



## Safety Net Hospitals for Pharmaceutical Access

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### STATE 340B MEDICAID BILLING BEST PRACTICES

State Medicaid program shared savings arrangements with 340B providers take various forms, including: (1) enhanced dispensing fees, (2) modest add-ons to, or mark-ups of, product cost, and (3) fees for providing both product at acquisition cost *plus* care management or disease management services to targeted high-cost Medicaid populations. The basic concept underlying the shared savings approach is that, because 340B prices are on average 20 to 25 percent below Medicaid net payments (including rebates) for covered outpatient drugs, states can structure a 340B reimbursement program under which both the state and 340B providers benefit from the spread.

1. **Enhanced Dispensing Fee Model** – Under an enhanced dispensing fee arrangement, the state agrees to pay 340B providers a dispensing fee significantly higher than the normal Medicaid dispensing fee, while paying for product at actual acquisition cost. States paying enhanced dispensing fees include: Florida -- \$7.50; West Virginia -- \$8.25; Massachusetts -- \$10; and Louisiana -- \$10.10. Alaska has developed a variation of this model under which the Medicaid program pays a “freight charge” in addition to the normal Medicaid dispensing fee and actual acquisition cost for the product. States such as Kansas and Massachusetts set a separate dispensing fee for clotting factor that is based on units of product. In Kansas, that dispensing fee is 12 ½ cents per unit dose; in Massachusetts it is 9 cents per unit.
2. **Modest Markup Model** – States like Connecticut and Minnesota pay for 340B drugs at rates above the drugs’ actual acquisition cost, but less than non-340B post-rebate reimbursement rates. Connecticut statutes provide for payment to 340B providers at the Federal Supply Schedule (FSS) reimbursement rate, which on average exceeds 340B rates by 3 to 5 percent. Minnesota pays a discount off of average wholesale price (AWP) that is deeper than its standard AWP-based discount for non-340B pharmacies. Maine has negotiated agreements with 340B hospital providers under which the hospitals bill the state something other than actual acquisition cost – often usual and customary – but are subsequently paid in a prospective payment-like settlement at something other than the cost billed.
3. **Targeted Disease Management Model** – A number of states, such as Utah and Arizona, utilizing § 1915(b) freedom of choice waivers, steer targeted high-cost Medicaid patient groups into care management/disease management programs operated by 340B providers. Because the state reduces its drug expenditures for each patient shifted from a non-340B pharmacy program, it can afford to reimburse its 340B partner facility for both the facility’s pharmaceutical costs and care management program, while retaining significant savings for itself. Both Utah and Arizona currently do this for hemophilia and other clotting factor diseases, but the Arizona Health Care Cost Containment System (AHCCCS) has just closed bidding on a contract to provide care for other chronic diseases such as asthma, arthritis, Hepatitis C, and AIDS/HIV. Utah is also talking with providers about a similar expansion of their specialty pharmacy programs. A similar arrangement exists between a Medicaid managed care plan and participating 340B providers in Pennsylvania. This model saves money for the plan which, in turn, generates savings for the state as a result of paying lower capitation rates.

For additional information on Medicaid Billing Best Practices, please contact SNHPA President and General Counsel, Bill von Oehsen, at 202-872-6765 or [william.vonoehsen@snhpa.org](mailto:william.vonoehsen@snhpa.org).

## STATUTORY & REGULATORY REFERENCES TO STATE MEDICAID BILLING BEST PRACTICES

### 1. Alaska

#### **7 Alaska Admin. Code 43.591**

If a facility is a covered entity and receives its drugs as described in 42 U.S.C. 256b, the facility may not charge Medicaid more than its **actual acquisition cost, a freight charge of five percent, and a dispensing fee** calculated under (g) of this section.

### 2. Arizona Health Care Cost Containment System

Under an RFP and a § 1915(b) [freedom of choice] waiver, Arizona Medicaid pays Phoenix Children's Hospital for hemophilia drugs, as well as dispensing, distribution, and care coordination. The provider is paid for product and care coordination services.

Under a similar RFP issued September 10, 2009 with bids to close November 9, (presumably also subject to a § 1915(b) waiver), Arizona Medicaid will pay a 340B provider to provide dispensing and distribution of specialty biologics and care coordination for a number of diseases, including: asthma, connective tissue disorders, arthritis, psoriasis, Crohn's Disease, Gaucher & Fabry Disease, growth hormone deficiency, Hepatitis C, HIV/AIDS, multiple sclerosis, organ transplants, and respiratory syncytial Virus (RSV). **Reimbursement is to be based on acquisition cost plus a fee designed to include the dispensing fee, costs for supplies to administer the medication and costs associated with the delivery of the medication to the patient or the prescribing clinician's office site.**

### 3. Connecticut

#### **Conn. Gen. Stat. § 17b-192**

(e) Each federally qualified health center participating in the program shall enroll in the federal Office of Pharmacy Affairs Section 340B drug discount program established pursuant to 42 USC 256b **to provide pharmacy services to recipients at Federal Supply Schedule costs.** Each such health center may establish an on-site pharmacy or contract with a commercial pharmacy to provide such pharmacy services.

#### **Conn. Gen. Stat. § 17b-280.**

(b) **The Department of Social Services may provide an enhanced dispensing fee** to a pharmacy enrolled in the federal Office of Pharmacy Affairs Section 340B drug

discount program established pursuant to 42 USC 256b or a pharmacy under contract to provide services under said program.

