

PHARMACY SERVICES

ELIGIBLE PROVIDERS

A pharmacy must be licensed to operate as a pharmacy with the state licensing agency where the pharmacy operates. The pharmacy must also be enrolled with South Dakota Medicaid as an eligible provider.

Please refer to the [provider enrollment chart](#) for additional details on enrollment eligibility and supporting documentation requirement.

ELIGIBLE RECIPIENTS

Providers are responsible for checking a recipient's Medicaid ID card and verifying eligibility before providing services. Eligibility can be verified using South Dakota Medicaid's [online portal](#). The following recipients are eligible for medically necessary services covered in accordance with the limitations described in this chapter:

Coverage Type	Coverage Limitations
Medicaid/CHIP Full Coverage	Medically necessary services including prescription drugs covered in accordance with the limitations described in this chapter.
Medicaid – Pregnancy Related Postpartum Care Only (47)	Coverage restricted to family planning and postpartum care only.
Qualified Medicare Beneficiary – Coverage Limited (73)	Coverage restricted to co-payments and deductibles on Medicare A and B covered services.
Medicaid – Pregnancy Related Coverage Only (77)	Coverage restricted to pregnancy related services only including medical issues that can harm the life of the mother or baby.
Unborn Children Prenatal Care Program (79)	Coverage restricted to pregnancy related services only including medical issues that can harm the life of the mother or baby.
Medicaid Renal Coverage up to \$5,000 (80)	Coverage restricted to outpatient dialysis, home dialysis, including supplies, equipment, and special water softeners, hospitalization related to renal failure, prescription drugs necessary for dialysis or transplants not covered by other sources and non-emergency medical travel reimbursement to renal failure related appointments.

Refer to the [Recipient Eligibility](#) manual for additional information regarding eligibility including information regarding limited coverage aid categories.

Recipient Retro-eligibility

In cases of retro-eligibility a recipient receives a letter stating the dates of eligibility. The patient must show the pharmacy the letter within six months of receipt. The provider may electronically submit claims within six months of the current date. For claims older than six months the pharmacy may contact the pharmacy claims processor and request a billing window be opened. It is the pharmacy's responsibility to refund the patient for claims subsequently paid by Medicaid. Medicaid cannot directly reimburse a patient. The pharmacy should keep a copy of the retro-eligibility letter for audit purposes. The pharmacy is under no obligation to resubmit retro-eligibility claims, it is fully at the discretion of the pharmacy.

COVERED SERVICES AND LIMITS

General Coverage Principles

Providers should refer to the [General Coverage Principles](#) manual for basic coverage requirements all services must meet. These coverage requirements include:

- The provider must be properly enrolled;
- Services must be medically necessary;
- The recipient must be eligible; and
- If applicable, the service must be prior authorized.

The manual also includes non-discrimination requirements providers must abide by.

Covered Services

A prescription is required for all items, services, legend, non-legend drugs and supplies covered by South Dakota Medicaid. To be eligible for coverage all products must be FDA approved and have an existing federal rebate agreement. The following prescription drugs, biologicals, and related items and services are covered:

- Legend eye preparations, vaginal therapeutics, otic pharmaceutical preparations, or inhalations for asthmatic conditions;
- Antibiotic products which are known, either by sensitivity test or product information, to be the single item of choice for the diagnosis;
- Insulin;
- Concentrated cryoprecipitate used in the home treatment of hemophilia;
- Legend vitamins prescribed for the prenatal care of pregnant women;
- Calcitriol if used for renal impairment and determined medically necessary by the prescriber;
- Spacers, such as Aerochamber and InspirEase, and solutions that are medically necessary for the administration of legend drugs used for the delivery of respiratory or inhalation therapy;

- Syringes and needles for the administration of medication covered under this chapter;
- Urine and blood testing items for a diabetic, except for glucometers which are covered under the durable medical equipment benefit. Refer to the [DMEPOS](#) manual for coverage criteria;
- All other legend prescription drugs and biologicals, except for the items listed in the Non-covered Products or Services section of this manual; and
- The OTC items recommended for coverage by the Pharmacy and Therapeutics (P&T) committee and approved for coverage by South Dakota Medicaid.

340B Drugs

South Dakota Medicaid requires contract pharmacies to carve-out South Dakota Medicaid from all 340b claims. This also applies to claims where South Dakota Medicaid is a secondary payer. For more information refer to the [340B Drugs](#) manual.

