12. Prescribed drugs, dentures, and prosthetic devices; and eyeglasses prescribed by a physician skilled in diseases of the eye or by an optometrist

a. Prescribed Drugs

A. Payment for ingredient cost for covered outpatient legend and non-legend drugs for all pharmacy and medication types that are not otherwise identified within this section shall be based upon the lesser of methodology.

Lesser of Methodology:

i. Brand Drugs

a. The usual and customary charge to the public or submitted ingredient cost;

OR

b. The National Average Drug Acquisition Cost (NADAC), as defined in B, plus up to the established professional dispensing fee;

OR

c. The ACA Federal Upper Limit (FUL) plus up to the established professional dispensing fee;

OR

d. The calculated State Actual Acquisition Cost (SAAC), as defined in C, plus up to the established professional dispensing fee

ii. Generic Drugs

a. The usual and customary charge to the public or submitted ingredient cost;

OR

b. The National Average Drug Acquisition Cost (NADAC), as defined in B, plus up to the established professional dispensing fee;

OR

c. The ACA Federal Upper Limit (FUL) plus up to the established professional dispensing fee;

OR

d. The calculated State Actual Acquisition Cost (SAAC), as defined in C, plus up to the established professional dispensing fee

iii. Backup Ingredient Cost Benchmark

If NADAC is not available, the allowed ingredient cost, unless otherwise defined, shall be the lesser of Wholesale Acquisition Cost (WAC) + 0%, State Actual Acquisition Cost (SAAC) or ACA Federal Upper Limit.

iv. Limited Access and Specialty Drugs

Limited Access Drugs, defined as drugs not available for dispensing in all retail pharmacies based on price or separate agreements between manufacturer and pharmacy, and Specialty Drugs will be reimbursed at the Lesser of Methodology plus

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up to the established professional dispensing fee. If NADAC is not available then the Backup Ingredient Cost Benchmark will apply which will use the lesser of Wholesale Acquisition Cost (WAC) + 0%, State Actual Acquisition Cost (SAAC) or ACA Federal Upper Limit.

12. Prescribed drugs, dentures, and prosthetic devices; and eyeglasses prescribed by a physician skilled in diseases of the eye or by an optometrist

a. Prescribed Drugs (Continued)

v. 340B Drug Pricing Program

a. Covered Legend and non-legend drugs, including specialty drugs, purchased through the Federal Public Health Service's 340B Drug Pricing Program (340B) by pharmacies that carve Medicaid into the 340B Drug Pricing Program shall be reimbursed at the 340B actual Invoice Price but no more than the 340B ceiling price [provided or calculated by Average Manufacturer Price (AMP) minus Unit Rebate Amount (URA)] plus up to the established professional dispensing fee. The State will not recognize 340B contract pharmacies.

b. Physician administered drugs, including specialty drugs, purchased through the 340B Program will be reimbursed at the 340B actual invoice price but no more than the 340B ceiling price [provided or calculated by Average Manufacturer Price (AMP) minus Unit Rebate Amount (URA)] plus up to the established professional dispensing fee.

vi. Federal Supply Schedule (FSS) and FQHC

Facilities purchasing drugs, specialty drugs, and physician administered drugs through the Federal Supply Schedule (FSS) or drug pricing program under 38 U.S.C. 1826, 42 U.S.C. 256b, or 42 U.S.C. 1396-8, other than the 340B Drug Pricing Program, shall be reimbursed by the lesser of methodology with the addition of their actual acquisition cost, but no more than the Federal Supply Schedule price, plus up to the established professional dispensing fee. Federally Qualified Health Centers (FQHC) will be reimbursed by the encounter rate.

vii. Clotting Factor

c. Pharmacies dispensing Antihemophilic Factor products will be reimbursed at the lesser of methodology plus up to the established professional dispensing fee. If NADAC is not available, the lesser of methodology for the allowed ingredient cost shall be the Wholesale Acquisition Cost (WAC) + 0%, State Actual Acquisition Cost (SAAC) or ACA Federal Upper Limit.

d. Pharmacies dispensing Antihemophilic Factor products purchased through the Federal Public Health Service's 340B Drug Pricing Program (340B) by pharmacies that carve Medicaid into the 340B Drug Pricing Program shall be reimbursed at the

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340B actual Invoice Price but no more than the 340B ceiling price [provided or calculated by Average Manufacturer Price (AMP) minus Unit Rebate Amount (URA)] plus up to the established professional dispensing fee.

viii. **Drugs Purchased at Nominal Price**

Facilities purchasing drugs at Nominal Price (outside of 340B or FSS) shall be reimbursed by their actual acquisition cost.

