



# STATE OF IOWA

CHESTER J. CULVER, GOVERNOR  
PATTY JUDGE, LT. GOVERNOR

DEPARTMENT OF HUMAN SERVICES  
CHARLES J. KROGMEIER, DIRECTOR

## INFORMATIONAL LETTER NO. 865

**DATE:** November 16, 2009

**TO:** Iowa Medicaid Physician, Dentist, Advanced Registered Nurse Practitioner, Therapeutically Certified Optometrist, Podiatrist, Pharmacy, Home Health Agency, Rural Health Clinic, Clinic, Nursing Facilities, Community Mental Health Center, Residential Care Facility, ICF MR State and Community Based ICF/MR Providers

**ISSUED BY:** Iowa Department of Human Services, Iowa Medicaid Enterprise

**RE:** Medicaid Pharmacy Program Changes

**EFFECTIVE:** December 1, 2009

On October 8, 2009 Governor Culver issued Executive Order 19 which mandated a 10 percent across-the-board cut in state government spending. As a result, the Department of Human Services enacted rule changes as part of the effort to achieve the savings required in the executive order. Some of those changes affect Medicaid reimbursement.

### **A. Preferred Drug List (PDL) Changes**

**1. 30-day Non-preferred Drug Override Code** – The PA Type Code 8 as a POS override for a 30-day supply provision for non-preferred drugs will be eliminated effective December 1, 2009. The 72-Hour Emergency Supply, using PA Type Code 1 as a POS override will still be available. The 72-hour supply provision can only be used one time per member, in an emergency situation, per drug. The dispensing pharmacist should inform the prescriber of this policy. The dispensing pharmacist should also inform the member of this rule so the member can follow up with his/her prescriber.

### **B. Reimbursement Changes**

- 1. Dispensing Fee** –The pharmacy dispensing fee will be reduced to \$4.34 for the remainder of State Fiscal Year 2010 (dates of service December 1, 2009 through June 30, 2010).
- 2. Specialty Drug Reimbursement** – Specialty drugs include biological drugs, blood-derived products, complex molecules, and select oral, injectable, and infused medications identified by the Department and published on the Specialty Drug List at [www.iowamedicaidpdl.com](http://www.iowamedicaidpdl.com). Reimbursement for Specialty Drugs will be the lowest of Average Wholesale Price (AWP) minus 17 percent, FUL, SMAC or Usual and Customary.
- 3. State Maximum Allowable Cost (SMAC) Changes** – The SMAC will be defined as the average wholesale acquisition cost for a generic drug (the average price pharmacies pay to obtain the generic drug as evidenced by purchase records) adjusted by a multiplier of 1.2 (rather than 1.4). SMAC rates are published at [www.msliciowa.com](http://www.msliciowa.com).

An excerpt of the current draft rule changes pertaining to these services follows at the end of this Informational Letter. The complete rule changes are posted on the IME provider homepage (<http://www.ime.state.ia.us/Providers/>). Official rules are projected to be published on December 2, 2009 in the Iowa Administrative Bulletin.

We encourage providers to go to the websites [www.iowamedicaidpdl.com](http://www.iowamedicaidpdl.com) and [www.mslciowa.com](http://www.mslciowa.com) for additional information. If you have questions, please contact the Pharmacy Prior Authorization Helpdesk at 877-776-1567 or 515-725-1106 (local in Des Moines) or e-mail [info@iowamedicaidpdl.com](mailto:info@iowamedicaidpdl.com) or contact the SMAC Helpdesk at 800-591-1183 with SMAC rate related questions.

“Amend paragraphs **441—79.1(8)“a,” “b,”** and **“g”** as follows:

a. Reimbursement for covered generic prescription drugs shall be the lowest of the following, as of the date of dispensing:

(1) The estimated acquisition cost, defined as:

1. For covered non-specialty generic prescription drugs, the average wholesale price as published by Medi-Span less 12 percent, plus the professional dispensing fee specified in paragraph “g.”; or
2. For covered specialty generic prescription drugs, the average wholesale price as published by Medi-Span less 17 percent, plus the professional dispensing fee specified in paragraph “g.” “Specialty” drugs include biological drugs, blood-derived products, complex molecules, and select oral, injectable, and infused medications identified by the department and published on the specialty drug list.

(2) No change.

(3) The state maximum allowable cost (SMAC), defined as the average wholesale acquisition cost for a generic drug and (the average price pharmacies pay to obtain the generic drug as evidenced by purchase records) adjusted by a multiplier of 1.2 plus the professional dispensing fee specified in paragraph “g.”

(4) No change.

b. Reimbursement for covered brand-name prescription drugs shall be the lowest of the following, as of the date of dispensing:

(1) The estimated acquisition cost, defined as:

1. For covered non-specialty brand prescription drugs, the average wholesale price as published by Medi-Span less 12 percent, plus the professional dispensing fee specified in paragraph “g.”; or

2. For covered specialty brand prescription drugs, the average wholesale price as published by Medi-Span less 17 percent, plus the professional dispensing fee specified in paragraph “g.” “Specialty” drugs include biological drugs, blood-derived products, complex molecules, and select oral, injectable, and infused medications identified by the department and published on the specialty drug list.

(2) No change.

g. The professional dispensing fee is \$4.57 or the pharmacy’s usual and customary fee, whichever is lower, except for the period from December 1, 2009, to June 30, 2010, during which the professional dispensing fee shall be \$4.34.”