Certification of Brand Name Drugs

Reimbursement of a brand name drug is limited to the state Maximum Allowable Cost (MAC) or Federal Upper Limit (FUL) price unless the prescriber certifies through the prior authorization process that in his/her medical judgment a brand name product is medically necessary.

A check off box on a prescription form is not acceptable certification and will be denied or subject to recoupment. For a telephone prescription requesting brand name necessary by the prescriber, the pharmacist shall indicate on the face of the prescription that a brand name was requested by the prescriber. The pharmacist must also indicate the time of day the telephone order was taken on the face of the prescription.

Claims submitted with a “Dispense As Written = 2” (DAW2) will return a patient copay that includes the difference in price between the brand name drug and the generic equivalent.

Compounds

Only drugs normally covered by Medicaid are paid for when a compound claim is submitted. Flavoring agents are not considered covered outpatient drugs and are not covered when submitted with a compound claim. Compound claims must be submitted using NCDPD Compound Claim standards. If a compound contains a brand ingredient the brand copay will apply.

Day Supply

Unless otherwise noted the maximum day supply allowed under Medicaid is 34 days. Products with unique package sizes (ex. creams, liquids, etc) may be subject to a day supply limit less than 34.

Family Planning Items

An initial prescription for a family planning item must be dispensed in a one-month supply until maintenance is established after three months. Once maintenance is established, the item may

be dispensed in at least a three-month supply and, if prescribed by the physician, may be dispensed in up to a 12-month supply.

High Dollar Claims

Any claim exceeding \$5,000 requires prior authorization.

Medicare Part D

Recipients eligible for Medicare Part D have a limited Medicaid prescription benefit. Medicaid or its pharmacy processing vendor cannot assign an “override code” for claims not covered by Medicare Part D. Recipients must enroll with a Part D plan once they become eligible. Medicare Part D replaces the Medicaid prescription drug benefit and failure to enroll in a Part D plan does not entitle the recipient to continued Medicaid pharmacy coverage.

Over the Counter (OTC) Coverage

OTC coverage requires a prescription and is limited to:

- Non-sedating antihistamines;
- Lice treatments; and
- Iron preparations for pregnant women and children less than 3 years old

Pharmacy Administered Vaccines and Lab Tests

Refer to the [Physician Administered Drugs, Vaccines, and Immunization](#) manual for claims instructions regarding pharmacy administered vaccines and the [Laboratory and Pathology Services](#) manual for claims instructions regarding laboratory tests.

Preferred Drug List

South Dakota Medicaid does not utilize a preferred drug list (PDL). For example, South Dakota Medicaid does not restrict which ACE Inhibitor can be prescribed. A pharmacy may dispense any ACE Inhibitor that is FDA approved and has a federal rebate agreement.

Prior Authorizations

Prior authorizations (PAs) are processed by a contracted vendor. Most PA requests are adjudicated within 72 hours. A “clean” request is often adjudicated in less than 24 hours. A PA will have an end date, typically one year, after which a new PA must be submitted. PAs are not open ended. PAs will not be backdated, a prescription filled prior to a PA being obtained is the responsibility of the patient. Prior authorization forms are accessible on the [South Dakota Medicaid Pharmacy Website](#).

Emergency Fill

An emergency claim of up to five days fill is allowed in cases where a delay in seeking a PA would negatively impact patient care and a PA cannot be obtained due to circumstances beyond the control of the pharmacy or patient (ex. holiday, prescriber not available). Approval of the five-day supply does not guarantee the PA will ultimately be approved. The pharmacy must submit the appropriate code in the Level of Service field (418-DI). Refer to the [South Dakota Medicaid Payer Sheets](#) for code selection. Non-emergency claims submitted with the emergency code are subject to recoupment.

Prenatal Vitamins

Prenatal vitamins are covered for pregnancy only. Claims submitted for non-pregnant women may be subject to recovery.

Prescription Drug Monitoring Program (PDMP)

South Dakota Medicaid expects providers to utilize the South Dakota Prescription Drug Monitoring (PDMP) program to guard against controlled substance misuse.

Professional Dispensing Fee

South Dakota Medicaid pays a professional dispensing fee to pay for costs in excess of the ingredient cost of a covered drug. Examples of pharmacy costs include, but are not limited to, any reasonable costs associated with a pharmacist's time in checking the computer for information about an individual's coverage, performing quality assurance activities, measurement or mixing of the covered drug, filling the container, physically providing the completed prescription to the Medicaid recipient, postage, delivery, special packaging, and salaries of pharmacists and other pharmacy workers as well as the costs associated with maintaining the pharmacy facility and acquiring and maintaining technology and equipment necessary to operate the pharmacy.

