January 3, 2017

RE: Covered Outpatient Drugs Final Rule with Comment (CMS-2345-FC)

Dear State Medicaid Director,

The National Council for Prescription Drug Programs (NCPDP) is a not-for-profit American National Standards Institute (ANSI)-accredited Standards Development Organization (SDO) consisting of nearly 1600 members who represent drug manufacturers, chain and independent pharmacies, drug wholesalers, insurers, mail order prescription drug companies, claims processors, pharmacy benefit managers, physician services organizations, prescription drug providers, software vendors, telecommunication vendors, industry professional societies, service organizations, government agencies, and other parties interested in electronic standardization within the pharmacy services sector of the healthcare industry. NCPDP creates the standards that facilitate the interchange between pharmacies, physicians, pharmacy benefits managers, payers, processers and manufacturers—including the Telecommunication Standard Version D.0.

The Medicaid Covered Outpatient Drugs Final Rule assists states and the federal government in managing drug costs, establishes the long term framework for implementation of the Medicaid drug rebate program, and creates a reimbursement system for Medicaid programs and pharmacies that more accurately reflects drug cost and the cost of dispensing.

This regulation changes the Medicaid reimbursement formula by replacing the current Estimated Acquisition Cost (EAC) with Actual Acquisition Cost (AAC). In order to comply with the Final Rule, states have the option to either use the Centers for Medicare & Medicaid Services National Average Drug Acquisition Cost (NADAC) or state-specific AAC. In addition, the rule also allows states to use other benchmarks such as Average Wholesale Price (AWP) or Wholesale Acquisition Cost (WAC) as long as such alternatives reflect the true cost of the drug. In addition to moving to a cost-based reimbursement methodology, the Final Rule also implements the Affordable Care Act Average Manufacturer Price (AMP) based federal upper limits for reimbursement of generic drugs.

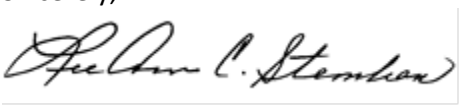
State Medicaid Agencies must comply with the requirements of this rule by submitting a State Plan Amendment (SPA) to CMS by June 30, 2017 to be effective no later than April 1, 2017. Therefore causing all state Medicaid agencies to convert to an acquisition cost based reimbursement methodology.

Accordingly, NCPDP has prepared a white paper, "The Proper Use of the NCPDP Telecommunication Standard Version D.0 as it Applies to the Implementation of Medicaid Reimbursement Methodologies Based on Actual Acquisition Cost (AAC) Plus a Professional Dispensing Fee" to provide you and your fiscal agents proper guidance in implementing these changes in order to maintain compliance with the NCPDP standards while ensuring proper reimbursement of claims.

Please distribute this white paper to the appropriate members of your team, including those responsible for implementation of any changes to the pharmacy system related to this regulation.

If you have questions, please send them to Kittye Krempin at kkrempin@ncpdp.org. The Work Group 9 Medicaid Best Practices Using NCPDP Standards to Implement New Reimbursement Rules Task Group will address your questions and update this white paper. Responses will be sent to the individual and when applicable published in the document as a Frequently Asked Question.

Sincerely,



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Attachment