
Methods and Standards for Establishing Payment Rates - Other Types of Care

I. Prescribed Drugs

A. Reimbursement.

1. **Lowest of Logic.** Unless otherwise stated, drugs shall be reimbursed at the lowest of:
 - a. The National Average Drug Acquisition Cost (NADAC), plus the professional dispensing fee; or
 - b. The Wholesale Acquisition Cost (WAC) plus zero percent (0%), plus the professional dispensing fee; or
 - c. The Federal Upper Limit (FUL), plus the professional dispensing fee; or
 - d. The Maximum Allowable Cost (MAC) as determined by the state, plus the professional dispensing fee; or
 - e. The provider's usual and customary (U&C) charge to the public, as identified by the claim charge.
2. **Retail Community Pharmacy.** Drugs dispensed by a retail community pharmacy will be reimbursed by the lowest of logic in Section A.I.
3. **Specialty Pharmacy.** Drugs not dispensed by a retail community pharmacy but dispensed primarily through the mail (such as specialty drugs) will be reimbursed by the lowest of logic in Section A.I.

- B. **Maximum Allowable Cost (MAC).** The MAC will take into account each drug's cost, rebate status (non-rebatable, rebatable), marketplace status (obsolete, terminated, regional availability), and relative comparable pricing. Other factors considered are clinical indications of drug substitution, utilization, and availability in the marketplace. The Kentucky Medicaid MAC may be applied to covered non-legend over-the-counter drugs and legend drugs including, but not limited to, specialty and biosimilar medications, hemophilia products, etc.

Drug pricing resources that may be used to compare actual acquisition costs for multiple-source drugs include:

1. Nationally recognized comprehensive data files maintained by a vendor under contract to the Department, including:
 - a. The National Average Drug Acquisition Cost (NADAC) published by CMS, and
 - b. The Wholesale Acquisition Cost (WAC), manufacturer's price list, and/or other nationally recognized sources
2. The Average Manufacturers Price for Si Drugs as reported by CMS,
3. Pharmacy providers, and
4. Wholesalers.

C. **Dispensing and Repackaging Fees.**1. **Professional Dispensing Fee.**

- A. Effective April 1, 2017, for prescribed drugs, including legend and specific non-legend drugs, prescribed by an authorized provider, Kentucky Medicaid shall reimburse the actual acquisition cost for drugs determined by the lowest of logic in Section A. I. and, in all instances, the professional dispensing fee shall be \$10.64 per drug per month.

2. Unit Dose Repackaging Fee

- A. For nursing facility residents, meeting Medicaid patient status, an repackaging of two (2) cents per unit dose, but not to exceed \$25.00 per claim, shall be paid for repackaging a non-unit dose drug in unit dose form.
- B. Compounded drugs, prescribed by an authorized provider shall reimburse the actual acquisition cost for legend drugs determined by the lowest of logic in Section A.I. and, in all instances, the professional dispensing fee shall be \$10.64 every 13 days per compounded drug per individual member per unique pharmacy NPI.

Methods and Standards for Establishing Payment Rates - Other Types of Care**I. Prescribed Drugs (continued)**

- 3. Institutional Pharmacy. Drugs dispensed by an institutional or long-term care facility pharmacy provider (non-community or non-retail) will be reimbursed by the lowest of logic in Section A. I., plus the professional dispensing fee in Section C.
- 4. Hemophilia. Clotting factors acquired outside of the 340B Program will be reimbursed by the lowest of logic in Section A. I., which shall include ASP+ 6%, plus the professional dispensing fee in Section C.
- 5. 340B Program.
 - a. 340B covered entities as described in Section 1927(a)(5)(8) of the Social Security Act, including Federally Qualified Health Centers and hemophilia treatment centers, that utilize 340B purchased drugs for Medicaid members will be reimbursed no more than their actual acquisition cost or the amount determined by the lowest of logic in Section A. I., which shall include the 340B Ceiling Price, plus the professional dispensing fee in Section C. Covered entities using drugs purchased under the 340B Program for Medicaid members must bill no more than their actual acquisition cost, plus the professional dispensing fee in Section C.
 - b. 340B covered entities that do not utilize drugs purchased under 340B for Medicaid members will be reimbursed by the lowest of logic in Section A. I., plus the professional dispensing fee in Section C.
 - c. Drugs acquired through the 340B Program and dispensed by 340B contract pharmacies are not covered.
- 6. Physician Administered Drugs. Drugs administered by a physician or in a hemophilia treatment center submitted under the medical benefit will be reimbursed no more than the lesser of average sales price (ASP) according to the Medicare fee schedule or the amount determined by the lowest of logic in Section A. I., and no professional dispensing fee shall be paid. Covered entities using drugs purchased under the 340B Program for Medicaid members must bill no more than their actual acquisition cost.
- 7. Federal Supply Schedule. Facilities purchasing drugs through the Federal Supply Schedule (FSS) will be reimbursed no more than their actual acquisition cost, plus the professional dispensing fee in Section C.
- 8. Nominal Price. Facilities purchasing drugs at a Nominal Price (outside of 340B or FSS) will be reimbursed no more than their actual acquisition cost, plus the professional dispensing fee in Section C.
- 9. Investigational Drugs or Investigational Uses of Drugs. investigational drugs or drugs utilized for non-FDA indications or other investigational treatments are not covered.

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5. The department shall reimburse for drugs at the lesser of:
- Branded Drugs: WAC + 2% (plus dispensing fee) OR
 - Generic Drugs: WAC + 3.2 % (plus dispensing fee) OR
 - FUL + dispense fee OR
 - MAC + dispense fee OR
 - Usual & Customary (U & C)
6. For nursing facility residents meeting Medicaid patient status, an incentive of two (2) cents per unit dose shall be paid to long term care, personal care, and supports for community living pharmacists for repackaging a non-unit dose drug in unit dose form.
7. Medication Assisted Therapy (MAT)
- a. Non-bundled prescribed drugs (at the pharmacy) will be reimbursed at the lowest of logic outlined in Attachment 4.19-B Page 20.1.
 - b. Methadone Medication Assisted Treatment will be paid as outlined in Attachment 4.19-B. Page 20.15(1)(d)(i)
- 91 1905(a)(29) Medication-Assisted Treatment (MAT)

The reimbursement for unbundled prescribed drugs and biologicals used to treat opioid use disorder will be reimbursed using the same methodology as described for prescribed drugs located in in Attachment 4.19-B, pages 20.1-20.1(a), for drugs that are dispensed or administered.

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