MERCER

Medi-Cal

# Specialty Disease Pharmacy Reimbursement Study

**California Department of Health Care Services**
**Pharmacy Benefits Division**
November 12, 2020

**Mercer Government**
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# Executive summary

## Objective

The California Department of Health Care Services (DHCS) engaged Mercer Government Human Services Consulting (Mercer), part of Mercer Health & Benefits LLC, to research, survey and analyze specialty disease state drug reimbursement to Medi-Cal pharmacy providers.

On February 1, 2016, the Centers for Medicare & Medicaid Services (CMS) published the Covered Outpatient Drug final rule with comment (CMS-2345-FC) (81 FR 5170). The regulation required states to change their reimbursement methodologies, including a revised requirement in 42 CFR §447.512(b) for states to reimburse at an aggregate upper limit based on actual acquisition cost (AAC) plus a professional dispensing fee established by the agency. To comply with the requirements of the Cover Outpatient Drug final rule, Medi-Cal updated its reimbursement methodology to be NADAC plus a professional dispensing fee of either $13.20 for a pharmacy with fewer than 90,000 annual claims or $10.05 for a pharmacy of 90,000 or more annual claims.

Early reports show pharmacies stating certain drugs, mainly specialty classes of drugs, are under reimbursed. Pharmacies complain that the low NADAC ingredient cost reimbursement is putting pharmacies dispensing specialty drugs at risk. Many of these “at risk pharmacies” are dispensing critically essential medications such as medications treating Human Immunodeficiency Virus (HIV) and Severe Mental Illness (SMI) - schizophrenia, schizoaffective disorder, bipolar and/or autism.

This study will provide DHCS with information to understand how the FFS pharmacy reimbursement for the drug ingredient cost compares to the pharmacies’ acquisition costs and whether there are specific services provided, outside of services already accounted for in the FFS professional dispensing fee (PDF),that could be considered for reimbursement.

## Approach

To study the provider concerns, Mercer surveyed selected pharmacies in the Medi-Cal network. The pharmacies surveyed were selected by DHCS, with assistance from Mercer. Pharmacies selected for participation included a list of providers who had previously expressed reimbursement concerns to DHCS, as well as pharmacies identified as specialty pharmacies. Mercer identified specialty pharmacies as those who currently have specialty accreditation with the Utilization Review Accreditation Commission (URAC) or Accreditation Commission of Health Care (ACHC).

The two-part survey consisted of:

- Drug purchase invoice collection
- Questions regarding disease state management activities

Mercer used the pharmacy invoices collected to calculate the surveyed pharmacies' average Actual Acquisition Costs (AACs) per drug. Additionally, Mercer reviewed and summarized pharmacy responses to the survey questions to provide DHCS with information on the clinical services these pharmacies offer, above and beyond, traditional prescription dispensation for select specialty disease states.

The disease state categories evaluated include:

- Human Immunodeficiency Virus (HIV)
- Severe Mental Illness (SMI) - schizophrenia, schizoaffective disorder, bipolar and/or autism
- Multiple Sclerosis (MS)
- Autoimmune disease, including rheumatoid arthritis and Crohn's disease
- Cystic Fibrosis (CF)
- Hepatitis C
- Respiratory Syncytial Virus (RSV)

# Results

## Invoice collection and analysis

AAC calculations for drugs in the specialty disease state categories reviewed show that the difference between average acquisition cost and the FFS reimbursement varies by drug. For some National Drug Codes (NDCs) the pharmacies are able to purchase below the expected FFS reimbursement rate, while others would see the pharmacies' acquisition cost higher than the expected FFS reimbursement rate. Comprehensive comparison results by NDC are found in Appendix C. Some featured examples of "at-risk" under-reimbursed NDCs by disease state are in the body of this report.

General findings for drugs reviewed in the specialty categories include:

- Brand drug AAC calculations, in aggregate, are generally equal to, or very close to, the Medi-Cal FFS ingredient cost reimbursement
- Generic drug AAC calculations, in aggregate, suggest that pharmacies purchase below Medi-Cal FFS ingredient cost reimbursement

- In both brand and generic categories, the magnitude of impact for a pharmacy provider is dependent on the drug mix dispensed.

## Survey questions

The pharmacies surveyed shared information detailing the clinical services they provide to beneficiaries receiving prescriptions in the targeted specialty disease state categories noted above. Many pharmacies noted a focus on adherence, compliance, care plans and care coordination, requiring meetings with patients focused around each individual's needs. Many of these pharmacies provide high touch services that are not normally practiced in traditional retail pharmacies such as providing specialized care for the homeless, schizophrenic and other vulnerable populations.

Surveyed pharmacies almost universally assert that reimbursement for specialty products and services is inadequate from the Medi-Cal FFS program.

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# Background

## Program history

On January 21, 2016, the Centers for Medicare & Medicaid Services (CMS) published the Federal Covered Outpatient Drugs Final Rule (CMS-2345-FC). Under the final rule, each state is responsible for establishing a Medicaid FFS payment methodology that reimburses outpatient pharmacy providers based on AAC plus a PDF established by the state. To achieve compliance with the Covered Outpatient Drug Rule, California-submitted and received approval from the CMS on August 25, 2017 for State Plan Amendment (SPA) 17-0002.

This SPA established reimbursement for covered outpatient drugs paid by the FFS program using an AAC methodology (for most claims, the National Average Drug Acquisition Cost [NADAC]) and a PDF of $13.20 for pharmacies with a total of fewer than 90,000 prescription claims annually, and $10.05 for pharmacies with 90,000 or more annual prescription claims. Currently, approximately three million of the 13 million Medi-Cal members receive their pharmacy benefit through the FFS program. The outpatient pharmacy claims submitted by providers for the 10 million members who receive their Medicaid benefits through a Medi-Cal MCO are subject to the specific pharmacy payment methodology of each MCO.

## Specialty disease reimbursement analysis rationale

DHCS is considering providing additional pharmacy provider payment for services such as disease management and medication therapy management for certain specialty disease state categories.

DHCS engaged Mercer's services to collect invoices from selected pharmacy providers to validate whether Medi-Cal's FFS pharmacy reimbursement methodology (in most cases, NADAC or WAC), in general, is an adequate reimbursement for certain specialty disease therapeutic categories. The disease state categories evaluated include:

- Human Immunodeficiency Virus (HIV)
- Severe Mental Illness (SMI) - schizophrenia, schizoaffective disorder, bipolar and/or autism
- Multiple Sclerosis (MS)
- Autoimmune disease, including rheumatoid arthritis and Crohn's disease
- Cystic Fibrosis (CF)
- Hepatitis C

- Respiratory Syncytial Virus (RSV)

In addition to invoice collection to evaluate acquisition costs, Mercer developed a supplemental survey to ascertain what medical condition criteria, risk identification criteria, and provider services are provided by specialty pharmacies. The supplemental survey also allowed pharmacies to add additional commentary for DHCS's consideration.

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# Results

## Invoice survey methodology

To gain an understanding of the actual pharmacy cost to purchase drugs in certain specialty disease therapeutic categories compared to Medi-Cal's primary reimbursement benchmark of NADAC, Mercer surveyed select pharmacy providers. The selected pharmacies submitted their drug purchase invoices for the month of May 2020.

