCRIPT STATISTICS

- What was the total number of prescriptions filled by this pharmacy for the following categories during the reporting period?
- Medicaid FFS prescriptions
 - Medicare parts B, C and D-covered prescriptions (If available)
 - All other prescriptions (Not Medicaid or Medicare)
 - Total prescriptions (Sum of a–c)
- Medicaid – Count only prescriptions billed to BIN: 016820, PCN: P086016820
- Use the same time period as your financials (Reporting Period)

PROFESSIONAL DISPENSING FEE SURVEY

SCRIPT STATISTICS

- Compounded prescriptions
- Medicaid compounded prescriptions (BIN: 016820, PCN: P086016820)
- Identify the level of effort using NCPDP field # 474-8E (DUR/PPS Level of Effort) as the following:

Level	NCPDP field 474-8E value	Preparation Time
1	11	0–15 minutes
2	12	16–30 minutes
3	13	31+ minutes

PROFESSIONAL DISPENSING FEE SURVEY

SCRIPT STATISTICS

- Delivery
 - How many prescriptions were delivered outside of the pharmacy to the recipient?
 - How many Medicaid prescriptions were delivered outside of the pharmacy to Medicaid beneficiaries?
 - What is the radius of the delivery area expressed in miles?

PROFESSIONAL DISPENSING FEE SURVEY

SCRIPT STATISTICS

- How many prescriptions during the reporting period were dispensed for long-term care (LTC) facilities (By the following dispensing categories)?
 - Unit dose > or = to 28 days
 - Unit dose <28 days
 - Modified unit dose (bingo card/blister packs) > or = to 28
 - Modified unit dose (bingo card/blister packs) < 28
 - No unit dose dispensing > or = to 28
 - No unit dose dispensing < 28
 - Traditional packaging > or = to 28
 - Traditional packaging < 28
 - Other method not described above > or = to 28
 - Other method not described above < 28

PROFESSIONAL DISPENSING FEE SURVEY

340B

Only answer these questions if you are a 340B covered entity (not contract)

- Type of 340B covered entity
- Do you use a 340B administrator?
- 340B script count for all payers
- 340B script count for Medicaid BIN: 016820, PCN: P086016820

PROFESSIONAL DISPENSING FEE SURVEY

SPECIALTY

- Prescription counts and revenue for specialty drugs
- Blood factor drugs are classified as Hemophilia beginning on page 2 of the Specialty Pharmaceutical Pricing List, found here:

https://tenncare.magellanhealth.com/static/docs/MAC_Specialty_Pricing/TennCare_Specialty_Pharmaceutical_Pricing_List.pdf

- All other specialty drugs are also in the list under anything but the Hemophilia heading
- Used to determine percentage of prescriptions and percentage of revenue

PROFESSIONAL DISPENSING FEE SURVEY

FINANCIAL DATA

TYPES OF COSTS

Direct pharmacy costs

Indirect costs (Overhead)