#### 4. Florida

##### ***Florida Medicaid Prescribed Drugs Reimbursement Methodology***

Dispensing fee: \$7.50 for 340B drugs

##### **Florida 59G-4.251**

(2) For drugs purchased by qualified entities under Section 340B of the Public Health Service Act: Covered entities and Federally Qualified Health Centers or their contracted agents that fill Medicaid patient prescriptions with drugs purchased at prices authorized under Section 340B of the Public Health Service Act **must bill Medicaid for reimbursement at the actual acquisition cost plus a dispensing fee of \$7.50 for these drugs.**

#### 5. Kansas

##### **907 Kansas Administrative Regulations 3:205**

**Section 4. Hemophilia Treatment Reimbursement Via the 340B Drug Pricing Program.** The department shall reimburse for hemophilia treatment, including a factor product, provided by a CHDTC participating as a 340B drug pricing program entity:

- (1) Exclusively via the department's 340B drug pricing program;
- (2) Not via the department's pharmacy reimbursement provisions established in [907 KAR 1:018](#); and
- (3) **At the 340B drug pricing program ceiling price for the factor product pursuant to [42 U.S.C. 256b](#) plus a dispensing fee of twelve and one-half (12 1/2) cents per unit dose.**

#### 6. Louisiana

##### **Louisiana Administrative Code 50:XXIX §925**

**C. The dispensing fee for drugs obtained through the Public Health Service 340B Program will be \$ 10.10 per prescription.** This includes the provider fee assessed for each prescription filled in the state or shipped into the state.

##### **Louisiana Administrative Code 50:XXIX §963**

**C. Dispensing Fees. The covered entity shall be paid a dispensing fee of \$ 10.10 for each prescription dispensed to a Medicaid patient.** With respect to contract pharmacy arrangements in which the contract pharmacy also serves as the covered entity's billing agent, the contract pharmacy shall be paid the \$ 10.10

dispensing fee on behalf of the covered entity.

**Louisiana Administrative Code 50:XXIX § 971**

A. Anti-hemophilia drugs purchased by a covered entity through the **340B** Program and dispensed to Medicaid recipients **shall be billed to Medicaid at actual acquisition cost plus 10 percent and the dispensing fee unless the covered entity has implemented the Medicaid carve-out option. If the covered entity has implemented the Medicaid carve-out option, such drugs shall be reimbursed at AWP minus 30 percent plus the dispensing fee or the billed charges, whichever is less.**

**7. MaineCare**

MaineCare Medical Director Dr. Rod Prior has informed hospitals verbally, during NDC related conference calls with Maine hospitals, that MaineCare considers hospitals to meet the requirement for billing at cost. Dr. Prior announced this most recently during a October 28, 2009 MaineCare conference call with providers. He stated that MaineCare considers hospitals to bill at cost because they pay based on a MaineCare formula that utilizes data from the hospitals' Medicare cost report, and they interpret that to meet the requirement of "bill at cost." In practice, hospitals bill at "usual and customary" and MaineCare pays what they determine is "cost" based upon their formula. Although Dr. Prior has made this statement several times on conference calls with hospitals and with other Medicaid officials present, the hospitals have never received written documentation of this practice.

**8. Massachusetts**

***Division of Health Care Policy and Financing – Prescribed Drugs***

(114.3 Code of Massachusetts Regulations 31.7):

**31.07: Special Provisions**

(1) Payment for 340B Covered Entities.

(a) The payment for Drugs other than blood clotting factor, obtained through the 340B Program and dispensed by 340B Covered Entities is the **Actual Acquisition Cost plus a \$10.00 Dispensing Fee.**

(b) 340B Payment for Blood Clotting Factor

The payment for blood clotting factor obtained through the 340B program and dispensed by 340B covered entities is the **actual acquisition cost plus a dispensing fee of 9 cents per unit (IU/RCo/Fu/mcg). This rate includes supplies for standard**

**infusion (e.g. Butterfly/ PIV access.)**

## **9. Utah**

### **Utah Hemophilia Case Management/Disease Management Program**

Under a § 1915(b) freedom of choice waiver, the Utah Medicaid program contracts with a single 340B provider to provide home care and clotting factor for blood clotting disorders. Utah Medicaid is currently looking at expanding that program to other disease states.

The Utah partnership requires hemophilia patients to make at least one trip a year to the state's hemophiliac treatment center. Then throughout the year, nurses either employed by University of Utah or by a home health agency that is contracted with the hospital, make monthly visits to patients and provide them with drugs purchased with the 340B program needed for treatment.

While the state has benefitted from the savings associated with discounted drugs, the partnership has significantly improved the standard of care for patients participating in Utah's hemophiliac treatment program. Patient satisfaction surveys consistently indicate that at least 98% of those enrolled in the program approve of the care they are receiving. In addition, monthly visits have established productive relationships between health care professionals and patients that have led healthy life style changes that make treating hemophilia easier and less costly.

## **10. West Virginia**

### ***West Virginia BMS Medicaid Pharmacy Provider User Guide Revision Date: 09-2009***

Dispensing fee requirements are:

\$2.50 Single Ingredient Brand Drug Dispensing Fee

\$5.30 Single Ingredient Generic Drug Dispensing Fee

\$6.30 Compound with Primary Ingredient Generic Drug Dispensing Fee

\$3.50 Compound with Primary Ingredient Brand Drug Dispensing Fee

**\$8.25 340B PHS Provider Dispensing fee**