



27 April 2017

Bureau of Program and Policy
Coordination Division of Medical
Programs
Healthcare and Family
Services 201 South Grand
Avenue East Springfield,
Illinois 62763-0001

Submitted electronically via HFS.bpra@illinois.gov and by mail

RE: Illinois Medicaid Program compliance with CMS Outpatient Prescription Drug Rule (CMS-2345-FC)

Dear Director Norwood:

We as the undersigned groups represent a broad array of pharmacy providers in the State of Illinois that serve Illinois Medicaid patients in communities throughout the state. We as a coalition of providers are submitting this group written comment on the recent public notice by the Illinois Department of Healthcare and Family Services (HFS) as to how the Department should proceed to implement the Medicaid fee for service Outpatient Prescription Drug reimbursement rule (CMS-2345-FC).

We support the use of NADAC as the primary benchmark for shifting Illinois Medicaid fee for service (FFS) drug product reimbursement to an actual acquisition cost (AAC) methodology to meet the CMS rule requirement. We understand that state Medicaid programs are now required to be compliant with the rule implement deadline to an AAC methodology as of April 1, 2017. For Illinois Medicaid outpatient drugs not included in the NADAC files, we recommend that HFS utilize a Wholesale Acquisition Cost (WAC) based methodology. And we recognize that HFS will have to include a lesser of AAC methodology for any pharmacy's usual and customary (U&C) drug cost reimbursement that is below either the NADAC or WAC based drug prices.

There is a major concern that the proposed changes are not fully consistent with the requirements established by CMS-2345-FC for prescription drugs dispensed to Medicaid beneficiaries. Under the CMS-2345-FC, CMS requires states to implement a "professional dispensing fee" that covers pharmacies' costs associated with dispensing medications to Medicaid patients. See 42 C.F.R. §§ 447.502, 447.512, 447.514. To establish the professional dispensing fee, states must review reimbursement comprehensively and consider both the ingredient cost reimbursement and the professional dispensing fee when proposing changes to either of these components to ensure that total reimbursement is in accordance with federal access requirements. The major concern for all of us is the lack of information in the HFS public notice as to how HFS plans to proceed with complying with 42 CFR 447 requirements to adopt a professional dispensing fee based on a valid survey to determine a pharmacy's cost to dispense (COD) a Medicaid outpatient prescription

drug in that State.

Given that a number of the undersigned groups have been involved in other state's approaches to develop valid surveys, we would offer the following recommendation. To the best of our knowledge, HFS has not contracted with either Myers and Stauffer or the Mercer Group to conduct a survey of Illinois pharmacies to calculate a Medicaid pharmacy COD professional fee for outpatient FFS prescriptions. We know that contracting for this type of study will be expensive to the state and will not meet the federal mandate for a SPA submission by June 30, 2017.

Consequently, we would offer that the Department utilizes the attached study conducted by the Coalition for Community Pharmacy Action (CCPA) ¹ that examines national COD survey data (which other states have used as the COD basis in their SPA submission to CMS). You will see that CCPA has develop a valid study and based a COD recommendation that the HFS can utilize to submit to CMS in the SPA by the June 30th deadline without the State of Illinois having to incur any cost or state staff work. We, in this coalition, are confident this study will meet the CMS regulation standard for Illinois to submit a COD fee based on a valid study, as it has also been utilized in other states for their SPA. As stated on page 27 of this study, the Medicaid cost of dispensing for Illinois is calculated to be \$10.66 per prescription¹. The cost of dispensing is a fair and reasonable proposal; as compared to the overall cost of dispensing per prescription (page 23) which is calculated to be \$11.37. A similar white paper examined the cost of dispensing for Illinois recommend a cost of dispensing of \$12.00.² This white paper factors in inflation in the cost of dispensing; which is a valid consideration and an element for further consideration for the Department.

We do support this move in the CMS rule to a more predictable and transparent Medicaid outpatient prescription drug reimbursement formula that, as the CCPA study notes, is fair and equitable to both pharmacy providers and the state. It will also help the Illinois Medicaid program more accurately predict and track its net costs for fee for service prescriptions.

For those reasons of fiscal transparency and planning, we also recommend that HFS adopt this Medicaid prescription drug reimbursement model in the Illinois Medicaid Managed Care contract as has been adopted by the State of Kansas for its MCO's.

We hope that HFS finds these comments to be useful in developing a SPA for Medicaid prescription drug reimbursement that is compliant with the federal regulatory requirement.

Sincerely,

Scott Meyers, RPh, MS, FASHP
Executive Vice President
Illinois Council of Health-System
Pharmacists

Garth K. Reynolds, BSPHarm, RPh
Executive Director
Illinois Pharmacists Association

Rob Karr
President & CEO
Illinois Retail Merchants Association

John Covello
Director of Government Relations

Joel Kurzman
Director, State Government Affairs
National Association of Chain Drug Stores

Bill Mincy
National Chairman
Pharmacy Choice and Access Now

Fara S. Klein, M.P.P.
Manager, State Government Affairs
National Community Pharmacists
Association

Jerry L. Bauman, PharmD, FCCP, FACC
Dean and Distinguished Professor
University of Illinois at Chicago College of
Pharmacy

Cc: Gregory Bassi
Mischa Fischer

1. The MPI Group. *The Cost of Dispensing Study: National Cost of Dispensing (COD) Study Final Report. s.1 : Coalition for Community Pharmacy Action*, 2015.
2. Shah, SD, et al. *Covered Outpatient Drugs Ruling Position Statement*. UI Health - University of Illinois Hospital & Health System, 2017.