MEDICAL SERVICES ADMINISTRATION

Bulletin

Michigan Department of Community Health

Distribution: Pharmacy 03-02

Issued: October 15, 2003

Subject: MAC Pricing Program;
Co-Payment Clarification

Effective: November 15, 2003

Programs Affected: Medicaid Fee for Service, Adult Benefits Waiver, Elder Prescription Insurance Coverage (EPIC), Maternity Outpatient Medical Services (MOMS), and Children's Special Health Care Services (CSHCS) Fee for Service

Maximum Allowable Cost (MAC) Pricing Program

Effective November 15, 2003, MAC reimbursement levels will be established and managed by M.A.C.-Managers. This change will require that pharmacies contact M.A.C.-Managers for all inquiries related to Medicaid MAC pricing. New or changed MAC prices will be available through the M.A.C.-Managers program as they are identified. These prices will be posted on the M.A.C.-Managers website the next business day after the price is established. The attached Pharmacy Manual, Chapter III, Section 15, has been revised to include this information.

For complete information on pharmacy billing and required fields, refer to First Health's Pharmacy Claims Processing System for Michigan Medicaid manual. You may also reference the First Health Services Corporation (FHSC) website for Michigan pharmacy programs [www.Michigan.fhsc.com] or call the FHSC Technical Assistance Line, telephone number 1-877-624-5204.

Co-Payment Clarification

Language has been added to the attached Pharmacy Manual, Chapter III, Section 6, clarifying the MDCH co-payment policy.

Manual Maintenance

Effective November 15, 2003:

- Discard Chapter III, Section 15, Pages 1 through 4, dated 5-1-03. Replace with the attached Chapter III, Section 15, Pages 1 through 4.

- Discard Chapter III, Section 6, Pages 1 and 2, dated 1-2-02. Replace with the attached Chapter III, Section 6, Pages 1 and 2.

This bulletin may be discarded after manual maintenance.

Questions

Any questions regarding this bulletin should be directed to Provider Inquiry, Department of Community Health, P.O. Box 30731, Lansing, Michigan 48909-8231 or e-mail ProviderSupport@michigan.gov . When you submit an e-mail, be sure to include your name, affiliation, and phone number so you may be contacted if necessary. Providers may phone toll free 1-800-292-2550.

Approval

Paul Reinhart, Director
Medical Services Administration

USUAL & CUSTOMARY CHARGE

Reimbursement is the lower of the Usual & Customary Charge or the Program's Product Cost Payment Limits and dispensing fee minus the beneficiary co-payment. If a beneficiary has other insurance or Medicare coverage, the related other insurance or Medicare payments are subtracted from the Program's payment.

Usual & Customary Definition

Usual & Customary (U & C) Charge is defined as a pharmacy's charge to the general public. The sum of charges for both the product cost and dispensing fee must NOT exceed a pharmacy's usual and customary charge for the same or similar service. Usual & Customary Charge must reflect all advertised discounts, special promotions, or other programs initiated to reduce prices for product costs available to the general public or to a special population.

If a pharmacy discounts prescriptions to an inclusive category of customers (e.g., over 60 years), the pharmacy must reflect this discount in its billings for Program beneficiaries in the same category.

OVER-THE-COUNTER DRUGS

The Usual & Customary Charge for *prescription-ordered* over-the-counter drugs may be different than the retail shelf price of the same product sold without a prescription, but not greater than the pharmacy's shelf price for the product, excluding the dispensing fee.

SALES TAX

Sales Tax must NOT be added to a pharmacy's Usual & Customary Charge. The Program does not reimburse for sales tax.

PROGRAM PRODUCT COST PAYMENT LIMITS

Product Cost Payment Limits are based on the National Drug Code (NDC) the pharmacy identifies as the product dispensed. Reimbursement for drug products is the lower of an Average Wholesale Price (AWP) minus discounts, a Maximum Allowable Cost (MAC), or the provider's charge. Misrepresentation of the product's NDC will result in denied payment and fraud/abuse sanctions subject to applicable Federal and State laws.

Entities or contracted pharmacies that participate in the Federal 340B program must bill the 340B price.

Discounted Average Wholesale Price

The Program's discounted average wholesale price is as follows:

Pharmacy Group	Discount Used for Payment
Pharmacies with 1-4 stores	AWP minus 13.5 %
Pharmacies with 5 or more stores	AWP minus 15.1 %
Pharmacies with no retail customers serving LTC beneficiaries	AWP minus 15.1 %

Maximum Allowable Cost (MAC)

MAC reimbursement levels for the Michigan Medicaid program are established and managed by an MDCH contractor. The current contractor is M.A.C.-Managers. MAC reimbursement levels are generally applied to multi-source brand and generic products. However, MAC reimbursement may also be applied to single source drugs or drug classifications where appropriate. New or changed MAC prices will be posted on the contractor's website the next business day after they are determined. MAC reimbursement reviews will take place on an on-going basis.

