



State of Louisiana

Department of Health and Hospitals Bureau of Health Services Financing

January 25, 2010

Dear Medicaid Pharmacy Provider:

Re: **Revised Louisiana Maximum Allowable Cost (LMAC) Methodology**

Emergency Rule and State Plan Amendment

The Louisiana Department of Health and Hospitals (DHH) is repealing in its entirety the Emergency Rule which addressed the changes in reimbursement for drugs with an Louisiana Maximum Allowable Cost (LMAC) and the enhanced dispensing fee. This rule had an effective date of January 1, 2010.

DHH is issuing a revised Emergency Rule effective February 1, 2010 which amends the provisions governing the method of payment for prescription drugs to redefine the LMAC. Additionally, DHH is submitting a revised State Plan Amendment to the Centers for Medicare and Medicaid (CMS) to address the change in reimbursement for drugs with an LMAC.

In order to control expenditures to the level appropriated, Act 10 of the 2009 Regular Legislative Session provides for DHH to redefine the methodology for reimbursement of multiple source drugs in the Medicaid Pharmacy Program. In addition, this action is being taken to control expenditures and to avoid a budget deficit. It is estimated that implementation of this Emergency Rule will decrease expenditures in the Medicaid Pharmacy Program by \$16,593,994 for fiscal year 2009-2010.

Drug Ingredient Cost

The Pharmacy Benefits Management Unit has contracted with Myers and Stauffer LC, a national consulting firm, to calculate a new methodology for (LMAC) on certain drugs. Myers and Stauffer conducted a drug ingredient cost survey this summer to determine the acquisition costs encountered by the pharmacies in Louisiana.

Effective February 1, 2010, the revised methodology for drugs subject to LMAC is the average actual acquisition cost of a drug, defined as the pharmacist's payment made to purchase a drug product, adjusted by a multiplier of 2.35 or average actual acquisition cost plus 135%.

The LMAC reimbursement will apply to certain multiple source drug products that meet therapeutic equivalency, market availability, and other criteria deemed appropriate by Louisiana Medicaid. Drugs are subject to LMAC if there are at least two non-innovator multiple source alternative products available that are classified by the FDA as Category "A" in the Approved Drug Products with Therapeutic Equivalence Evaluations.

Myers and Stauffer has identified 1,010 drug groupings which will be subject to the new LMAC methodology. The LMAC rate will apply to all versions of a drug that share the same active ingredient combination, strength, dosage form, and route of administration.

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Average actual acquisition cost will be determined through a semi-annual collection and review of pharmacy invoices and other information deemed necessary by Louisiana Medicaid and in accordance with applicable State and Federal law. In addition to the semi-annual review, Louisiana Medicaid will evaluate on an ongoing basis throughout the year and adjust the rates as necessary to reflect prevailing market conditions and to assure that pharmacies have reasonable access to drugs at or below the applicable LMAC rate.

Providers shall be given advance notice of any additions, deletions, or adjustments in price. A complete LMAC rate listing will be available to providers and updated periodically. This list may be found as Drug Appendix A-1 at www.lamedicaid.com and on the Myers and Stauffer website at <http://la.msic.com>.

Dispensing Fee

With the implementation of the revised LMAC methodology, claims will continue to process with a dispensing fee of up to \$5.77. Please be reminded that Louisiana Medicaid **currently** reimburses the lowest of the:

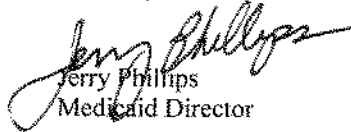
- Estimated Acquisition Cost (EAC) of the drug plus the \$5.77 dispensing fee;
- LMAC plus the \$5.77 dispensing fee;
- Federal Upper Limit (FUL) plus the \$5.77 dispensing fee; or
- Amount billed by the pharmacy, which cannot exceed the pharmacy's usual and customary charge to the general public.

When a prescriber certifies in his handwriting that the brand name product is medically necessary for a particular recipient, in his/her professional judgment the generic equivalent is not indicated, the FUL or LMAC limitation will not apply. The reimbursement of the claim is the lower of the EAC plus the \$5.77 dispensing fee or the billed charges.

For questions regarding LMAC rates, please contact the Myers and Stauffer helpdesk at 1-800-591-1183. Claims processing questions may be directed to the Unisys Point of Sale Help Desk at 1-800-648-0790 or 225-216-6381. Please contact the Medicaid Pharmacy Section with any policy questions at 1-800-437-9101 or 225-342-9768.

We appreciate your continued service to Louisiana Medicaid recipients.

Sincerely,


Jerry Phillips
Medicaid Director

JP/MJT/alp