



HUMAN SERVICES
DEPARTMENT

Susana Martinez, Governor
Brent Earnest, Secretary
Nancy Smith-Leslie, Director

Letter of Direction #80 – Repeal & Replace

Date: May 7, 2018
To: Centennial Care Managed Care Organization
From: *NSL* Nancy Smith-Leslie, Director, Medical Assistance Division
RE: Centennial Care Letter of Direction #80 – Repeal & Replace
Subject: Community Pharmacy Reimbursement
Title: Community Pharmacy Reimbursement

The Human Services Department (HSD) is issuing this LOD with the recognition that implementation of these new reimbursement policies may require network re-contracting and system changes. Therefore, the effective date of the policies outlined in this LOD is April 1, 2018.

New information below:

For MCOs that did not meet the April 1, 2018 implementation date, the MCO must report the current status with regard to the implementation of this LOD to HSD on a weekly basis until implementation is complete. It must also adjust claims back to the mandatory effective date of April 1, 2018.

If an MCO has not implemented this change, the MCO must communicate to the community pharmacies about when it will be compliant, in order to avoid the pharmacies preparing large numbers of challenges on the pricing.

It is also important to note that because the actuary that prepares information related to MCO costs and payments is working on the anticipated increased cost to MCOs, there are two assumptions of which the MCO must understand:

1. The intent of the LOD is to increase payments to the community-based pharmacies, and should not be viewed as an opportunity to offset this increase by lowering the dispensing fee portion of their payment.
2. MCOs are expected to reflect the change in reimbursement policy in their contracts with providers. The increase being implemented is in addition to the MCOs' existing reimbursement as of January 1, 2018 and MCOs should apply the increases associated with the LOD, without offsetting the reductions elsewhere. If the MCO is late in its implementation of the LOD, the MCO must retrospectively adjust the payment for claims with fill dates on or after April 1, 2018. HSD may apply monetary sanctions for not implementing as outlined in the LOD and may also make payment rate adjustments, if necessary.

3. Likewise, the NADAC and WAC bases for calculating ingredient costs are to be viewed as a new lower limit that is applied to the existing basis for payment. It is not to be acted upon as an opportunity to lower MAC prices on the basis that the NADAC or WAC plus 6% is lower than the MCOs' current MAC.
4. If the MCO used this new requirement to lower MAC prices then it must retrospectively adjust those claims back to April 1, 2018 for the pharmacies as listed in this LOD.

Also, there are 2 corrections to the list of community-based pharmacies. That additional information is found below on the pharmacy list.

Restatement of previous information – no changes from previous content:

1. Reimbursement to Community-Based Pharmacies:

To help ensure that the pharmacy payment structure more realistically reflects buying power, buying volume, and price negotiating potential, a MCO must ensure that the Maximum Allowed Cost (MAC) for ingredient cost generic drugs for Community-based Pharmacies is no lower than the current National Average Drug Acquisition Cost (NADAC) listed for the National Drug Code (NDC) for the drug item. The dispensing fees will be paid in accordance with the terms of the applicable pharmacies' contracts.

Where there is not a NADAC price available, such as for certain over-the-counter (OTC) drug items, certain generic drugs that have few manufacturers, and some repackage products, the MAC must be no lower than the published Wholesaler's Average Cost (WAC) listed for the NDC plus 6%. The WAC must come from a published national pharmacy pricing source such as Medispan for First Data Bank that is not associated with the MCO or PBM. This pricing methodology for certain OTC drug items aligns with the state's reimbursement structure under Medicaid fee-for-service (FFS). Such pricing is in effect only for drug items that do not have a NADAC price available.

If the pharmacy submits an ingredient cost less than NADAC (or the WAC plus 6% when applicable), then the MCO's pharmacy benefit manager (PBM) may use that lower submitted amount as the ingredient cost.

a. A Community-Based Pharmacy is a pharmacy that has the following characteristics:

- Is open to the public for prescriptions to be filled, regardless of the facility or practice where the prescription was written. This includes multi-site pharmacy operations and franchises whose locations are in New Mexico;
- Is located in New Mexico or near the state border, if the border town is a primary source of prescription drugs for Centennial Care members residing in the border area;
- Is not government-owned, not hospital-owned or hospital-based, not an extension of a hospital, not owned by a corporation owning hospitals, and not an extension of a medical practice or specialty facility;
- Is not owned by a corporate chain with stores outside of New Mexico;