Medicaid pharmacy providers will be able to access individual MAC prices through the following website address: www.mac-manager.com

In addition to the website, specific MAC reimbursement levels are also available by contacting the M.A.C.-Managers program by U.S. mail, e-mail, fax or telephone. Contact information for inquiries regarding MAC reimbursement is listed below.

All MAC price reviews require the following information:

- Drug Name and NDC requested for review
- Reason for requested review (availability, price, or other)
- Supporting documentation that the MAC is below cost or the product is not available (wholesaler invoice to support request)
- Date of service to identify the difference between reimbursement and the actual cost
- Prescription number
- Company or pharmacy name, NAPB number, telephone number and contact person

MAC inquiries should be mailed to:

M.A.C.-Managers Program
3990 W. 12 Mile Rd., #225
Berkley, MI 48072-1118

Telephone: (866) 856-7206
Fax: (877) 323-7026
E-mail: mi@mac-manager.com

Business Hours: Monday-Friday, 9:00 a.m..-5:00 p.m. EST

MAC Overrides

Specific brand products have a MAC reimbursement level. To receive payment above the MAC reimbursement level, prior authorization through the MDCH pharmacy benefit manager (PBM) is required. You may contact the PBM's clinical call center at: 1-877-864-9014.

DISPENSING FEES

Dispensing Fee is defined as the fee charged for filling a prescription and all related services performed by a pharmacy. The Program's dispensing fee is published at www.michigan.fhsc.com.

Retail Price Exception (RTL)

Selected supplies are not paid a dispensing fee. RTL supplies are paid the lower of Retail Price or Retail-Based MAC price.

State Medical Program

The State Medical Program (SMP) dispensing fee is 85% of the fee paid under Michigan Medicaid.

Compounded and Re-Packaged Unit Dose

Compounded and Pharmacy Re-Packaged Unit Dose prescriptions are paid dispensing fees higher than the standard fee.

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PRIOR AUTHORIZATION

A pharmacy must not charge a beneficiary for a prescription if the pharmacy or prescriber fails to request prior authorization (P.A.). For all products listed in the Michigan Pharmaceutical Product List with a pound sign (#) indicating prior authorization is required, the pharmacy is required to call for prior authorization, or notify the prescriber that a P.A. is needed.

A pharmacy may charge the beneficiary its usual and customary charge for a product requiring prior authorization only if the pharmacy has written documentation the patient was informed of the attempt and failure to obtain P.A. and of the resultant desire to purchase the drug privately. The pharmacy must not charge any portion of this claim to Michigan Medicaid.

The beneficiary must be made aware that prior authorization and reimbursement cannot be obtained later.

CO-PAYMENT

Beneficiaries age 21 and older have a **$1 co-payment** for each drug dispensed, unless the beneficiary meets one of the exemptions from co-payment stated below.

NOTE: If the beneficiary is unable to pay the required co-payment on the date of service, the pharmacy provider **cannot** refuse to render the service. However, the pharmacy provider may bill the beneficiary the co-payment amount, and the beneficiary is responsible for paying it. If the beneficiary fails to pay a co-payment, the pharmacy provider could, in the future, refuse to serve the beneficiary as a Medicaid patient.

Over Age 21 Exclusions

- The pharmaceutical product is a family planning or pregnancy-related product.
- The beneficiary is in a long-term care facility with a level of care 02, 08, 16, 56 (see Section 17, Page 1).
- The beneficiary is in the State Medical Program.

Other Exclusions

- Medicaid beneficiaries who are under the age of 21 are excluded from the co-pay requirement.
- All CSHCS beneficiaries are excluded, including those over age 21.

Co-Pay Discounts

No pharmacy may discount the co-payment for promotional purposes.

CHARGES TO THE BENEFICIARY

A pharmacy may only charge a beneficiary the Program's established co-payment for covered services. A beneficiary may not be charged for any cost of the prescription above the Program's reimbursement level. A pharmacy may only charge a beneficiary its usual and customary charge if the service is a non-covered service, or if the Program has denied the services based on lack of medical necessity and the beneficiary has indicated a desire to purchase the service privately. Furthermore, a beneficiary may not be charged

for a prescription in lieu of the Pharmacy accepting the reimbursement paid by the Program, or in lieu of obtaining prior authorization when indicated.

Advertising

Advertisements shall convey only participation in the Program. Advertising shall not be used to influence the free choice of a pharmacy by a beneficiary. Promotions offering beneficiaries free goods, gift certificates, or shopping sprees in exchange for filled prescriptions are prohibited.