In total, Mercer distributed 241 surveys to Medi-Cal pharmacies selected by DHCS, with assistance from Mercer. Pharmacies selected for participation included a list of providers who previously expressed reimbursement concerns to DHCS, as well as pharmacies identified as specialty pharmacies. Mercer identified specialty pharmacies as those who currently have specialty accreditation with the Utilization Review Accreditation Commission (URAC) or Accreditation Commission of Health Care (ACHC).

Of the 241 pharmacies, Mercer received 133 invoice submissions; 131 (54.4%) passed validations resulting in usable pharmaceutical purchase invoices.

## Unit price comparisons

Mercer used the drug purchase invoices to calculate an average AAC when receiving a minimum of four cost observations for each drug grouping. Mercer uses the First Databank hierarchy of Formulation ID (GCN) for drug groupings. Average AACs were established for brand and generic drugs.

Mercer then compared the drug group average AACs to the NADAC, or if NADAC was unavailable in a given drug grouping, to the Wholesale Acquisition Cost (WAC). This methodology evaluates the difference between pharmacies' average acquisition cost and the expected ingredient cost reimbursement amount if the claim is paid under the Medi-Cal FFS reimbursement policy. In total, 89.7% of the calculated AACs also had a NADAC or a WAC for comparison.

### Comparison of Average AACs for Brand drugs

Table 1 below shows the average AACs for brand drugs in each of the surveyed specialty disease state categories and the comparable Medi-Cal FFS drug ingredient cost reimbursement (NADAC or WAC).

**Table 1: Aggregate brand AAC averages (cost per unit)**

| Disease State | AAC Survey Average | Medi-Cal FFS (NADAC/WAC) Average |
|---|---|---|
| HIV | $46.23 | $46.79 |
| SMI | $325.41 | $328.78 |
| MS | $1,827.74 | $1,805.48 |
| Autoimmune disease | $3,261.55 | $3,398.28 |
| CF | $44.11 | $45.21 |
| Hepatitis C | $513.37 | $536.15 |
| RSV | $2,911.60 | $3,058.56 |

Table 2 below shows the net difference, represented as an average price per unit and as a percentage, between the average brand AACs in each of the surveyed specialty disease state categories and the comparable Medi-Cal FFS drug ingredient cost reimbursement (NADAC/WAC).

**Table 2: Aggregate brand AAC differences**

| Disease State | AAC Survey vs Medi-Cal FFS (NADAC/WAC) (Average price per unit) | AAC Survey vs Medi-Cal FFS (NADAC/WAC) (Percentage) |
|---|---|---|
| HIV | $(0.55) | -1.2% |
| SMI | $(3.37) | -1.0% |
| MS | 22.26 | 1.2% |
| Autoimmune disease | $(136.73) | -4.0% |
| CF | $(1.10) | -2.4% |
| Hepatitis C | $(22.78) | -4.2% |
| RSV | $(146.97) | -4.8% |

Generally, brand drug average acquisition costs are lower than the expected Medi-Cal FFS (NADAC/WAC) reimbursement amount, with the notable exception of the Multiple Sclerosis category. Pharmacies on average would lose $22.26 per unit dispensed for Multiple Sclerosis prescriptions.

In actual claims adjudication, the results imply that pharmacies' potential ingredient cost reimbursement will vary by the specialty disease state category and will be nearly even with their acquisition cost on brand drugs for some disease states in aggregate.

## Comparison of Average AACs for Generic drugs

Table 3 below shows the average AAC for generic drugs in each surveyed specialty disease state category and the comparable Medi-Cal FFS drug ingredient cost reimbursement (NADAC/WAC).

**Table 3: Aggregate generic AAC averages (cost per unit)**

| Disease State | AAC Survey Average | Medi-Cal FFS (NADAC/WAC) Average |
|---|---|---|
| HIV | $4.13 | $5.83 |
| SMI | $2.28 | $3.56 |
| MS | $58.56 | $62.24 |
| Autoimmune disease | N/A | N/A |
| CF | $2.19 | $6.72 |
| Hepatitis C | $84.29 | $94.03 |
| RSV | N/A | N/A |

Table 4 below shows the net difference, represented as an average price per unit and as a percentage, between the average generic AAC in each of the surveyed specialty disease state categories and the comparable Medi-Cal FFS drug ingredient cost reimbursement (NADAC/WAC).

**Table 4: Aggregate generic AAC rate differences**

| Disease State | AAC Survey vs Medi-Cal FFS (NADAC/WAC) (Average price per unit) | AAC Survey vs Medi-Cal FFS (NADAC/WAC) (Percentage) |
|---|---|---|
| HIV | $(1.70) | -29.1% |
| SMI | $(1.28) | -35.9% |
| MS | $(3.68) | -5.9% |
| Autoimmune disease | N/A | N/A |
| CF | $(4.53) | -67.4% |
| Hepatitis C | $(9.74) | -10.4% |
| RSV | N/A | N/A |

Generally, acquisition costs for generic drugs in the select specialty categories are lower than the expected Medi-Cal FFS (NADAC/WAC) ingredient cost reimbursement. The Multiple Sclerosis category has two generic drugs with AAC rates, two strengths of glatiramer acetate and dalfampridine, which drive the unit price difference.

This analysis suggests that in actual claims adjudication, drug ingredient cost reimbursement will vary by the specialty disease state category. Depending on which categories a pharmacy dispenses,

pharmacies could expect FFS reimbursement greater than the invoice costs for generic drugs. Typically, however, generic drug claims are less expensive than brand drug claims, and in the specialty disease states surveyed, brand claims remain the cost driver since generic claims account for a smaller percentage of overall claims within the selected specialty drug classes reviewed.

Additional statistical measurements, graphs and detailed statistics by drug grouping are included in Appendix A for reference.

## Drug Specific Results

The difference between the pharmacies' acquisition costs and the FFS ingredient cost reimbursement varies by drug. Comprehensive results, showing all NDCs for which an AAC was calculated, are in Appendix C.

Examples of "at-risk" under-reimbursed drugs from each category are in the tables below:

- HIV:

| Descriptive Drug Information | | | AAC Rate | Medi-Cal FFS (NADAC/WAC) Rate | Difference Between AAC and Medi-Cal FFS (NADAC/WAC) Rate |
|---|---|---|---|---|---|
| **Specialty Disease State** | **NDC** | **Label Name** | **(A)** | **(B)** | **(C) = (A) – (B)** |
| HIV | 00093538256 | ABACAVIR-LAMIVUDINE 600-300 MG | $3.27 | $2.30 | $0.97 |
| HIV | 00378489093 | NEVIRAPINE ER 400 MG TABLET | $3.31 | $2.52 | $0.79 |
| HIV | 00093552856 | ATAZANAVIR SULFATE 300 MG CAP | $8.33 | $7.70 | $0.63 |
| HIV | 49702020613 | EPZICOM TABLET | $41.91 | $41.39 | $0.52 |
| HIV | 49702024213 | JULUCA 50-25 MG TABLET | $91.89 | $91.75 | $0.14 |

- SMI – Of particular note in the SMI category, long-acting injectable anti-psychotic NDCs are the top 4 under-reimbursed NDCs, and another four long-acting injectable anti-psychotic NDCs are in the top 25. These medications are less-likely to be stocked and dispensed by a traditional retail

pharmacy. Additionally, the population utilizing these medications may likely have barriers to successfully accessing a different pharmacy or medication.