Direct non-pharmacy costs

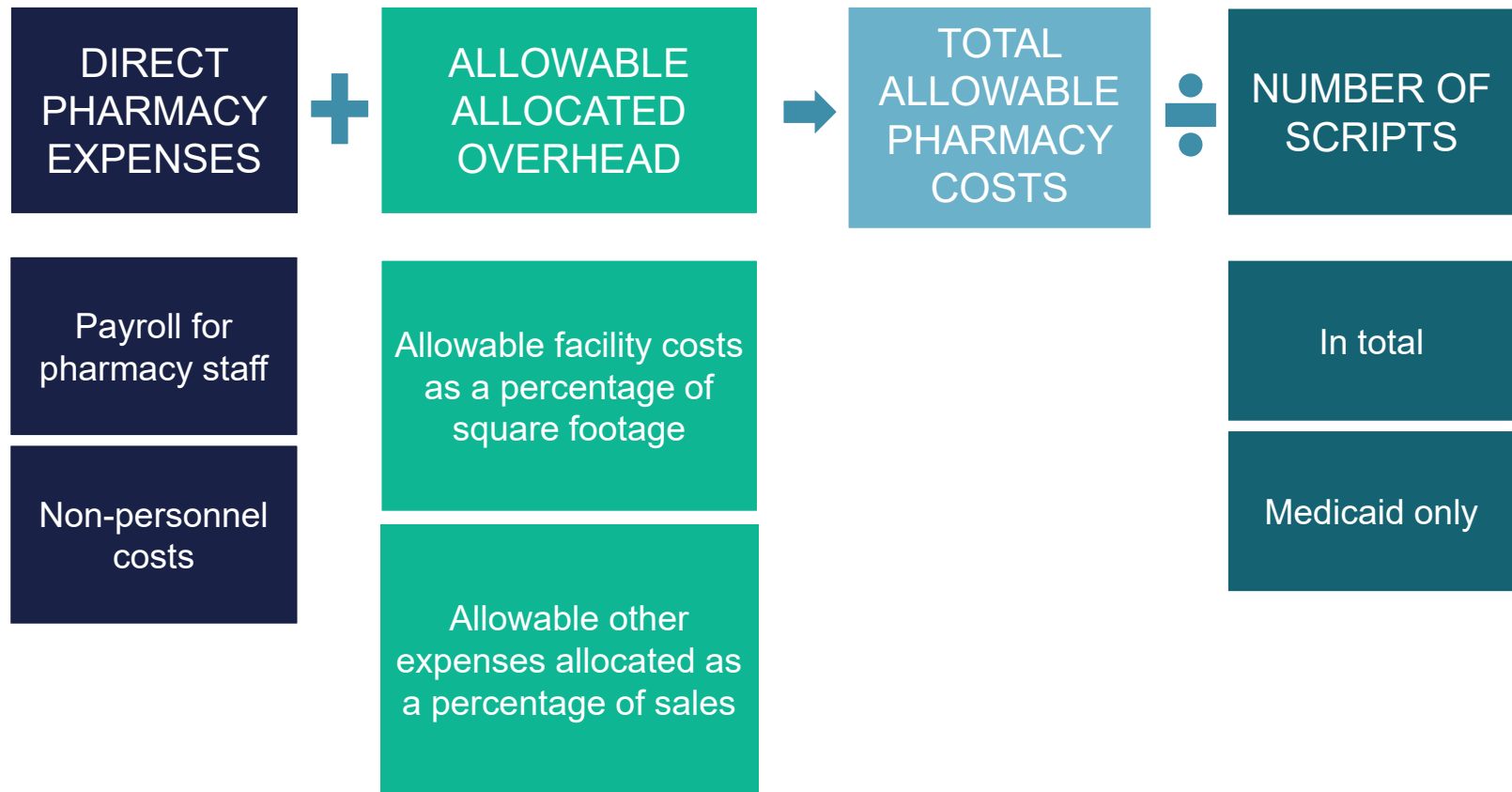
Unallowable costs based on Code of Federal Regulations (2CFR200.400-475)

Facility costs
Other administrative costs

Lobbying
Advertising
Bad debt
Income tax

PROFESSIONAL DISPENSING FEE SURVEY

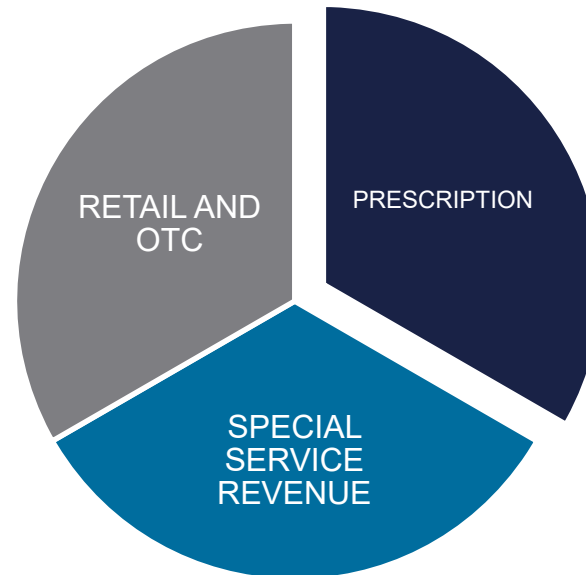
FINANCIAL DATA



PROFESSIONAL DISPENSING FEE SURVEY

FINANCIAL DATA

- The Financial Data section is designed to capture your complete financial picture.
- Should align with tax returns or financials.
- The reporting period is your most recently completed fiscal year for which you have complete financial data.
- Revenue detail is needed to allocate non-facility overhead.
- Revenue is also used to allocate pharmacist time.