- Is not a mail order pharmacy; and
 - Is not part of a national network of pharmacies or specialty pharmacies, including those primarily used for supplying IV admixtures
- b. A list of pharmacies to which this LOD applies is attached. HSD develops and maintains the criteria for inclusion on the list. This LOD applies only to community-based pharmacies that participate in the MCO's Centennial care network. Inclusion of a pharmacy on the list does not mandate inclusion of the pharmacy in the MCO's Centennial Care network. The LOD does not supersede any credentialing requirements established by the MCO or its Pharmacy Benefit Manager (PBM). Pharmacies on the list that are not contracted for participation in the MCO's Centennial Care network will be subject to the MCO's out-of-network payment rules.
 - c. The MCO is not obligated to adjust claims retroactively based on changes made by HSD/MAD to the list

2. Calculation of Payment:

- a. A pharmacy cannot be required to submit a dispensing fee on the claim, nor shall the payer use a submitted dispensing fee to limit payment. A MCO must ensure that the contracted dispensing fee is used in the payment calculations.
- b. A MCO must pay the Administration fee, compounding or assembling fee, consultation fee, and/or prescribing fee when specifically established by Mad, such may be done for Naloxone and oral contraceptives. Currently, these add-on payments apply primarily to injections and Naloxone kits.

3. Updating Prices:

- a. NADAC prices (or WAC prices plus 6% for OTC drug items) must be implemented within 7 calendar days of NADAC price changes. If a price increase is not made within 7 calendar days, the MCO must ensure that pharmacy claims are adjusted to reflect the price increase for claims that were not paid at the increased price. A price decrease cannot be implemented retroactively.
- b. For MAC prices determined by a MCO (other than NADAC and WAC plus 6%), the MCO must ensure that all MAC payment levels are reviewed, at a minimum, once per week. If there is a price increase that took place during the week that resets the MAC price, and increase must be implemented within 7 calendar days. If a price increase is not made within 7 calendar days, the MCO must ensure that paid pharmacy claims are adjusted to reflect the price increase if they were not paid at the increased price. A price decrease cannot be implemented retroactively.
- c. MAC prices must be established by evaluation a range of prices from sources with prices available in New Mexico. Documentation must be retained on how the price was selected and how it was determined that the price was available in New Mexico. If a MCO selects the lowest price available, documentation must be maintained showing that the source of the MAC price is available from wholesalers in New Mexico. Short-term, special deal prices cannot be used to set a MAC price at the

lowest available price.

4. A MCO must cover flu shots, including the booster-enhanced flu shots for members when prescribed for recipients 65 and older and for other conditions per CDC seasonal recommendations.
5. MCOs must follow MAD direction regarding the minimum amount of information that must be reported back to the pharmacy on a price challenge. When a MAC price challenge is made on the basis of failing to update a price within the applicable timeframes, and a pharmacy “winds” the challenge, the MCO must ensure that all pharmacy claims that were underpaid due to the lack of a timely update are adjusted.

The MCO must require that if the pharmacy does not “win” the challenge, that the response to the pharmacy shall state (1) the drug price that is in effect on the date of service; (2) the date that the price was established as the MAC price; (3) if the MAC price has subsequently changed since the date of the prescription and the the current MAC price; (4) the basis of that price; that is, how the price was established; and (5) the NDC if the price is based on specific NDC; and (6) how they concluded the price was available in New Mexico.

6. MCOs must accept the price challenges directly from the pharmacy if the MCO PBM is setting the price unless the pharmacy contract with the PSAO requires challenges to go through the PSAO, in which case the MCO must require the PSAO to forward challenges to the MCO within 3 business days of receipt from the pharmacy, and require the PSAO to forward any response to the pharmacy within 3 days of receipt from the MCO.
7. For a claim recoupment or payment reduction made more than 7 calendar days after initial payment, a provider must be notified about the reason for the recoupment or reduction, the amount of the recoupment or reduction, and given an opportunity to appeal or file a grievance. There is not a fair hearing right. This requirement does not apply if the pharmacy is reversing or rebilling the claim that results in a recoupment or payment reduction.