| Descriptive Drug Information | | | AAC Rate | Medi-Cal FFS (NADAC/WAC) Rate | Difference Between AAC and Medi-Cal FFS (NADAC/WAC) Rate |
|---|---|---|---|---|---|
| Specialty Disease State | NDC | Label Name | (A) | (B) | (C) = (A) – (B) |
| SMI | 50458060901 | INVEGA TRINZA 819 MG/2.625 ML | $3,112.31 | $3,071.05 | $41.26 |
| SMI | 50458060801 | INVEGA TRINZA 546 MG/1.75 ML | $3,123.69 | $3,087.45 | $36.23 |
| SMI | 50458030811 | RISPERDAL CONSTA 50 MG VIAL | $988.02 | $975.05 | $12.97 |
| SMI | 50458056401 | INVEGA SUSTENNA 234 MG/1.5 ML | $1,810.17 | $1,799.78 | $10.39 |
| SMI | 10147095103 | PALIPERIDONE ER 1.5 MG TABLET | $17.15 | $8.00 | $9.14 |

MS:

| Descriptive Drug Information | | | AAC Rate | Medi-Cal FFS (NADAC/WAC) Rate | Difference Between AAC and Medi-Cal FFS (NADAC/WAC) Rate |
|---|---|---|---|---|---|
| Specialty Disease State | NDC | Label Name | (A) | (B) | (C) = (A) – (B) |
| MS | 44087002203 | REBIF 22 MCG/ 0.5 ML SYRINGE | $1,339.73 | $1,321.64 | $18.09 |

- Autoimmune Disease:

| Descriptive Drug Information | | | AAC Rate | Medi-Cal FFS (NADAC/WAC) Rate | Difference Between AAC and Medi-Cal FFS (NADAC/WAC) Rate |
|---|---|---|---|---|---|
| Specialty Disease State | NDC | Label Name | (A) | (B) | (C) = (A) – (B) |
| Autoimmune Disease | 00078063941 | COSENTYX 300 MG DOSE-2 PENS | $2,705.28 | $2,685.00 | $20.29 |

- CF:

| Descriptive Drug Information | | | AAC Rate | Medi-Cal FFS (NADAC/WAC) Rate | Difference Between AAC and Medi-Cal FFS (NADAC/WAC) Rate |
|---|---|---|---|---|---|
| Specialty Disease State | NDC | Label Name | (A) | (B) | (C) = (A) – (B) |
| CF | 50242010040 | PULMOZYME 1 MG/ML AMPUL | $44.42 | $44.32 | $0.09 |

- Hepatitis C:

| Descriptive Drug Information | | | AAC Rate | Medi-Cal FFS (NADAC/WAC) Rate | Difference Between AAC and Medi-Cal FFS (NADAC/WAC) Rate |
|---|---|---|---|---|---|
| Specialty Disease State | NDC | Label Name | (A) | (B) | (C) = (A) – (B) |
| Hepatitis C | 60505325006 | LAMIVUDINE HBV 100 MG TABLET | $3.51 | $2.82 | $0.69 |

| Descriptive Drug Information | | | AAC Rate | Medi-Cal FFS (NADAC/WAC) Rate | Difference Between AAC and Medi-Cal FFS (NADAC/WAC) Rate |
|---|---|---|---|---|---|
| Specialty Disease State | NDC | Label Name | (A) | (B) | (C) = (A) – (B) |
| Hepatitis C | 66993047860 | LAMIVUDINE HBV 100 MG TABLET | $3.51 | $2.82 | $0.69 |

## NADAC rate prevalence among specialty disease category drugs

Mercer additionally analyzed the prevalence of NADAC or WAC rates among the specialty disease category limiting to drug groupings with enough data to calculate average AAC rates. The percentage of AAC NDCs that have a NADAC or WAC rate varies widely by selected specialty disease state. Drugs without a NADAC rate would default to the WAC rate in the Medi-Cal FFS reimbursement hierarchy. Results for this analysis are in tables 5 and 6 below.

**Table 5: NADAC/WAC rate prevalence-Brand Drugs**

| Disease State | Total Number of NDCs with calculated AAC | Number of AAC NDCs with NADAC or WAC price | Percent of AAC NDCs with NADAC or WAC price |
|---|---|---|---|
| HIV | 49 | 31 | 63.3% |
| Service mental illness – schizophrenia, schizoaffective disorder, bipolar and/or autism | 139 | 107 | 77.0% |
| MS | 32 | 8 | 25.0% |
| Autoimmune disease | 77 | 25 | 32.5% |
| CF | 6 | 1 | 16.7% |
| Hepatitis C | 15 | 3 | 20.0% |
| RSV | 2 | - | 0.0% |

**Table 6: NADAC/WAC rate prevalence – Generic Drugs**

| Disease State | Total Number of NDCs with calculated AAC | Number of AAC NDCs with NADAC or WAC price | Percent of AAC NDCs with NADAC or WAC price |
|---|---|---|---|
| HIV | 54 | 45 | 83.3% |
| Service mental illness – schizophrenia, schizoaffective disorder, bipolar and/or autism | 1,171 | 1,127 | 96.2% |
| MS | 9 | 7 | 77.8% |
| Autoimmune disease | - | - | N/A |
| CF | 6 | 5 | 83.3% |
| Hepatitis C | 23 | 17 | 73.9% |
| RSV | - | - | N/A |

### Observations

Overall, for brand drugs in the specialty disease state categories reviewed, pharmacies generally purchase some drugs for less than the FFS reimbursement and others at a higher cost. The results show that average AACs on these categories overall are very close to the NADAC/WAC reimbursement rates. Generic drug analysis results, in general, validated that pharmacies purchase below NADAC/WAC. The magnitude of impact for a pharmacy provider is dependent on the drug mix dispensed.

Specific examples of under-reimbursed drugs, such as long-acting antipsychotic injectable drugs, may present barriers to access for members and the specialty pharmacies dispensing them.

## Supplementary survey results

To gain an understanding of the additional services provided to members receiving specialty drugs, the 241 selected pharmacies were asked to complete a survey detailing the specialty services provided.

A total of 147 (60.9%) unique (non-duplicate NPI) supplemental survey responses were received and evaluated.

In addition to preloaded response choices for each question, the survey allowed additional criteria, services and identifications to be submitted for consideration. These manually entered responses were coalesced, reviewed and analyzed. The tables and commentary below provide an overview of survey responses.

