



Mike DeWine, Governor
Jon Husted, Lt. Governor

Maureen M. Corcoran, Director

To: Senator Mark Romanchuk
Director Jada Brady
From: Lindsey Brigano, Deputy Director External Affairs
Re: Follow up re: Next Generation Pharmacy Contracts
Date: June 3, 2022

This document contains information regarding questions from the May 19th JMOC meeting related to the pharmacy contracts with Gainwell for the Next Generation Single Pharmacy Benefit Management program. The cover page provides the synopsis of the key issues. The attachment provides more detail and cut/paste from the relevant ODM documents. All of the linked documents can be found on the Single Pharmacy Benefit Manager page of our Next Generation of Medicaid Managed Care [website](#).

1. INFORMATION USED TO SET PHARMACY REIMBURSEMENT: OAAC FOR REIMBURSING ACQUISITION AND DISPENSING FEE

- How frequently will the survey be conducted, and information updated? *See the May FAQ.*
 - The OAAC survey will occur twice a year.
 - There will be regular weekly price updates using a similar process used for NADAC.
 - A pharmacy can appeal a rate and a retroactive price increase can be applied.
- Why is the program using Ohio specific information rather than NADAC? *See the May FAQ.*
- Also see the March 11 presentation for an overview of the complete reimbursement methodology.

2. WHEN WILL THE DISPENSING FEE AND ACQUISITION COST INFORMATION BE RELEASED?

- Please see the timelines shared in the March 11 ODM presentation.
- The dispensing fee will be announced soon. *See the May FAQ.*
- The acquisition cost will be announced at the end of June. *See the May FAQ.*

Also:

- On March 29th pharmacies were sent a letter stating a June 1 deadline to submit the contract, in advance of the July 1 go-live date. Since then, ODM announced the staggered implementation of the Next Generation Managed Care program.
- It's also important to note that this "deadline" is not being enforced. Gainwell is continuing to outreach via daily phone calls to pharmacies.
- All ODM enrolled pharmacies are being offered contracts.
- Please note language from the May FAQ: "Pharmacies do have the option to defer contracting until dispensing fees are known."

3. PENALTIES AND OAAC SURVEY COMPLIANCE

- The Gainwell contract requires the pharmacy to participate in the OAAC survey and allows termination for noncompliance. That being said, at this time, we are not considering excluding providers from participation if they didn't respond to the initial survey. This may not be the case in

the future. There is **no** penalty if a pharmacy chooses not to sign the contract, but they will not be able to participate in the ODM pharmacy network.

- Example from another state: pharmacies are terminated after 3 successive surveys without participation (or 18 months of noncompliance).
- The use of an Ohio specific acquisition cost survey is important to ensure transparency and accountability. The Ohio-specific information ensures that ODM reimburses as close to actual cost as possible. This also assures that specialty drugs are covered, since NADAC rates are not widely available for specialty drugs.
- Question was raised regarding Section 15(b) of the contract re: the provider being liable for payments or attorney's fees. The actual language specifies actions "that result from the Pharmacy's actions, inactions or other failure to comply with this agreement and/or applicable Law." The language re: such action or inaction is typical and most likely the circumstances of provider fraud, waste or abuse.
- Further, regarding participation in the OAAC survey, broad, representative and comprehensive participation is important to prevent bias in how the final rates are settled on. ODM is pleased to report that our response rate was 72%.

4. TIMELINES FOR PAYING PHARMACIES:

- For a clean claim, payments will be made on a weekly basis. However, federal law allows 90 days to pay clean claims (42 CFR 447.46). *See the March 11 presentation.*

Links to documents referenced:

- [SPBM Stakeholder FAQ - May 2022](#)
- [03/11/2022 SPBM PPAC Webinar \(slide deck\)](#)
- [04/15/2022 Specialty Pharmacy Webinar \(slide deck\)](#)

**ATTACHMENT:
ODM Reference Information**

1. INFORMATION USED TO SET PHARMACY REIMBURSEMENT: OAAC FOR REIMBURSING ACQUISITION AND DISPENSING FEE

- Why is the program using Ohio specific information rather than NADAC? See the selected sections from the May FAQ below.
- How frequently is survey conducted and information updated?
 - OAAC survey will occur twice a year.
 - There will be regular weekly price updates using a similar process used for NADAC.
 - The pharmacy can also appeal a rate and a retroactive price increase can be applied.
- Also see the March 11 presentation below for an overview of the complete reimbursement methodology.