PROFESSIONAL DISPENSING FEE SURVEY

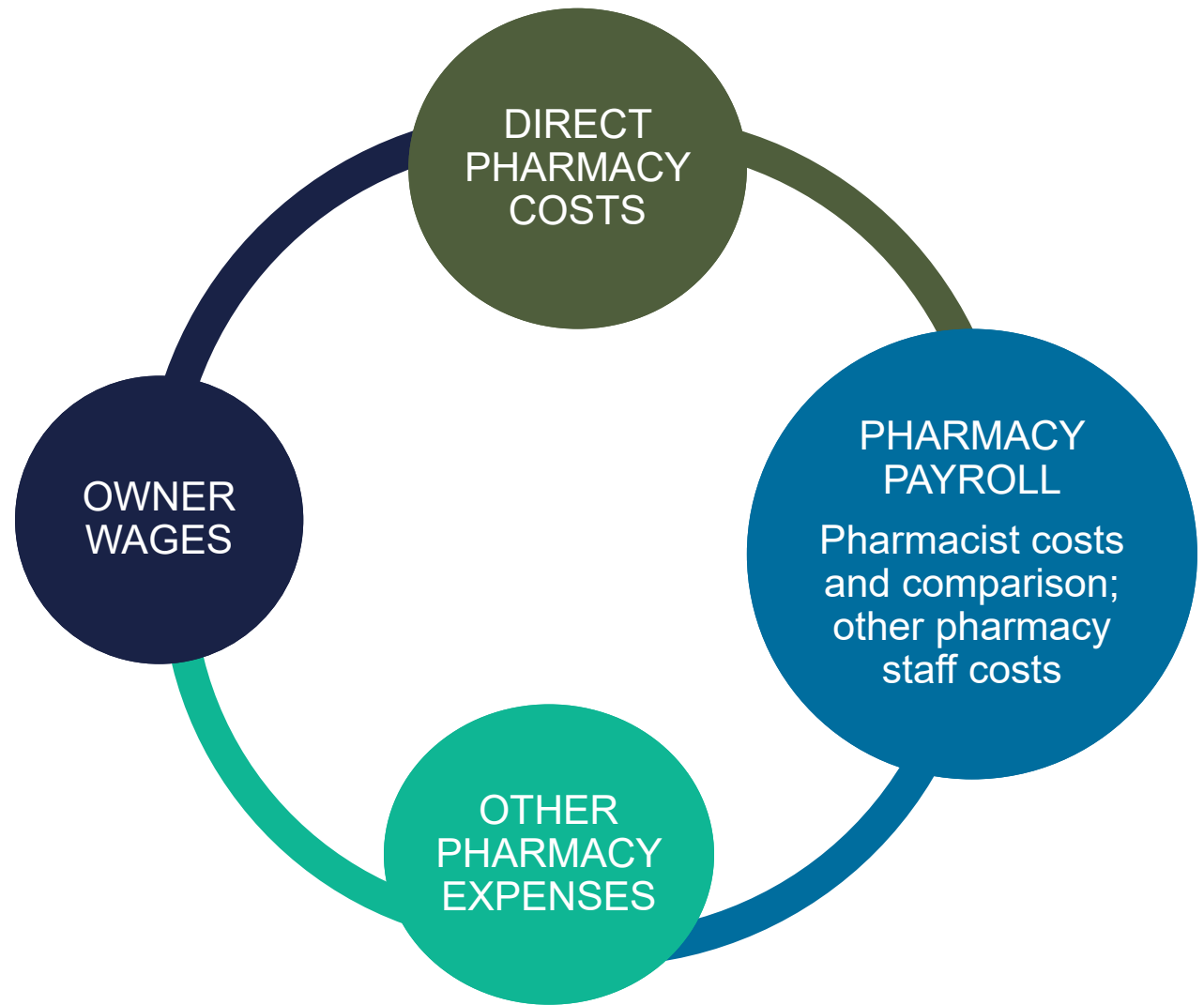
FINANCIAL DATA

- Cost of goods sold (COGS) data is for validation only and not part of the dispensing fee calculation.
- Reporting COGS is optional.
- It may be used in lieu of sales data for non-profit entities.

PROFESSIONAL DISPENSING FEE SURVEY

FINANCIAL DATA

PHARMACY
DEPARTMENT
EXPENSES



PROFESSIONAL DISPENSING FEE SURVEY

FINANCIAL DATA

Direct costs are for pharmacy department expenditures:

- Prescription containers, labels and other pharmacy supplies
- Professional liability insurance for licensed personnel
- Pharmacy department licenses, permits, and fees
- Dues, subscriptions for pharmacy department
- Delivery expenses (prescription related)
- Expenses for compounding
- Bad debts for prescriptions (including uncollected copayments)
- Computer systems – costs related only to the pharmacy department
- Claim transmission charges
- Depreciation directly related to pharmacy department
- Professional education and training
- Costs directly attributable to 340B
 - 340B program management
 - Other (list other costs in Comments Section)
- Other pharmacy department-specific costs not identified elsewhere