**Table 7: Count of respondents by selection for specific medical condition criteria**

| Identify the specific criteria (medical conditions) used for identifying the population who receive specialized services (check all that apply) | Count | Total % |
|---|---|---|
| HIV | 93 | 63.3% |
| Serve Mental Illness | 81 | 55.1% |
| MS | 53 | 36.1% |
| Autoimmune disease | 73 | 49.7% |
| CF | 34 | 23.1% |
| Hepatitis C | 70 | 47.6% |
| RSV | 20 | 13.6% |
| Other | 51 | 34.7% |

| Additional medical conditions mentioned by commenters |
|---|
| Diabetes |
| Hemophilia |
| Oncology |
| Primary Immune Deficiencies (including rate and orphan disease states) |
| Transplant patients |
| Mental Health |

**Table 8: Count of respondents by selection for risk identification criteria**

| Identify the medication risk identification criteria used for providing interventions (check all that apply) | Count | Total % |
|---|---|---|
| Cost of medication | 118 | 80.3% |
| REMS/Black box concerns | 121 | 82.3% |
| Complex treatment regimen | 118 | 80.3% |
| Specialized patient training | 106 | 72.1% |
| Side effect profile | 126 | 85.7% |
| Other | 24 | 16.3% |

| Additional risk identification criteria mentioned by commenters |
|---|
| BioMatrix PRO tool called EQ-5D-5L |
| Adherence monitoring, education, reminders and outcomes measures |
| Pre- and post-evaluation and/or management |

| Additional risk identification criteria mentioned by commenters |
|---|
| Drug utilization review |
| Drug interactions |
| Risk of incarceration |

**Table 9: Count of respondents by selection for services provided**

| Identify the specific services provided to the clientele defined in the previous questions (check all that apply) | Count | Total % |
|---|---|---|
| Patient education | 127 | 86.4% |
| Adherence and compliance training | 133 | 90.5% |
| Clinical assessments and monitoring, including lab monitoring | 115 | 78.2% |
| Physical exam/lab testing of the client | 26 | 17.7% |
| Communication with the appropriate other health care professionals involved in treating the client | 137 | 93.2% |
| Expanded outreach to vulnerable populations (homeless, homebound, dementia, mental illness, SUD impacted, other) | 89 | 60.5% |
| Specialized handling, storage, cold chain requirements, shipping coordination and services; including use of personal protective equipment and biohazard waste disposal | 115 | 78.2% |
| Other | 140 | 95.2% |

| Aggregate summary of the most-common additional specific services mentioned by commenters |
|---|
| Compliance packaging to promote medication adherence |
| Patient engagement technologies, 24/7/365 operating hours |
| Free delivery, text messaging program, clinical personnel available 24/7 |
| Therapeutic intervention |
| Access to complex drug regimens enables patients to be discharged in a timely manner |
| Providing delivery to complicated cases at specific hospitals to prevent readmission |
| In home assessments for patients with bleeding disorders and patients that require immunoglobulin treatments |
| Management of complex infusions |
| Copay assistance program |

## Summary of additional commentary offered by respondents

Respondents provided additional information and clarity regarding the specificity of specialty disease state services rendered by the selected pharmacies. In general, pharmacies provided feedback that falls into three categories:

- Medication therapy and disease management
- Additional education and/or accreditation
- Reimbursement concerns

### Medication therapy management (MTM) and disease management (DM)

The chart below demonstrates potential service differences between a retail community pharmacy and a pharmacy dispensing specialized medications. These services are an amalgamation of information submitted by pharmacies, recommendations of professional industry groups, and federal agencies.

| Service | Traditional Dispensing | MTM and DM |
|---|---|---|
| Drug Dispensation | X | |
| Professional Education | X | X |
| General Training | X | X |
| General Medication Education | X | X |
| Comprehensive Medication Education | | X |
| Patient Training including medication self-administration and device training | | X |
| Medication Therapy Review. Where a patient's medications are evaluated in the context of the patient as a whole, taking into consideration all of the patient's conditions and medication therapies. | | X |
| Medication Adherence (using evidenced based guidelines) | | X |
| Pharmacotherapy Consults | | X |
| Disease Management Coach/Support | | X |
| Medication Safety Surveillance | | X |
| Behavior Advising/Modification Programs | | X |
| Documenting Care | | X |
| Accreditation (e.g., URAC, The Joint Commission) | | X |

Many of the pharmacies responding to the survey noted a focus on adherence, compliance, care plans, and care coordination. These activities require meetings with patients, family members and/or

multiple providers focused around each individual's needs. Many of these pharmacies, especially those treating individuals with mental illness, HIV/AID, hepatitis C, bleeding disorders and individuals requiring infusion therapies, provide high touch services and additional resources not normally provided by traditional retail pharmacies.

## Additional education and/or accreditation

The additional services described by the survey respondents are often labor intensive and require additional/ongoing staff training and/or specialized accreditation. Pharmacies may require their pharmacists and other pharmacy staff obtain certification or additional training related to a particular disease state and/or therapy. For example, certain pharmacies have a specialized ancillary staff such as a certified diabetes educator. Nurse consultants employed by the specialized pharmacies, including those providing home infusion therapies, provide education regarding medication administration and lab draws monitoring while pharmacist consultants make recommendations for obtaining labs and therapeutic monitoring parameters. In addition, certain pharmacies operate 24 hours a day, with a clinical pharmacist on call, seven days a week.

Certain surveyed pharmacies have acquired URAC accreditation as a means of providing another level of quality dedicated to patient care. Accreditation results in increased operational costs. To stay accredited, pharmacies must budget for costs associated with increased training, compliance and reporting. Other pharmacies also noted the cost associated with accreditation through ACHC (Accreditation Commission for Health Care) for Home Infusion and Specialty Pharmacy.

Specialized training, ancillary staff employees and accreditation costs are typically not captured or accounted for in a state's professional dispensing fee for outpatient retail pharmacies. Specialty pharmacies are often excluded as outside the scope of the professional dispensing fee requirements for outpatient retail pharmacies, or in some surveys, responses are so few in number that the additional expenses are deemed outliers and removed from the retail outpatient dispensing fee calculation. Specialty pharmacies are not required to be included in the AAC/PDF methodology per the Covered Outpatient Drugs final rule with comment (81 FR 5197), 5303, 5313.

## Reimbursement

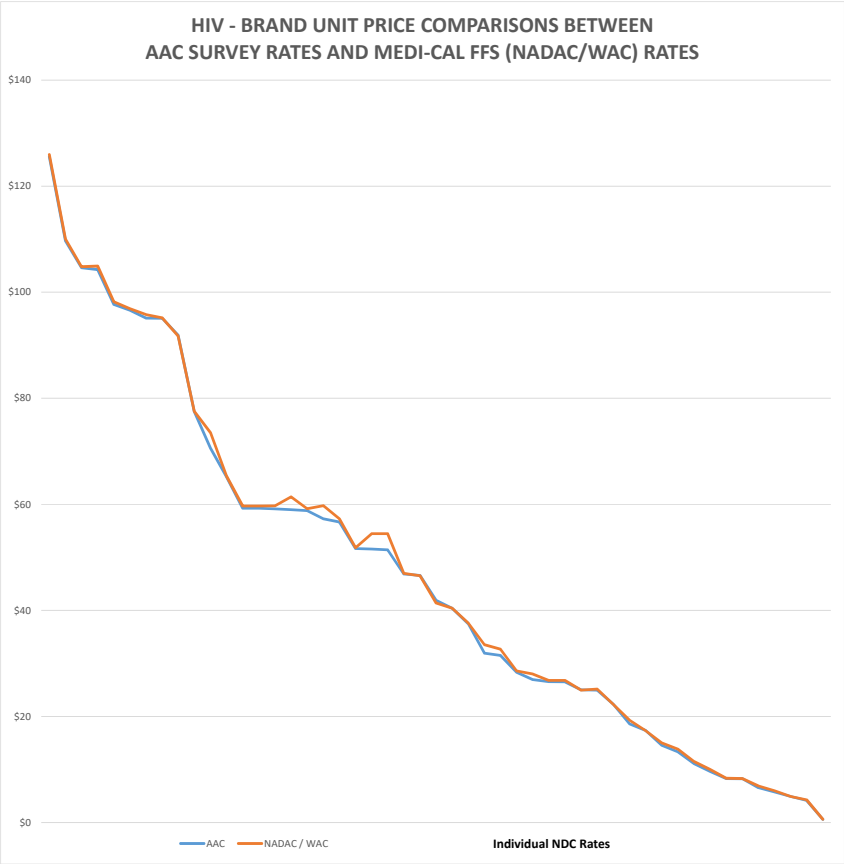
To serve the populations receiving the medication therapies reviewed, some pharmacies, in addition to the aforementioned patient services, offer free delivery since many of these patients do not have transportation. While financially burdensome on pharmacies, these additional services provide a reduction in drug wastage, prevent adverse events and help to ensure lower number of readmissions. While the cost of delivery services are included in the Covered Outpatient Drugs final rule professional dispensing fee calculation, these specialty pharmacies' delivery expenses may be higher than other pharmacies as they provide a higher volume of targeted delivery services, and they include non-traditional delivery services, such as delivery to bus stops and homeless camps..

