

March 27, 2014

Sharon L. Summers
Planning & Policy Development Unit
Division of Medicaid and Medical Assistance
1901 North DuPont Highway
P. O. Box 906
New Castle, DE 19720-0906

RE: DMMA Proposed Medicaid Prescription Drug Reimbursement Regulation [17 DE Reg. 893 (March 1, 2014)]

Dear Ms. Summers:

The Governor's Advisory Council for Exceptional Citizens (GACEC) has reviewed the Division of Medicaid and Medical Assistance (DMMA) proposal to adopt a Plan amendment incorporating the National Average Drug Acquisition Cost (NADAC) pricing benchmarks. As background, DMMA notes that federal law requires Medicaid agencies to reimburse pharmacies for outpatient drugs based on two components: 1) drug ingredient/acquisition cost; and 2) dispensing cost. The first component has historically been based on an "Average Wholesale Price" (AWP) benchmark. However, the federal Office of Inspector General determined that the AWP was flawed and resulted in excess payments to pharmacies. CMS has now contracted with Myers and Stauffer LC, a national certified public accounting firm to develop a new "National Average Drug Acquisition Cost" (NADAC) pricing benchmark. Any state wishing to adopt the NADAC must submit a Medicaid State Plan amendment to CMS which has led to this DMMA proposed amendment.

DMMA is also increasing its reimbursement for dispensing cost from \$3.65 to \$10.00 per prescription. DMMA projects the following savings to State General Funds based on the new reimbursement standards: \$604,000 (October 1, 2014- September 30, 2015); \$1,340,000 (October 1, 2015 - September 30, 2016). Since the payment for dispensing a prescription is almost tripling (increasing from \$3.65 to \$10.00), these cost savings could only occur if the NADAC benchmark is much lower than the AWP benchmark.

The GACEC would like to note that in the past, Delaware pharmacies have balked at the low Medicaid reimbursement rates and threatened to not fill prescriptions funded by Medicaid. The Council lacks sufficient information to assess whether the new pharmacy reimbursement standards are adequate and

notes that the effective date of the Plan amendment is April 1, 2014. At 895. Therefore, DMMA envisions adopting the new methodology without allowing sufficient time to consider public comments which may be submitted up until March 31. As noted earlier, pharmacies have balked at low drug reimbursement rates in the past. Council is unable to adopt a position on the proposed regulation given the lack of information on whether the rates fairly compensate pharmacies and the short timeframe for research and comments.

Thank you for your time and consideration in reviewing our observations. Please feel free to contact me or Wendy Strauss should you have any questions.

Sincerely,

Terri A. Hancharick

TAH:kpc