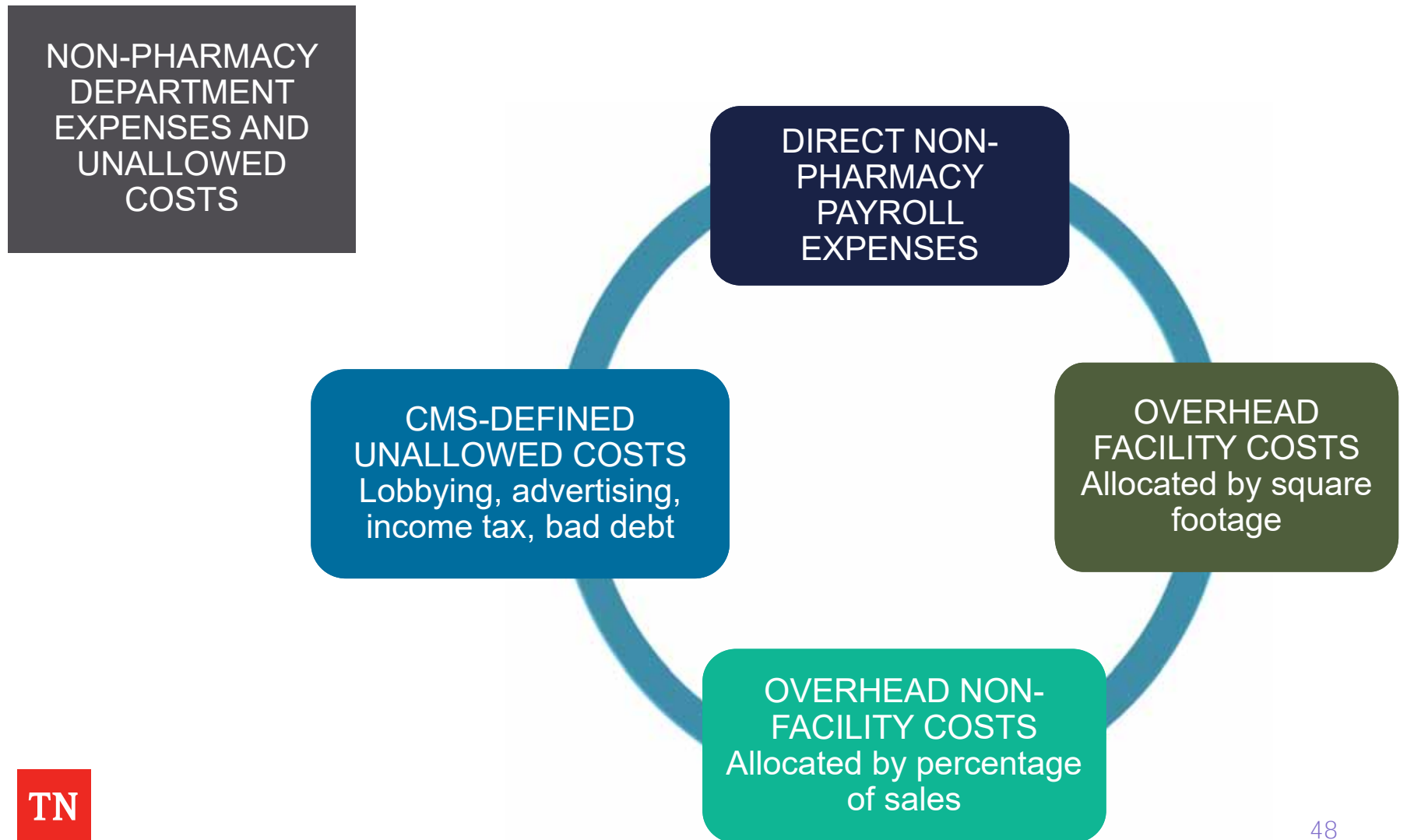
PROFESSIONAL DISPENSING FEE SURVEY

FINANCIAL DATA

- Number of pharmacist full-time employees (FTEs)
- Number of other pharmacy department FTEs
- Pharmacist manager (owner) wages
 - Pharmacist manager (owner) % of time in pharmacy department
- Pharmacist manager (non-owner) wages
 - Pharmacist manager (non-owner) % of time in pharmacy department
- Staff pharmacist wages
 - Staff pharmacist % of time in pharmacy department
- Technician wages
 - Technician % of time in pharmacy department
- Delivery personnel wages
 - Delivery personnel % of time in pharmacy department
- Other personnel working in pharmacy department wages
 - Other personnel working in pharmacy department % of time in pharmacy department
- Pharmacy department payroll taxes
- Pharmacy department benefits (including health insurance and pension/profit sharing/retirement expenses)

PROFESSIONAL DISPENSING FEE SURVEY

FINANCIAL DATA



PROFESSIONAL DISPENSING FEE SURVEY

FINANCIAL DATA

- Wages for personnel directly attributed to non-pharmacy sales and services.
- Wages for personnel directly attributed to administrative or shared services.
- Payroll taxes and benefits not reported elsewhere.
- General employee expenses attributable to all employee types.

Personnel costs for non-pharmacy sales is not included in the cost to dispense calculation. Administrative or shared services is allocated by a percentage of pharmacy revenue to total revenue.

PROFESSIONAL DISPENSING FEE SURVEY

FINANCIAL DATA

Facility Expenses

- Rent (explain in comments if building is owned)
- Utilities (gas, electric, water and sewer)
- Real estate taxes
- Facility insurance
- Maintenance and cleaning
- Depreciation expense (e.g., leasehold improvements, furniture, and fixtures)
- Mortgage interest
- Other facility-specific costs not identified elsewhere

Facility expenses are allocated to the cost of dispensing by percentage of square footage.

