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**TITLE 405 OFFICE OF THE SECRETARY OF  
FAMILY AND SOCIAL SERVICES**

LSA Document #05-283(E)

**DIGEST**

Temporarily amends 405 IAC 5-24-4 to revise the Medicaid reimbursement methodology for payment of legend drugs. Temporarily amends 405 IAC 5-24-5 to revise the Medicaid reimbursement methodology for insulin. Makes other nonsubstantive changes. Authority: IC 4-22-2-37.1(a)(19); IC 12-8-1-12(c). Effective October 1, 2005.

SECTION 1. (405 IAC 5-24-4) (a) The office shall reimburse pharmacy providers for covered legend drugs at the lowest of the following:

- (1) The estimated acquisition cost (EAC) of the drug as of the date of dispensing, plus any applicable Medicaid dispensing fee.
- (2) The maximum allowable cost (MAC) of the drug as determined by the Health Care Financing Administration under 42 CFR 447.332 as of the date of dispensing, plus any applicable Medicaid dispensing fee.
- (3) The state maximum allowable cost (MAC) of the drug as determined by the office as of the date of dispensing, plus any applicable Medicaid dispensing fee.
- (4) The provider's submitted charge, representing the provider's usual and customary charge for the drug, as of the date of dispensing.

(b) For purposes of this SECTION and SECTION 2(c) of this document, the Indiana Medicaid EAC is:

- (1) for brand name drugs, ~~eighty-six and one-half~~ **eighty-four percent (84%)**; or
- (2) for generic drugs, eighty percent (80%);

of the average wholesale price for each National Drug Code according to the Medicaid contractor's drug database file.

(c) The state MAC is equal to the average actual acquisition cost per drug adjusted by a multiplier of at least 1.0. The actual acquisition cost will be determined using pharmacy invoices and other information that the office determines is necessary. The purpose of the multiplier is to ensure that the applicable state MAC rate is sufficient to allow reasonable access by providers to the drug at or below the established state MAC rate.

(d) OMPP will review state MAC rates on an ongoing basis and adjust the rates as necessary to reflect prevailing market conditions and ensure reasonable access by providers to drugs at or below the applicable state MAC rate.

(e) Pharmacies and providers that are enrolled in ~~the Indiana Health Coverage Programs (HCP)~~ **Medicaid** are required, as a condition of participation, to make available and submit to the ~~OMPP office~~ or its designee acquisition cost information, product availability information, or other information deemed necessary by the ~~OMPP office~~ for the efficient operation of the pharmacy benefit ~~within the HCP~~ in the format requested by the ~~OMPP office~~ or its designee. Providers will not be reimbursed for this information and will submit information to the ~~OMPP office~~ or its designee within thirty (30) days following a request for such information unless the ~~OMPP office~~ or its designee grants an extension upon written request of the pharmacy or provider.

SECTION 2. (405 IAC 5-24-5) (a) The office shall reimburse pharmacy providers for the cost and dispensation of nonlegend (over-the-counter) drugs included on the Medicaid nonlegend drug formulary as provided for in this SECTION.

(b) The office shall reimburse for nonlegend drugs, **except insulin**, at the lowest of the following rates:

- (1) One hundred fifty percent (150%) of the state maximum allowable cost, as set out in the Medicaid Pharmacy Provider Manual and amendments thereto, for the drug in the quantity dispensed, as of the date dispensed.
- (2) The provider's submitted charge, representing the provider's usual and customary charge for the drug, as of the date of dispensing.

**(c) The office shall reimburse for insulin at the estimated acquisition cost (EAC) of the drug, plus any applicable Medicaid**

**dispensing fee. For purposes of this subsection, EAC is defined in SECTION 1(b) of this document.**

**SECTION 3. This document expires December 29, 2005.**

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