

**DEPARTMENT OF SOCIAL SERVICES**

DIVISION OF MEDICAL SERVICES

700 GOVERNORS DRIVE

PIERRE, SD 57501-2291

**PHONE:** 605-773-3495

**FAX:** 605-773-5246

**WEB:** [dss.sd.gov](http://dss.sd.gov)



**Strong Families - South Dakota's Foundation and Our Future**

June 21, 2018

**ATTENTION: Pharmacy Providers**  
**FROM: South Dakota Medicaid**  
**RE: Outpatient Retail Pharmacy Reimbursement Changes**

Dear South Dakota Medicaid Pharmacy Provider,

In compliance with federal final rule CMS-2345-FC published on February 1, 2016 South Dakota Medicaid will change the formula used to calculate prescription costs for reimbursement to pharmacies. The purpose of the federal final rule is to move prescription reimbursement to a more cost-based, transparent payment methodology.

The new formula will be the lesser of National Average Drug Acquisition Cost (NADAC), or Wholesale Acquisition Cost (WAC) if no NADAC, Federal Upper Limit (FUL), State Maximum Allowable Cost (MAC), plus the professional dispensing fee of \$10.50, or Usual and Customary (U&C) price. This new pricing will be in effect for claims with dates of service on or after August 1, 2018.

AAC implementation is expected to be a budget neutral implementation. Pharmacists should expect to see lower reimbursement for ingredient costs, alongside a significant increase in the professional dispensing fee. This will cause some prescriptions to pay more than the old formula but it will also cause some prescriptions to pay less. The overall aggregate impact is expected to be budget neutral. As always, the Medicaid budget for pharmacy services is determined by Legislative appropriation and is subject to budget constraints.

Beginning in June 2016, South Dakota Medicaid met with a small group of pharmacists representing both chain and independent pharmacies to discuss the approach for determining a professional dispensing fee. South Dakota Medicaid analyzed the professional dispensing fee of surrounding states and collected key data points from South Dakota pharmacists to inform the analysis. Budget neutrality was an important determinant in calculating the new professional dispensing fee. South Dakota's professional dispensing fee of \$10.50 is in line with the fee paid by surrounding Medicaid agencies (IA & NE \$10.02, WY \$10.65, MT \$10.67, ND \$12.46). As required under federal rule, South Dakota Medicaid plans to perform a cost to dispense survey in the future.

Federal Supply Schedule (FSS) purchased drugs are required to be billed at no more than their actual acquisition cost plus the professional dispensing fee. Drugs acquired through the federal 340b program and dispensed by 340b contract pharmacies are not covered.

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NADAC prices typically apply to single source drugs and requests for NADAC price reviews are handled by the federally contracted vendor Myers & Stauffer. Reviews can be submitted to Myers and Stauffer utilizing the form found at the following link:

<https://www.mslc.com/uploadedFiles/NADAC%20-%20Request%20for%20Medicaid%20Reimbursement%20Review.pdf>

MAC prices typically apply to multi-source drugs and MAC appeals will continue to be handled by OptumRx utilizing the following link:

<https://prdgov.rxportal.mycatamaranrx.com/rxclaim/SDM/SMAC.html>

Sincerely,

William Snyder  
Director  
Division of Medical Services