PROFESSIONAL DISPENSING FEE SURVEY

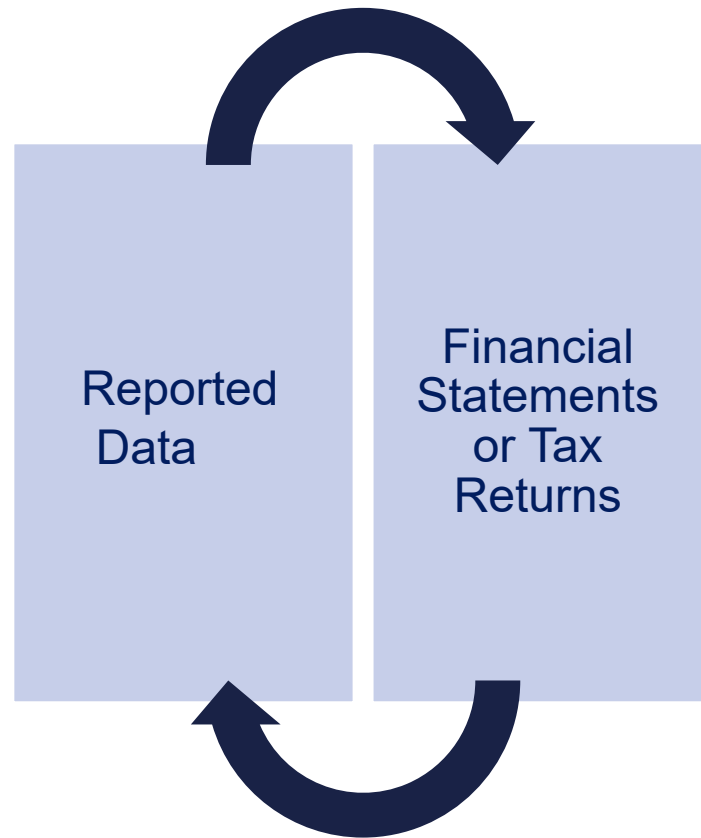
FINANCIAL DATA

Non-Facility Expenses

- **Marketing and advertising**
- Professional services (e.g., accounting, legal, consulting)
- Security costs
- Telephone and data communication
- Transaction fees/merchant fees/credit card fees
- Computer systems and support
- Depreciation (not captured elsewhere)
- Amortization
- Office supplies
- Office expenses
- Other insurance