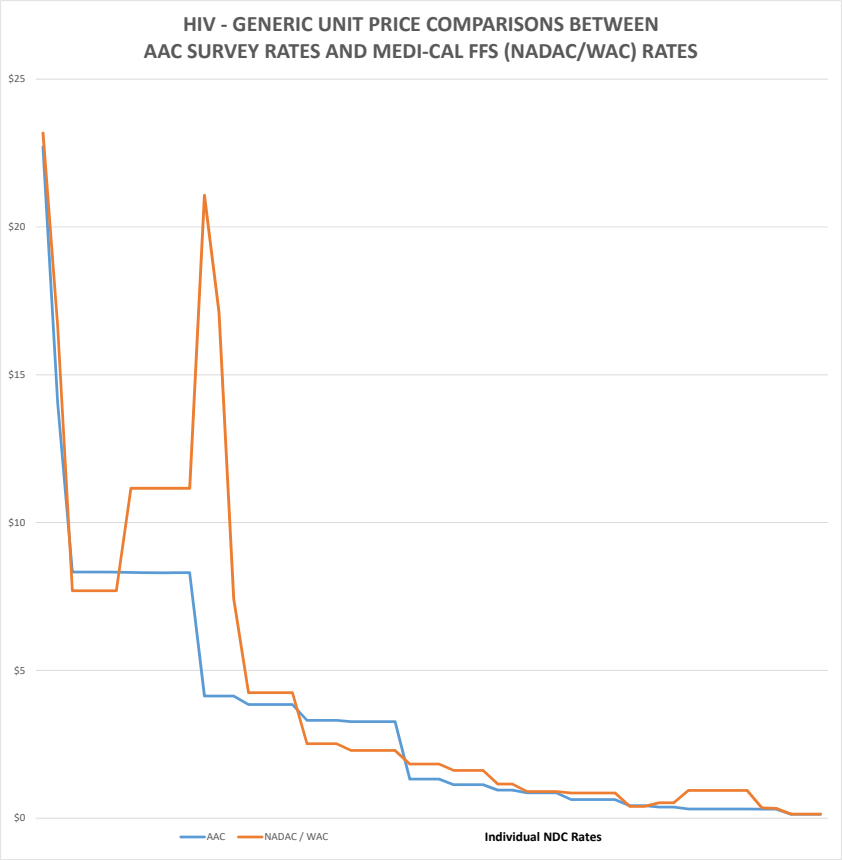
Surveyed pharmacies, almost universally, asserted that reimbursement for specialty products and services are under reimbursed. With the rising cost of medications, the financial burden of providing

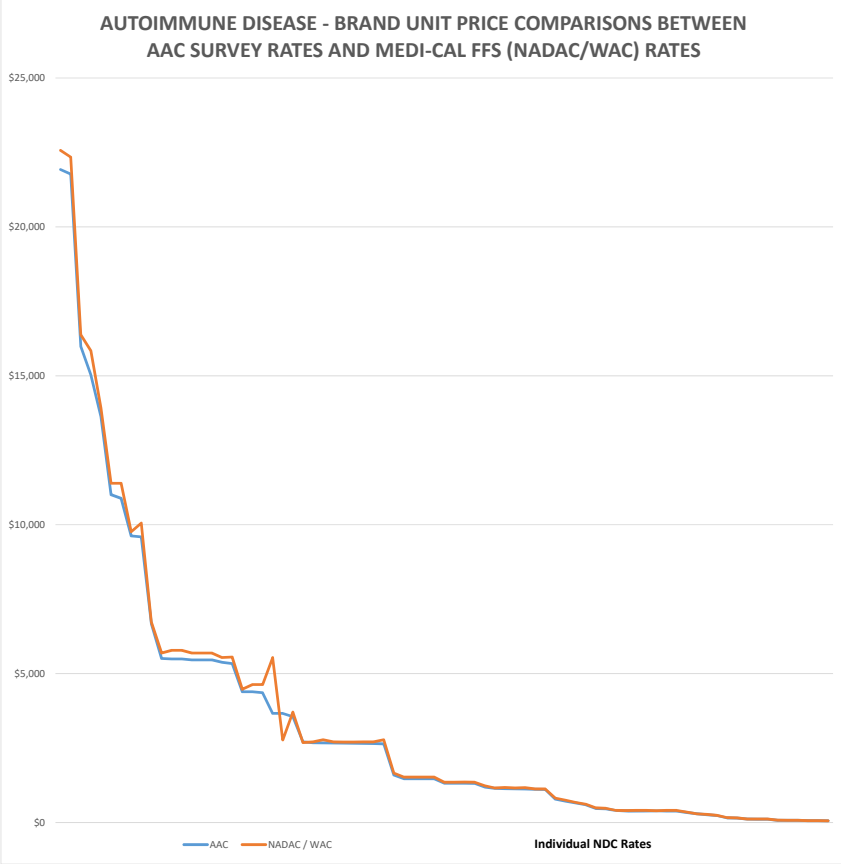
services beyond ingredient cost and professional dispensing fee for retail outpatient pharmacies, pharmacies surveyed assert that they cannot continue to operate under the FFS reimbursement methodology, which may result in these specialty pharmacies no longer providing medication to the Medicaid population.