Why is the program using OAAC rather than the National Average Drug Acquisition Cost (NADAC) if Myers and Stauffer already determine NADAC?

ODM: ODM has elected to conduct OAAC surveys to ensure the program goals of transparency and accountability are met. An evidence-based, Ohio-specific acquisition cost survey ensures that ODM reimburses as close to actual acquisition cost as possible.

As NADAC is a national average, this may not be reflective of the true cost to Ohio providers. Additionally, NADAC rates are not widely available for specialty drug products, which ODM would like to ensure are covered through the survey process.

While the OAAC survey occurs every six months, Myers and Stauffer will perform weekly market checks and adjust pricing accordingly, similar to the NADAC methodology.

How will the OAAC rates be updated to current market conditions?

Myers and Stauffer, LC (MSLC PPAC): In addition to the semi-annual survey process, Myers and Stauffer will monitor published pricing changes to Wholesale Acquisition Cost (WAC) pricing on a weekly basis and adjust OAAC rates accordingly. OAAC rates for brand-name drug products will be adjusted by the same percentage change as the WAC changes, and effective dates will be set equal to the date that the WAC price change occurred in the market to account for retroactive pricing changes.

On an ongoing basis, Myers and Stauffer will monitor various market conditions (e.g., drug shortages, new product availability, etc.) that can impact the acquisition costs experienced by pharmacies to ensure OAAC rates are in alignment with their acquisition costs.

It is important to note that OAAC rates are a direct reflection of the acquisition cost data that participating Ohio pharmacies submit through the OAAC survey. Pharmacy providers are encouraged to submit OAAC pricing inquiries to the Myers and Stauffer help desk on products for which OAAC rates are perceived to not fairly represent current acquisition costs.

In the case of price increases, can we expect that the program will apply the “best practice” and retroactively apply the appealed cost to claims?

MSLC PPAC: If an appeal results in an approved rate change, the revised OAAC rate can be retroactively applied to a claim. Pharmacies may be asked to reverse and resubmit the claim to apply the updated pricing.

How will the OAAC pricing accurately reflect current conditions when surveys are being performed every six months?

MSLC PPAC: Although OAAC surveys will occur every six months, the process for adjusting OAAC rates based on changes to published pricing and other market conditions will be similar to the process used for the NADAC. OAAC rates for brand-name drug products will be adjusted on a weekly basis based upon published pricing changes. Rate appeals can be submitted to the help desk at any time and approved rate changes will be implemented as soon as possible.

Ohio Department of Medicaid

Pricing Methodology

- Lesser of Ingredient Cost Pricing
 - » OAAC, NADAC, WAC, submitted Usual and Customary
- Fair, transparent, and evidence-based pricing methodology for all providers
- Gainwell is not charging a transaction fee to do business, nor engaging in clawbacks
 - » No DIR fees
 - » No network transmission fees
 - » No effective rate contracting
- Dispensing fees will more closely compensate providers for true cost of dispensing
 - » Tiered Structure
 - » Understand differences in acquisition costs between chain and independent pharmacies
 - » Provides flexibility for innovative value-based reimbursement
 - » Ongoing alignment to ODM clinical and safety performance goals and population health initiatives