- Taxes other than real estate, payroll, or sales
- Franchise fees (if applicable)
- Other interest
- **Charitable contributions**
- Corporate overhead
- Other costs not included elsewhere (explain in Comments)

Non-Facility expenses are allocated to the cost of dispensing by percentage of revenue.

PROFESSIONAL DISPENSING FEE SURVEY VALIDATION



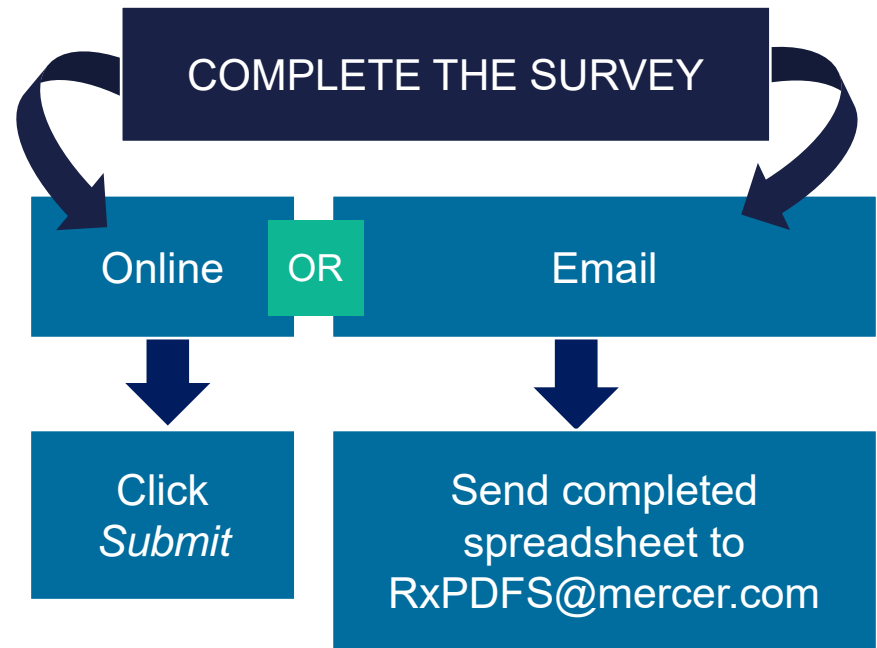
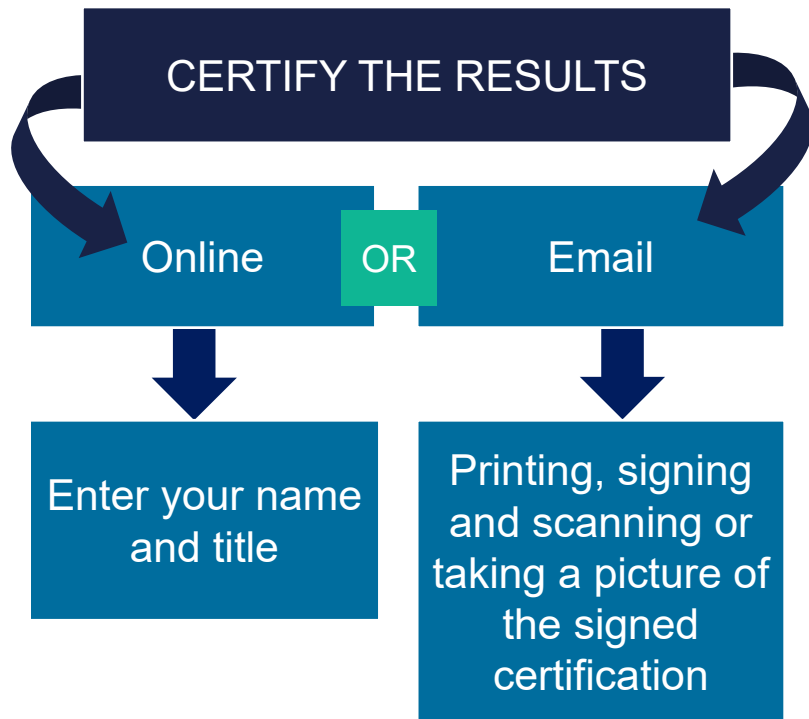
PROFESSIONAL DISPENSING FEE SURVEY