If the pharmacy contract with the PSAO requires notices of payment recoupment of reduction go through the PSAO, the MCO must require the PSAO to forward such notices including the opportunity to appeal the pharmacy within 3 business days of receipt from the MCO and the PSAO to forward any response to the MCO within 3 days of receipt from the pharmacy.

List of Pharmacies that Meet the Criteria as Community-Based

This list includes 91 community-based pharmacies, mostly in New Mexico or very close to the New Mexico border. Pharmacies in places such as Durango, El Paso, Lubbock, and Amarillo are not included since they are not the only choice of pharmacy for Centennial Care members living in these areas. This list, and the corresponding pricing methodology, is not exclusive to rural areas of New Mexico.

HSD will be the source of and maintain this list of pharmacies. The list will be updated and shared with the MCOs on a calendar basis.

New information below:

In the original version of LOD # 80, the list of pharmacies inadvertently excluded 2 pharmacies from the list that should also be considered community-based, that have now been added to the list. These 2 pharmacies are SAM'S REGENT PHARMACY, and PHARMACY PLUS.

NPI	Pharmacy Name	City	State
1740663293	ABQ BESTCARE PHARMACY	ALBUQUERQUE	NM
1760852271	ABQ BESTCARE PHARMACY 2 LLC	ALBUQUERQUE	NM
1841219128	ADDISON DRUG	FT SUMNER	NM
1437170404	ADVANCED MEDICATION SYSTEMS	CARLSBAD	NM
1902358468	ALBUQUERQUE CITY DRUG	ALBUQUERQUE	NM
1225059298	ALBUQUERQUE PHARMACY	ALBUQUERQUE	NM
1982753232	ALBUQUERQUE PHARMACY	ALBUQUERQUE	NM
1861580763	BEN ARCHER HEALTH CENTER PHARMACY	LAS CRUCES	NM
1396095386	BEN ARCHER HEALTH CENTER PHARMACY OF LAS CRUC	LAS CRUCES	NM
1245239185	BEST BUY DRUGS	ALBUQUERQUE	NM
1588197750	BESTCARE PHARMACY LORDSBURG LLC	LORDSBURG	NM
1992154579	BESTCARE PHARMACY	QUESTA	NM
1790137735	BESTCARE PHARMACY ANGEL FIRE	ANGEL FIRE	NM
1457880114	BESTCARE PHARMACY MORA LLC	MORA	NM
1831637636	BESTCARE PHARMACY SPRINGER LLC	SPRINGER	NM
1922520667	BESTCARE PHARMACY-CHAMA LLC	CHAMA	NM
1386870822	BLUE MOUNTAIN PHARMACY	BLANDING	UT
1699826008	BOBS BUDGET PHARMACY INC	TUCUMCARI	NM
1497899447	BROWN DRUG INC	ARTESIA	NM
1770643918	BUCKLAND PHARMACY	BELEN	NM
1740262260	CITY DRUG	CLAYTON	NM
1508892795	CITY MARKET PHARMACY	PAGOSA SPRINGS	CO
1306997424	CJS PILL BOX	PORTALES	NM
1285924803	CORRALES PHARMACY	CORRALES	NM
1043381064	DAVIS-FLECK UNITED PHARMACY	T OR C	NM

