Complying with the federal outpatient pharmacy rule

Issues

- In March 2016, the Centers for Medicare and Medicaid Services (CMS) finalized a new administrative rule on outpatient drugs covered by fee-for-service Medicaid, called Medical Assistance in Minnesota, to ensure that pharmacy reimbursements more accurately reflect what pharmacies pay to acquire and dispense drugs.
- Minnesota is currently one of only four states out of compliance with the federal rule.
- Minnesota faces the potential loss of an estimated $190 million per year in federal matching funds if the state remains out of compliance.

Proposal

- Updates Minnesota’s pharmacy reimbursement formula for outpatient prescription drugs to comply with federal requirements effective April 1, 2109, by:
  - Requiring medications be reimbursed at the actual acquisition cost according to nationally recognized benchmarks.
  - Increasing the professional dispensing fee for pharmacy providers from $3.65 to $10.48 (based on survey data from a similarly situated state, Indiana) until a Minnesota specific survey can be implemented.
  - Establishing ongoing cost-of-dispensing surveys specific to Minnesota, which would be conducted every three years and used to update the dispensing fee to ensure it continues to reflect the actual cost.
  - Aligning the reimbursement for drugs purchased through the federal 340B program with the federal rule’s requirement that medications purchased through the program be reimbursed at the provider’s cost.
- Includes a supplemental payment of $1.5 million per year from the state to mitigate the impact on hospital providers that participate in the 340B program who are most affected by this change.
- Includes the 2 percent increase to payment rates to pharmacy providers to offset the cost of the pass through of the wholesaler provider tax to pharmacies.
- Removes a prohibition in state law to more effectively manage a particularly expensive class of prescription drugs, hemophilia clotting factor, to achieve savings that offset the cost of coming into compliance with the federal rule.
Benefits

- Brings Minnesota into compliance with federal regulations.
- Prevents Minnesota from losing up to $190 million per year in federal matching funds for remaining out of compliance.

Fiscal impact:

- 2019, $234,000
- FY 2020-21, $7.2 million
- FY 2022-23, $7.9 million

Related information:


DHS Communications: March 2019