

**IOWA DEPARTMENT OF HUMAN SERVICES  
NOTICE OF PROPOSED CHANGES IN  
METHODS AND STANDARDS FOR SETTING MEDICAID  
PAYMENT RATES FOR PROVIDERS OF PHARMACY SERVICES**

In accordance with the public notice requirements of 42 CFR 447.205, the state of Iowa Department of Human Services (DHS) publishes this notice of significant proposed changes in the Medicaid reimbursement methodologies for covered outpatient prescription drugs provided by enrolled pharmacy providers.

The proposed changes are as follows:

**1. Changes in Indian Health Facility Reimbursement for Outpatient Drugs**

This change involves the outpatient prescribed drug reimbursement methodology for drugs provided to Medicaid recipients who are American Indians or Alaskan natives by health facilities that are operated by the United States Indian Health Service (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 USC 1603 (referred to as Indian Health Facilities). Pursuant to the proposed change, such drugs will be reimbursed through per visit payment to the Indian Health Facility, rather than through reimbursement for each individual prescription provided. The per visit payment will be the current daily “Outpatient per Visit Rate (Excluding Medicare)” approved by the United States Indian Health Service (IHS) for services provided by IHS facilities to Medicaid beneficiaries, as published in the Federal Register.

This change was requested by Indian Health Facilities.

It is estimated that the annualized fiscal impact of the change in Indian Health Facility Reimbursement for Outpatient Drugs will increase total expenditures by approximately \$1.36 million. Such expenditures are 100% federally funded.

**2. Drugs acquired by providers at nominal prices**

This change involves the outpatient prescribed drug reimbursement methodology for drugs acquired by providers at nominal prices and excluded from the calculation of the drug’s “best price” pursuant to 42 CFR § 447.508. Under the proposed change, the ingredient cost for such drugs will be limited to the provider’s actual acquisition cost (not to exceed the nominal price paid). Currently, the reimbursable ingredient cost for such drugs is the average acquisition cost for the drug.

This change is being required by the federal Medicaid agency, as a condition of continued federal funding.

The Department of Human services does not currently have sufficient information about drugs acquired by providers at nominal price to estimate an impact on expenditures.

### **3. Clarifications**

The proposed changes also clarify drug reimbursement policy, consistent with current practice, as follows:

- a. The current terminology of “maximum allowable cost (MAC),” defined by reference to the federal reimbursement limit of 42 CFR 447.514 is updated to the conventional label of “federal upper limit (FUL).”
- b. The word “state” is added to the phrase “average ‘state’ actual acquisition cost (AAC)” to distinguish that limit from the provider-specific actual acquisition costs that also limit reimbursement of entities acquiring drugs through the federal 340B drug pricing program (under 42 U.S.C.A. § 256b) and facilities (such as Department of Veterans Affairs facilities) purchasing through the Federal Supply Schedule (FSS) under the General Services Administration.
- c. Separation in the drug reimbursement methodology of “the submitted charge” and “the provider’s usual and customary charge” to reflect that if the amounts are different, the lower of the two is utilized for reimbursement.
- d. As required by federal policy, a specific provision is added providing that payment is not made for investigational drugs, which are optional with the state and have not previously been covered by the Iowa Medicaid program.
- e. The outpatient prescribed drug reimbursement methodologies for entities acquiring drugs through the federal 340B drug pricing program (under 42 U.S.C.A. § 256b) and facilities (such as Department of Veterans Affairs facilities) purchasing through the Federal Supply Schedule (FSS) under the General Services Administration are separately stated and clarified, consistent with current practice.
- f. Clarification of vaccine reimbursement for all providers administering vaccines.

As these clarifications are consistent with current practice, they will not result in any change in expenditures.

The proposed changes are available for public review at the Department of Human Services County Offices. Questions or comments concerning this notice or the proposed changes may be addressed to Susan Parker, Department of Human Services, Iowa Medicaid Enterprise, 100 Army Post Road, Des Moines, IA, 50315. Comments received may be reviewed by the public by contacting Susan Parker at the above address.

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