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12. Prescribed drugs, dentures, and prosthetic devices; and eyeglasses prescribed by a physician skilled in diseases of the eye or by an optometrist

a. Prescribed Drugs (Continued)

ix. Physician Administered Drugs

Reimbursement rates for Physician Administered Drugs are a "fee schedule" as determined by the Medicare rate (ASP + 6%). If the Medicare rate is not available then other published pricing or manual pricing shall be used to determine reimbursement. Under the fee schedule methodology, reimbursement is based on the lesser of the billed charge for each procedure or the maximum allowable for each procedure.

B. The National Average Drug Acquisition Cost (NADAC) is a pricing benchmark published by CMS that calculates ingredient average acquisition costs experienced by retail community providers across the country. When Brand and Generic NADACs are available for the same ingredient, reimbursement will be based on the Generic NADAC.

C. State Upper Limit (SUL) shall apply to certain drugs identified administratively, judicially or by a federal agency as having a published price exceeding the ingredient cost. The calculated SAAC shall be obtained from actual acquisition costs from multiple resources, if available. Depending on the variance, either the highest acquisition cost, an average of the acquisition costs or invoice price shall be used in determining a SAAC. When Brand and Generic drugs are available for the same ingredient, reimbursement will be based on the Generic State Actual Acquisition Cost (SAAC).

D. Investigational drugs are excluded from coverage.

E. The State does not have federally recognized tribes. Indian Health Services, tribal and urban Indian pharmacies payment methodology for outpatient administered medication does not apply.

F. Pharmacies providing covered outpatient prescription services for Certified Long-Term Care beneficiaries will be reimbursed for ingredient cost using the lesser of methodology plus up to the established professional dispensing fee.

G. Payment for covered outpatient legend and non-legend drugs shall include the allowed cost of the drug as described above, plus a professional dispensing fee, as defined at 42 CFR 447.502. Professional dispensing fees shall be established based upon reported costs provided through the Cost of Dispensing (COD) survey using the methodology consistent with guidelines from the Centers for Medicare and Medicaid Services (CMS) regarding the components of pharmacy cost that are appropriately reimbursed by the professional dispensing fee of a State Medicaid program. The cost of dispensing (COD) survey resulted in various measures of the average cost of dispensing. The mean, weighted by Medicaid volume, for all pharmacies was $9.12. The mean weighted by total prescription volume for all pharmacies was $10.60. Other sources of data regarding the average cost of dispensing prescriptions that can be reviewed are available from other states and a national cost of dispensing survey. At least nine states have now transitioned to pharmacy reimbursement based on AAC and a professional

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dispensing fee. The dispensing fees in these states were derived from the results of cost of dispensing surveys and primarily fall into a range between $10.00 and $12.00. A national cost of dispensing survey

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12. Prescribed drugs, dentures, and prosthetic devices; and eyeglasses prescribed by a physician skilled in diseases of the eye or by an optometrist

a. Prescribed Drugs (Continued)

also reported various means and medians of the cost of dispensing prescriptions for Arkansas pharmacies. These measures for Arkansas pharmacies range between $9.01 and $10.97. Based on the results of this study of pharmacy dispensing cost, national studies and studies performed by other states, a professional dispensing fee in a range of approximately $9.00 to $11.00 would reimburse pharmacies for the average cost of dispensing prescriptions to Arkansas Medicaid members. Using CY2014 data for Arkansas's Cost of Dispensing Fee Survey, an average dispensing fee of $10.40 would be realized based on the tier model below. Total pharmacy claim volume for CY2014 used in determining the COD fee survey was 4,524,701, broken out as follows: Preferred Brand Medication volume: 461,903 (10%), Brand and non-preferred Brand Medication volume: 307,525 (7%), and Generic volume: 3,755,273 (83%). Using a professional dispensing fee of $10.50 for Preferred Brand and Generic medications (93% of claims) and a professional dispensing fee of $9.00 for Brand and non-preferred brand medications (7% of claims) will result in an average dispensing fee of $10.40 within the range of Arkansas, other states, and the national COD fee survey.

The Professional Dispensing Fee for covered outpatient legend and non-legend drugs shall take into consideration the State's Preferred Drug List status for the drug being dispensed and equals the average professional dispensing fee in the aggregate:

- **Brand and Non-preferred Brand = $9.00**
- **Brand Preferred and Generic Medication drug = $10.50**

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