NPI	Pharmacy Name	City	State
1205388865	DEL NORTE LONG TERM CARE PHARMACY	LAS VEGAS	NM
1912983578	DEL NORTE PHARMACY AND HOME MEDICAL	LAS VEGAS	NM
1164408720	DEL NORTE PHARMACY AND HOME MEDICAL	SANTA FE	NM
1710404355	DEL-REY PHARMACY	LAS CRUCES	NM
1821379587	DENVER CITY PHARMACY	DENVER CITY	TX
1497825970	DURAN CENTRAL PHARMACY INC	ALBUQUERQUE	NM
1588079594	EL DORADO PHARMACY LLC	RICHARDSON	TX
1770017832	EZ PHARMACY	CHAPARRAL	NM
1407907496	FAIRVIEW PHARMACY	ESPANOLA	NM
1013338847	FARMERS UPTOWN PHARMACY	ROSWELL	NM
1386857993	FOUR CORNERS REGIONAL HEALTH CENTER	TEEC NOS POS	AZ
1942684329	FRESH RX LLC	IGNACIO	CO
1134599202	HEALTHCARE PHARMACY	LAS CRUCES	NM
1417945494	HIGHLAND PHARMACY	ALBUQUERQUE	NM
1932453289	JACKISCH DRUG	PAGOSA SPRINGS	CO
1427004449	JOES PHARMACY	PERALTA	NM
1215229844	K & K PHARMACY	MULESHOE	TX
1326159625	KARE DRUG	BLOOMFIELD	NM
1649262502	KARE DRUG INC NO 2	AZTEC	NM
1245688407	KELLYS PHARMACY	SOCORRO	NM
1699711309	LA TIENDA PHARMACY	CARLSBAD	NM
1619046448	LIBERTY DRUG	DENVER CITY	TX
1609873900	LOWELLS PHARMACY	ARTESIA	NM
1821190166	MAY PHARMACY	MORIARTY	NM
1093851602	MEDICINE CHEST	ALBUQUERQUE	NM
1073555330	MENAU COMPOUNDING PHARMACY	ALBUQUERQUE	NM
1972925279	MESA PHARMACY	RATON	NM
1790225795	MESA PHARMACY (SPRINGER)	SPRINGER	NM
1205251758	MICHAELS PRESCRIPTION CORNER	EUNICE	NM
1649311374	MICHAELS PRESCRIPTION CORNER	LOVINGTON	NM
1821416751	MICHAELS PRESCRIPTION CORNER NORTE VISTA	HOBBS	NM
1538238464	MILL STREET DRUG	BAYFIELD	CO
1578503488	MOUNTAINAIR MEDS AND MORE LLC	MOUNTAINAIR	NM

NPI	Pharmacy Name	City	State
1588972640	NAMBE DRUGS	SANTA FE	NM
1659768349	NAMBE DRUGS LOS ALAMOS	LOS ALAMOS	NM
1003173097	NEIGHBORHOOD PHARMACY	ANDREWS	TX
1558721043	NEWSSCRIPTS PHARMACY	LOS RANCHOS	NM
1255714101	NORTH VALLEY CENTER FOR FAMILY AND COMMUNITY	ALBUQUERQUE	NM
1568473114	NOWELL PHARMACY LLC	LOVINGTON	NM
1104813963	OSWALT PHARMACY	SEMINOLE	TX
1861949851	PARKHUST PHARMACY	GRANTS	NM
1568545051	PHARMACY PLUS	BERNALILLO	NM
1124414214	PHILS PHARMACY	ALBUQUERQUE	NM
1578635199	PINON FAMILY PHARMACY	FARMINGTON	NM
1245392851	PLAZA DRUGS INC	LAS VEGAS	NM
1790760056	PRESCRIPTION SHOP	ANDREWS	TX
1902021272	PRIMM DRUG	ROSWELL	NM
1346455680	RODEN SMITH PHARMACY	CLOVIS	NM
1891754750	RX INNOVATIONS INC	ALBUQUERQUE	NM
1669579595	SAMS REGENT PHARMACY	ALBUQUERQUE	NM
1790790327	SHARE N CARE PHARMACY AND MED	BELEN	NM
1497880470	SHARE N CARE PHARMACY AND MED	BELEN	NM
1740549054	SIERRA BLANCA PHARMACY	RUIDOSO	NM
1700810959	SOUTHWESTERN MEDICAL PHARMACY	CARLSBAD	NM
1215233820	SW MESA CTR FOR FMLY AND COMM HLTH PHARMACY	ALBUQUERQUE	NM
1902169816	THE MEDICINE SHOPPE 1387	RATON	NM
1063872455	THE PILL BOX PHARMACY	ALBUQUERQUE	NM
1407986680	TRUST PHARMACY	GRANTS	NM
1730287749	UNITED DRUG	HATCH	NM
1942242516	VICTORS REGENT PHARMACY	ALBUQUERQUE	NM
1609056035	VIDA PHARMACY LLC	ALBUQUERQUE	NM
1376676783	VILLAGE PHARMACY	PORTALES	NM
1720140569	WELLBORN PHARMACY INC	TUCUMCARI	NM
1285749200	WESTERN DRUG INC	SPRINGERVILLE	AZ
1679868780	WILEY CHEMISTS INC	SANTA FE	NM
1730585142	ZIA PHARMACY	ALBUQUERQUE	NM