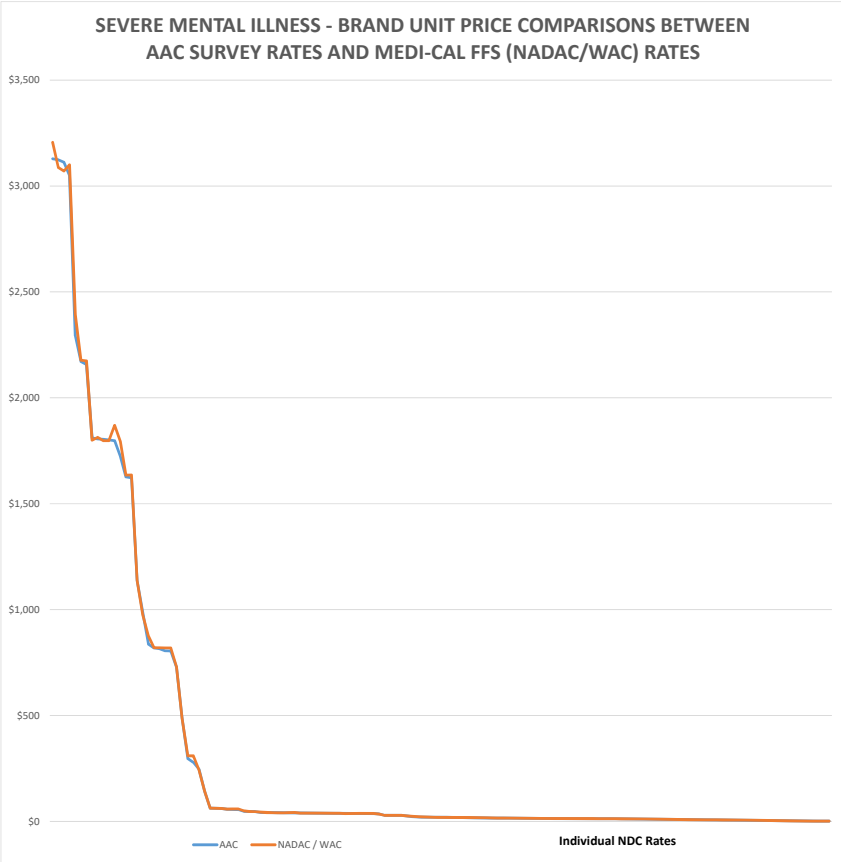
# Appendix A
# Graphs

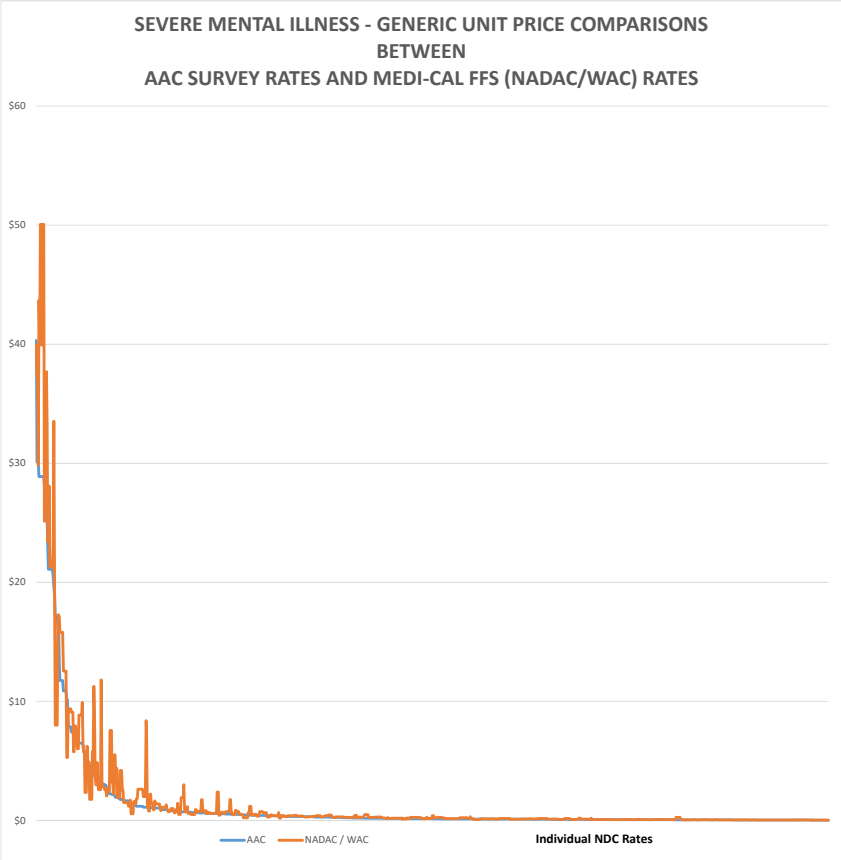
- Graphs – Line Graphs by Specialty Disease State Showing AAC and NADAC/WAC Comparisons
  - The line graphs show the rates for NDCs from high price to low. Generally the AAC rates and NADAC/WAC rates are close, as the lines align closely as from left to right (higher-priced NDCs to the left, lower price NDCs to the right).

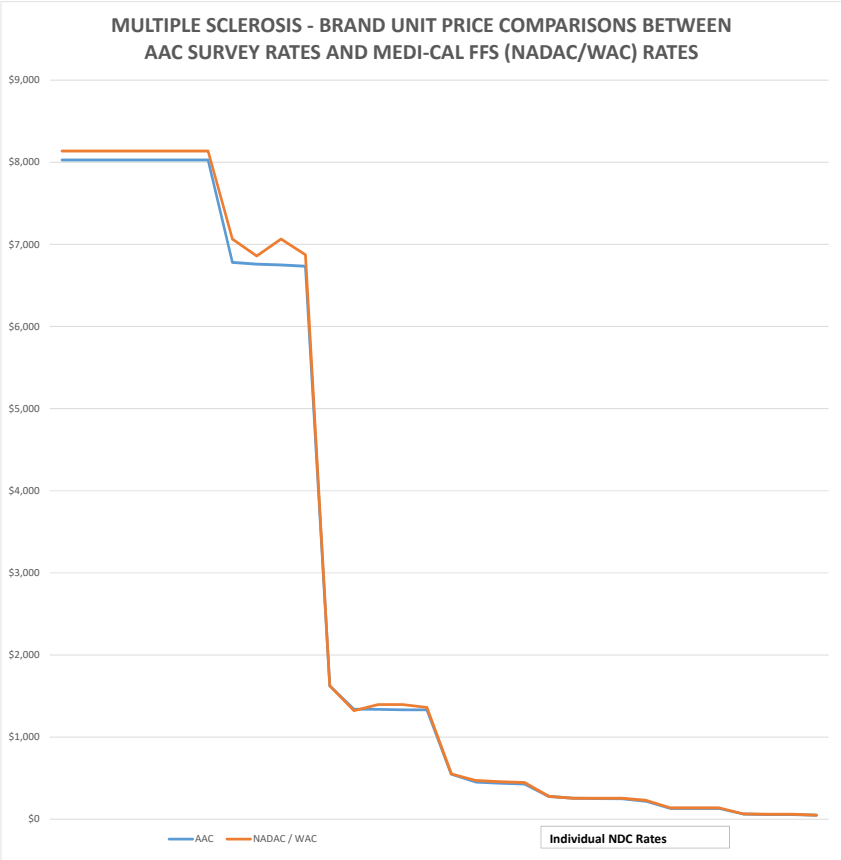

HIV - BRAND UNIT PRICE COMPARISONS BETWEEN
AAC SURVEY RATES AND MEDI-CAL FFS (NADAC/WAC) RATES
$140
$120
$100
$80
$60
$40
$20
$0
AAC
NADAC / WAC
Individual NDC Rates