COMMENTS AND CERTIFICATION

- A “Comments” section is available for explanations and additional information since not all costs are accounted for the same.
- Certification is required. The data must be certified as complete, accurate and truthful to the best of your understanding.

PROFESSIONAL DISPENSING FEE SURVEY

COMMENTS AND CERTIFICATION



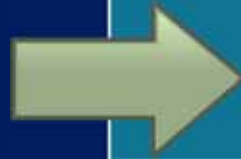
All completed surveys are subject to data validation and reviewed for reasonableness and completeness. 20 or more responses are subject to onsite verification.



PROFESSIONAL DISPENSING FEE SURVEY

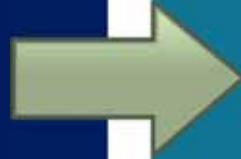
SURVEY NEWS WEBSITE

Mercer's website
for TennCare
survey activities



<https://ghscapps.mercer.com/tnpharmacy/>

Website details



- Details and instructions for the surveys
- Link for direct access to Mercer's dispensing fee survey tool
- Downloadable templates for survey submission

Questions and
survey support



RxPDFS@mercer.com

+1 877 854 6776

PROFESSIONAL DISPENSING FEE SURVEY

TN PDF SURVEY SUMMARY

- February 1, 2016
 - Final Rule published requiring states to replace Estimated Acquisition Cost with Actual Acquisition Cost.
- December 15, 2016
 - Survey period opened.
- January 13, 2017
 - Initial survey period ends.
- January 20, 2017
 - On-site validation begins.
- Early March (date to be communicated)
 - Stakeholder Webinar/Call to review reimbursement methodology.
- April 1, 2017
 - TennCare must comply with revisions to reimbursement methodology.

Questions on PDF Webinar:

- Use the chat box function to submit your question.
- Identify your full name and pharmacy/organization you represent when submitting a question.
- We will answer as many questions as possible in our time allotted at the end of the presentation.

Follow up PDF Survey Questions:

- Contact Mercer directly at:

TN Professional Dispensing Fee Survey Help Desk
877-854-6776 or 612-642-8722 (Scott Banken, CPA)
RxPDFS@mercer.com

- Contact TennCare at:

Dr. Raymond McIntire
(615) 507-6497
Raymond.Mcintire@tn.gov





THANK YOU