Ohio Department of Medicaid

ODM Reimbursement Methodology

Drug Type	Methodology
Brand and Generic – Non-Specialty	Lesser of <ul style="list-style-type: none"> • OAAC plus dispensing fee (DF) • National Average Drug Acquisition Cost (NADAC) plus DF • WAC plus DF • Submitted/Usual and Customary Charges (U&C)
Brand and Generic – Specialty	Lesser of <ul style="list-style-type: none"> • OAAC plus specialty DF • NADAC plus specialty DF • WAC plus specialty DF • Submitted/U&C
Clotting Factor	Lesser of <ul style="list-style-type: none"> • OAAC plus <u>clotting factor</u> dispense fee • Submitted/U&C
340B	Per Ohio Revised Code 5167.123 <ul style="list-style-type: none"> • NADAC plus DF • If no NADAC, WAC plus DF

2. WHEN WILL THE DISPENSING FEE AND ACQUISITION COST INFORMATION BE RELEASED?

- Please see the timelines shared in the March 11 presentation below.
- The dispensing fee will be announced soon. See the section below from the May FAQ.
- The acquisition cost will be announced at the end of June. See the section from the May FAQ below.

April 2022 OAAC Survey

Survey Timeline:

- April 1, 2022 – Survey begins; initial survey letters and email notifications are sent.
- April 15, 2022 – Reminder survey letters and email notifications are sent.
- April 22, 2022 – Final survey email notifications are sent.
- April 30, 2022 – **Final Deadline** for providers to submit purchase records.
- May 1, 2022 – Myers and Stauffer begins OAAC rate calculations.
- May 31, 2022 – Myers and Stauffer sends proposed OAAC rates to ODM for review.
- June 24, 2022 – ODM provides approval of OAAC rates to Myers and Stauffer.
- June 25, 2022 – Myers and Stauffer adjusts OAAC rates based on WAC changes prior to implementation.
- June 27, 2022 – Myers and Stauffer transmits OAAC rates to Gainwell for July 1, 2022 implementation.

Survey Submission Deadline:

Providers must submit all purchase records to Myers and Stauffer by April 30, 2022. Providers who do not submit the requested information to Myers and Stauffer by this date will be considered to have not participated in the survey and will be reported to ODM.

How will the dispensing fee be determined? Will it be based on the actual cost of a pharmacist to dispense a medication?

Ohio Department of Medicaid (ODM): Dispensing fees are being determined through a fiscal analysis performed by the Pharmacy Pricing and Audit Consultant (PPAC) vendor, Myers and Stauffer. ODM is also utilizing the most recent Cost of Dispensing survey, as well as data from the current managed care plans, to set dispensing fees. While dispensing fees will not mirror the Fee-For-Service Professional Dispensing Fee due to differences in methodology, they will be based on several variables, such as the prescription volume of the pharmacy, Medicaid volume, and/or type of pharmacy (e.g., specialty). This will be discussed in more detail during the reimbursement meeting planned for May.

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- It's also important to note that this "deadline" is not being enforced. Gainwell is continuing to outreach via daily phone calls to pharmacies.
- All ODM enrolled pharmacies are being offered contracts.
- Please note language from the May FAQ: "Pharmacies do have the option to defer contracting until dispensing fees are known."

When will pharmacy reimbursement rates be released?

ODM: Dispensing fee rates are expected to be announced in May. Due to the need for Gainwell to begin the contracting process, dispensing fees may not be immediately available to pharmacies. Pharmacies do have the option to defer contracting until dispensing fees are known.

OAAC rates will not be calculated/published until late June due to the survey process. As such, these rates will not be available until closer to go-live of the SPBM program. Given that these rates are evidence-based and transparent, we anticipate providers will have a level of comfort with this process. Additionally, providers have the option of asking Myers and Stauffer for a review of pricing if OAAC pricing appears inaccurate. As many states currently operate AAC programs for their respective Medicaid programs, providers also have the option to browse those rates via publicly available channels.

Network Key Components

- ODM-enrollment required
- All ODM-enrolled pharmacies offered contracts
- No narrow networks
- No DIR fees or clawbacks
- Rates: OAAC, NADAC, WAC, U&C
- Survey participation
- Weekly payments
- No restrictions on what pharmacists can tell patients
- ODM Specialty policy
- Gainwell does not own or have relationships with any pharmacies

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