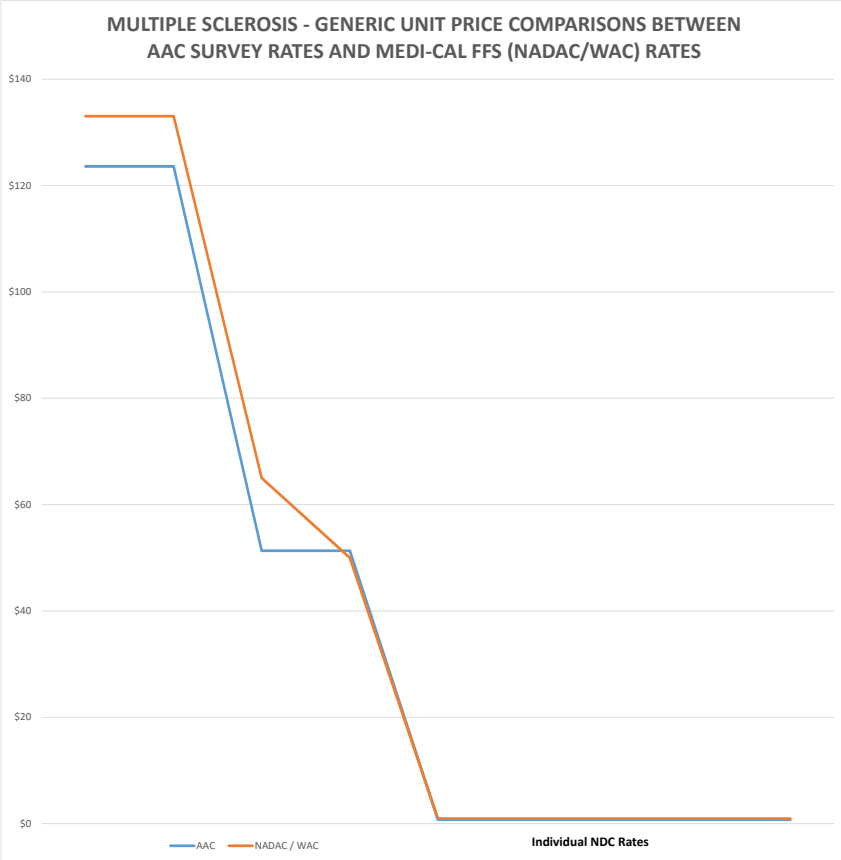

HIV - GENERIC UNIT PRICE COMPARISONS BETWEEN
AAC SURVEY RATES AND MEDI-CAL FFS (NADAC/WAC) RATES
$25
$20
$15
$10
$5
$0
AAC
NADAC / WAC
Individual NDC Rates

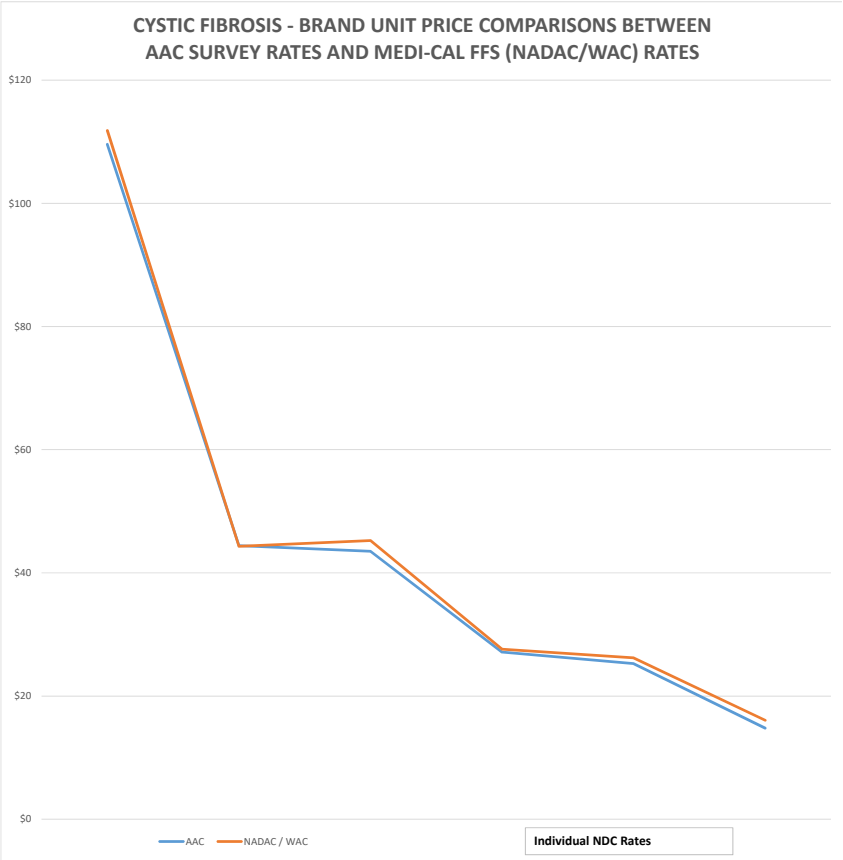

AUTOIMMUNE DISEASE - BRAND UNIT PRICE COMPARISONS BETWEEN
AAC SURVEY RATES AND MEDI-CAL FFS (NADAC/WAC) RATES
$25,000
$20,000
$15,000
$10,000
$5,000
$0
AAC
NADAC / WAC
Individual NDC Rates

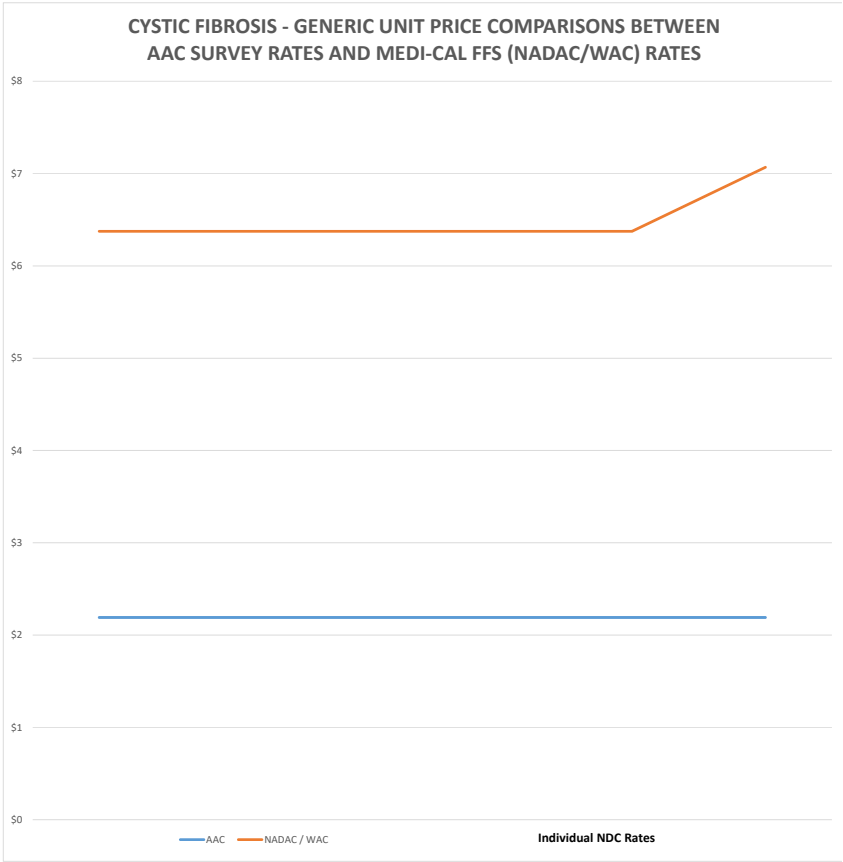

SEVERE MENTAL ILLNESS - BRAND UNIT PRICE COMPARISONS BETWEEN
AAC SURVEY RATES AND MEDI-CAL FFS (NADAC/WAC) RATES
$3,500
$3,000
$2,500
$2,000
$1,500
$1,000
$500
$0
AAC
NADAC / WAC
Individual NDC Rates