Refill Thresholds

Prescription refills are subject to the following limitations based on the dispensed day supply:

- Non-controlled substances: 75%
- Controlled Substances: 85%

For example, a 30 day prescription for a non-controlled substance filled on March 1st is eligible to be refilled after 75% of the 30 day supply has passed, or March 23rd.

Renal Drug Program

The Renal Drug program is limited in scope; eligible individuals will not have a Medicaid ID card but, will have a letter of authorization for renal program benefits. The Medicaid ID number for these recipients begins with an "8". Payment for drugs will be restricted to the following prescription drugs necessary for dialysis or transplants not covered by any other sources:

- Digoxin;
- Diuretics (Lasix, etc.);
- Prescription vitamin and mineral supplements;
- Immunosuppressives;
- Corticosteroids;
- Angiotensin Converting Enzyme (ACE) inhibitors and Angiotensin Receptor Blockers (ARB); or
- Hematinics.

Any items billed by the provider that are not included in this list will be denied as a non-covered service under the renal program.

A five percent deduction for a renal recipient cost share will be made from Medicaid's calculated payment amount for each renal prescription provided to recipients who are not otherwise exempted from copays. Refer to the [Billing a Recipient](#) manual for information about copays.

Tamper Resistant Prescriptions

For written prescriptions, the prescribed drug or over-the-counter item is not covered unless the prescription was written on a tamper-resistant prescription drug pad. To be considered tamper resistant, a prescription pad must contain the following three characteristics:

- One or more industry-recognized features designed to prevent unauthorized copying of a completed or blank prescription form, such as a high security watermark;
- One or more industry-recognized features designed to prevent the erasure or modification of information written on the prescription by the prescriber, such as tamper-resistant background ink that shows erasures or attempts to change written information; and
- One or more industry-recognized features designed to prevent the use of counterfeit prescription forms, such as sequentially numbered blanks and duplicate or triplicate blanks.

Prescriptions transmitted electronically to the pharmacy, prescriptions transmitted to the pharmacy by facsimile, and prescriptions communicated to the pharmacy by telephone are considered tamper resistant.

Tobacco Cessation Products

Over the counter nicotine replacement products (ex. patches, lozenges) are covered under the [South Dakota Quitline](#). The South Dakota Quitline may be reached at 1-866-737-8487. Prescription smoking cessation products (ex. Chantix) are covered under the Medicaid prescription drug benefit.

NON-COVERED PRODUCTS OR SERVICES

The following items and services are not covered:

- Non-legend prescription drugs and over-the-counter items and medical supplies except for those items addressed in the OTC section;
- Shipping or delivery charges not otherwise included in the professional dispensing fee;
- Prescriptions lost during shipping or delivery;
- Drugs that are prescribed by practitioners who are not licensed to prescribe or are prescribed outside the practitioner's scope of practice;
- Drugs dispensed after the drug's expiration date;
- Legend oral vitamins except for legend vitamins prescribed for the prenatal care of pregnant women covered under [ARSD §67:16:14:04](#);

- Nicotine patches and other nicotine replacement products;
- Herbal, homeopathic, probiotic, nutritional supplements, or medical foods;
- Medical cannabis in any form;
- Services, procedures or drugs that are not approved for marketing by the United States Food and Drug Administration or which are considered experimental;
- Agents to promote fertility, or to treat impotence, or sexual or erectile dysfunction;
- Agents used for anorexia, weight loss, weight gain, hair growth or cosmetic purposes;
- Items or drugs manufactured by a firm that has not signed a rebate agreement with the United States Department of Health and Human Services, Centers for Medicare and Medicaid Services;
- Items which exceed a 34-day supply, except for family planning items and prenatal vitamins;
- Drugs and biologicals which the federal government has determined to be less than effective according to Pub. L. No. 97-35, § 2103 (August 13, 1981), 95 Stat. 787;
- Drugs that require prior authorization but did not receive prior authorization prior to dispensing;
- Covered outpatient drugs which the manufacturer seeks to require as a condition of sale that associated tests or monitoring services be purchased exclusively from the manufacturer or its designee.

