



# Iowa Department of Human Services

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## INFORMATIONAL LETTER NO.1770-FFS

**DATE:** February 24, 2017

**TO:** Iowa Medicaid Pharmacies

**APPLIES TO:** Fee-for-Service (FFS)

**FROM:** Iowa Department of Human Services (DHS), Iowa Medicaid Enterprise (IME)

**RE:** Iowa Medicaid Pharmacy Reimbursement Rules

**EFFECTIVE:** April 1, 2017

Iowa Administrative Code (IAC) 441 Chapters 77.45, 78.2(4)b.(12) and Chapter 79.1 have been amended regarding outpatient prescribed drug reimbursement methodology. The changes are to comply with the Centers for Medicare and Medicaid Services (CMS) final rule that implements provisions of the Patient Protection and Affordable Care Act of 2010 as amended by the Health Care and Education Reconciliation Act of 2010 (collectively referred to as the Affordable Care Act) pertaining to Medicaid reimbursement for covered outpatient drugs. These amendments also change the reimbursement methodology for drugs provided to Medicaid recipients who are American Indians or Alaskan natives (AI/AN) by health facilities that are operated by Indian Health Services (IHS) or under the Indian Self-Determination and Education Assistance Act (P.L. 93-638) by an "Indian tribe," "tribal organization," or "urban Indian organization" as those terms are defined in 25 U.S.C. 1603 (referred to as Indian Health Facilities). Such drugs will be reimbursed through an outpatient encounter rate per day rather than through reimbursement for each individual prescription provided.

To comply with the rule amendment, the following Medicaid requirements must be followed when a pharmacy claim is submitted for reimbursement if medications are purchased through 340B, Federal Supply Schedule or Nominal Price:

1. **340B Purchased Drugs** – Submit pharmacy claims for 340B acquired drugs to Medicaid at your 340B Actual Acquisition Cost (AAC) with the indicators in the fields as identified in the chart below. This **does not** apply to 340B Contract Pharmacies. See additional instructions in [Informational Letter No. 1638-MC](#)<sup>1</sup>.
2. **Federal Supply Schedule (FSS) Drugs** - Submit pharmacy claims for FSS acquired drugs to Medicaid at your FSS Actual Acquisition Cost (AAC) with the indicators in the fields as identified in the chart below.

<sup>1</sup> [https://dhs.iowa.gov/sites/default/files/1638-MC\\_Update-340B\\_DrugPricing%20Program.pdf](https://dhs.iowa.gov/sites/default/files/1638-MC_Update-340B_DrugPricing%20Program.pdf)

- Nominal Price (NP) Drugs** - Submit pharmacy claims for NP acquired drugs to Medicaid at your NP Actual Acquisition Cost (AAC) with the indicators in the fields as identified in the chart below.

### Drug Source and Indicator Chart

	<b>409-D9 Ingredient Cost Submitted</b>	<b>420-DK Submission Clarification Code</b>	<b>423-DN Basis of Cost Determination</b>	<b>490-UE Compound Ingredient Basis of Cost Determination</b>
<b>340B Drugs</b>	Insert 340B AAC here	20	08	08
<b>FSS Drugs</b>	Insert FSS AAC here	N/A	05	05
<b>NP Drugs</b>	Insert NP AAC here	N/A	09	09

**NOTE:** If a drug is not eligible for 340B, FSS or NP pricing do not include 420-DK submission clarification code or 423-DN basis of cost determination values and bill at the regular Medicaid rate.

Pharmacies must follow appropriate billing requirements, which will be reviewed through a postpayment review. Overbillings are subject to recoupment.

The Iowa Medicaid program will initiate a process in calendar year 2017 for all enrolled pharmacies to self-identify pharmacies that purchase drugs through the following programs: 340B, FSS and nominal price. The provider should not charge Medicaid more than their 340B, FSS or NP AAC for these drugs.

See the updated [Payer Sheet](#)<sup>2</sup> here.

### **Indian Health Facilities:**

Indian Health Facility Pharmacies providing outpatient prescribed drugs to Medicaid members who are AI/AN will continue to bill as usual through the Pharmacy Point of Sale (POS) System. The pharmacies should bill at their usual and customary charge for the drug. Medicaid will program the system to pay one pharmacy encounter rate payment per date of service to the facility rather than through reimbursement for each individual prescription provided. All other billing limitations, such as coverage, copayments and supply limits will continue to apply.

If you have questions, please contact the Pharmacy POS Helpdesk at 877-463-7671 or 515-256-4608 (local in Des Moines) or email [info@iowamedicaidpos.com](mailto:info@iowamedicaidpos.com).

<sup>2</sup> <http://www.iowamedicaidpos.com/sites/default/files/ghs-files/payer-sheets/2017-02-16/d0payersheetiapop20170216-002.pdf>