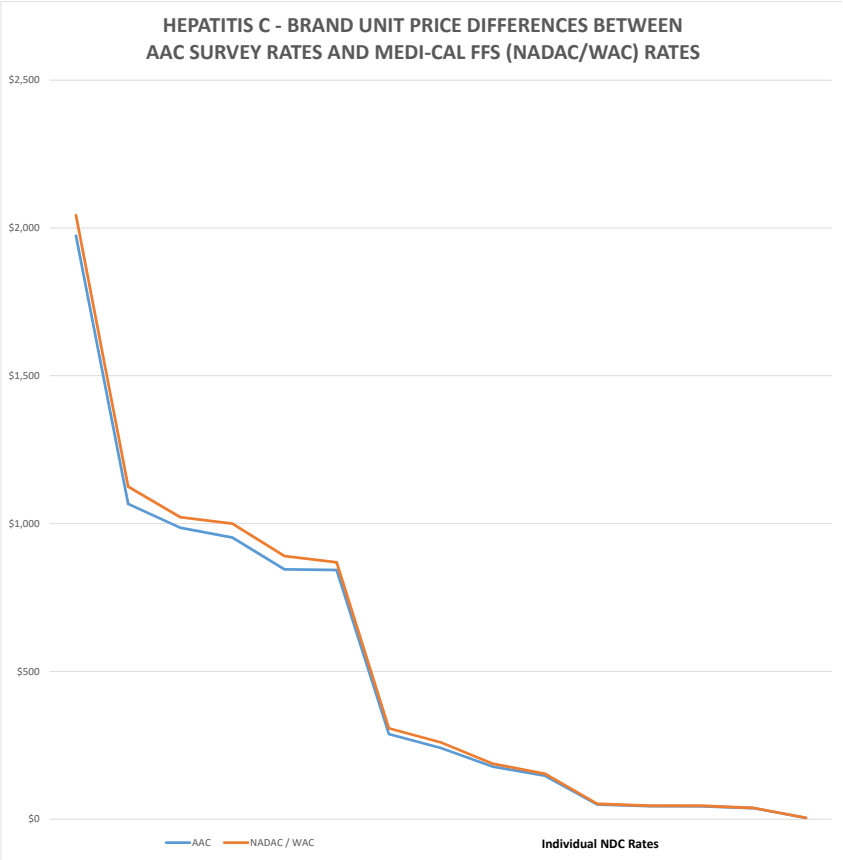

SEVERE MENTAL ILLNESS - GENERIC UNIT PRICE COMPARISONS
BETWEEN
AAC SURVEY RATES AND MEDI-CAL FFS (NADAC/WAC) RATES
$60
$50
$40
$30
$20
$10
$0
AAC
NADAC / WAC
Individual NDC Rates

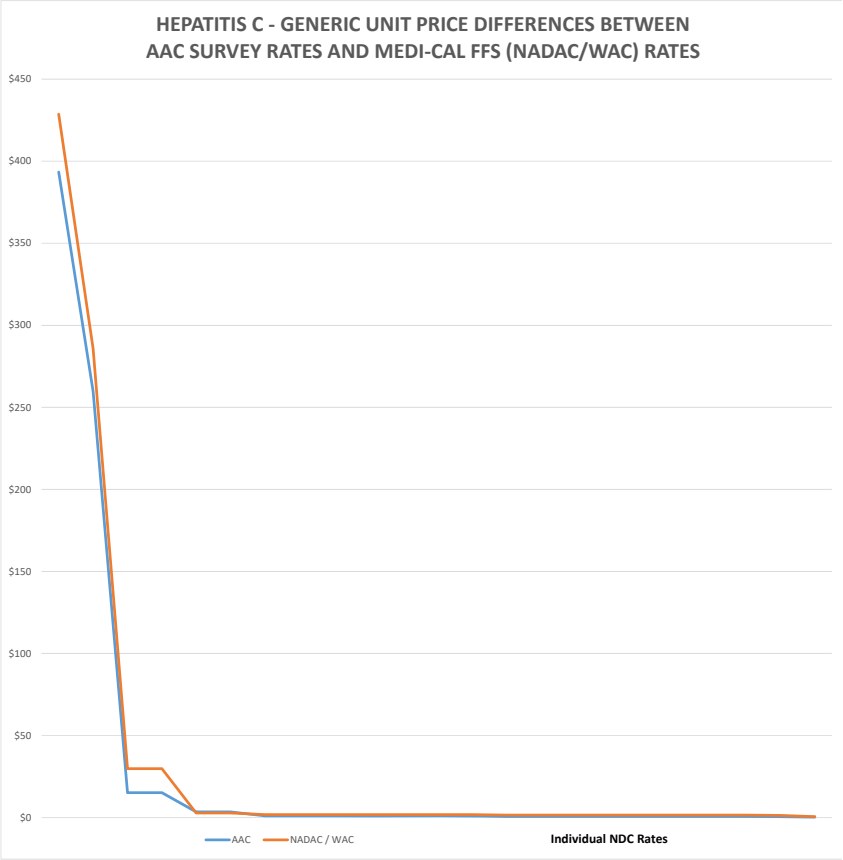

MULTIPLE SCLEROSIS - BRAND UNIT PRICE COMPARISONS BETWEEN
AAC SURVEY RATES AND MEDI-CAL FFS (NADAC/WAC) RATES
$9,000
$8,000
$7,000
$6,000
$5,000
$4,000
$3,000
$2,000
$1,000
$0
AAC
NADAC / WAC
Individual NDC Rates


MULTIPLE SCLEROSIS - GENERIC UNIT PRICE COMPARISONS BETWEEN
AAC SURVEY RATES AND MEDI-CAL FFS (NADAC/WAC) RATES
$140
$120
$100
$80
$60
$40
$20
$0
AAC
NADAC / WAC
Individual NDC Rates


CYSTIC FIBROSIS - BRAND UNIT PRICE COMPARISONS BETWEEN
AAC SURVEY RATES AND MEDI-CAL FFS (NADAC/WAC) RATES
$120
$100
$80
$60
$40
$20
$0
AAC
NADAC / WAC
Individual NDC Rates


CYSTIC FIBROSIS - GENERIC UNIT PRICE COMPARISONS BETWEEN
AAC SURVEY RATES AND MEDI-CAL FFS (NADAC/WAC) RATES
$8
$7
$6
$5
$4
$3
$2
$1
$0
AAC
NADAC / WAC
Individual NDC Rates


HEPATITIS C - BRAND UNIT PRICE DIFFERENCES BETWEEN
AAC SURVEY RATES AND MEDI-CAL FFS (NADAC/WAC) RATES
$2,500
$2,000
$1,500
$1,000
$500
$0
AAC
NADAC / WAC
Individual NDC Rates


HEPATITIS C - GENERIC UNIT PRICE DIFFERENCES BETWEEN
AAC SURVEY RATES AND MEDI-CAL FFS (NADAC/WAC) RATES
$450
$400
$350
$300
$250
$200
$150
$100
$50
$0
AAC
NADAC / WAC
Individual NDC Rates

Appendix B

# Additional Statistical Tables

See attached Microsoft Excel file.

- Table B1 – Brand Rates by Drug Disease State – Minimums, Medians, Averages, Maximums
- Table B2 – Generic Rates by Drug Disease State – Minimums, Medians, Averages, Maximums
- Table B3 – Brand Rates by GCN
- Table B4 – Generic Rates by GCN

Appendix C

# Rates by NDC

See attached Microsoft Excel file.

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