Automatic Refills

Automatic refills and automatic shipments are not allowed. South Dakota Medicaid does not pay for any prescription (original or refill) based on a provider's auto-refill policy. South Dakota Medicaid does not pay for any prescription without an explicit request from a recipient or the recipient's responsible party, such as a caregiver, for each refilling event. The pharmacy provider shall not contact the recipient in an effort to initiate a refill unless it is part of a good faith clinical effort to assess the recipient's medication regimen or compliance. The possession, by a provider, of a prescription with remaining refills authorized does not in itself constitute a request to refill the prescription. Recipients or providers cannot waive the explicit refill request and enroll in an electronic automatic refill program. Any prescriptions filled without a request from a recipient or their responsible party may be subject to recoupment. Any pharmacy provider who pursues a policy that includes filling prescriptions on a regular date or any type of cyclical procedure may be subject to audit, claim recoupment or possible suspension or termination of their provider agreement.

Claim Denials

Claims denied for a non-covered product cannot be overridden.

DESI Drugs

The Drug Efficacy Study Implementation (DESI) was a program begun by the Food and Drug Administration (FDA) in the 1960s after the Kefauver-Harris Drug Control Act, which was passed in 1962, requiring all drugs be efficacious as well as safe. Drugs with a DESI designation are not covered by South Dakota Medicaid.

Glucometers

Glucometers are not covered under the pharmacy benefit. A pharmacy may submit a CMS 1500 claim form for a glucometer. South Dakota Medicaid encourages providers to utilize the [Provider Online Portal](#) to submit CMS 1500 claim forms.

Medicaid Drug Rebate

If a manufacturer is not listed as a participant in the federal [Medicaid Drug Rebate Program](#), products from that manufacturer will not be covered.

National Drug Code

Each drug product is assigned a unique 11-digit, 3-segment number, known as the National Drug Code (NDC). The first segment (5-digits) identifies the manufacturer or labeler of the drug, the second segment (4-digits) identifies the drug, and the third segment (2-digits) the package size. South Dakota Medicaid requires the 11-digit 5-4-2- format for billing or reporting a NDC.

Physician Administered Drugs

Drugs that are administered to a patient as part of a clinic or other outpatient visit are not covered under the pharmacy benefit. Do not bill drugs administered during an outpatient visit through the pharmacy POS system. South Dakota Medicaid does not allow “brown-bagging” or “white-bagging” of prescription drugs administered in an office setting. Pharmacies may not dispense drugs directly to a patient if the drugs are intended for use during a clinic or other outpatient visit. Physician administered drugs dispensed using the POS system are subject to recoupment.

Vacation Supply

Vacation supplies are not covered. Prescriptions filled as a vacation supply are subject to recoupment.

DRUG UTILIZATION REVIEW

The Omnibus Budget Reconciliation Act of 1990 (OBRA 90) requires that all state Medicaid programs include a retrospective drug utilization review (DUR) program. The primary goal of DUR is to enhance and improve the quality of pharmaceutical care and patient outcomes by encouraging optimal drug use. The DUR program strives to ensure that prescribed medications are appropriate, medically necessary, and are not likely to result in adverse medical outcomes. The Medicaid DUR program includes both prospective and retrospective DUR activities. The retrospective DUR program involves reviews of patient drug history profiles generated from Medicaid paid claims data. The reviews are consistent with subsection 1927 of the Social Security Act and includes reviews for:

- Therapeutic appropriateness
- Overutilization and underutilization
- Therapeutic duplication
- Drug-disease contraindications
- Drug-drug interactions
- Incorrect dosage or duration of therapy

- Clinical abuse/misuse

Prospective DUR requires the pharmacy provider to screen for drug therapy problems at point-of-sale or distribution before each prescription is filled or dispensed. In compliance with OBRA 90 DUR requirements, pharmacy providers must screen each prescription for certain therapeutic problems using the OBRA 90 defined standards. The pharmacy provider's prospective DUR program must be based upon predetermined standards, consistent with subsection 1927 of the Social Security Act.

DOCUMENTATION REQUIREMENTS

Record Retention

Providers must keep legible medical and financial records that fully justify and disclose the extent of services provided and billed to South Dakota Medicaid. These records must be retained for at least 6 years after the last date a claim was paid or denied. Please refer to the [Documentation and Record Keeping](#) manual for additional requirements.

REIMBURSEMENT AND CLAIM INSTRUCTIONS

Claim Instructions

Pharmacies must use their NCPDP D.0 POS (point of sale) to bill for prescription drugs. Pharmacies may not bill for drugs administered in a clinic or hospital setting. The NDC dispensed is the NDC that must be billed to South Dakota Medicaid. All services require a prescription order from a licensed prescriber. All pharmacy claims must include the National Provider Identifier (NPI) of the prescribing provider.

Cost Sharing

The cost sharing deduction will not be made for recipients who are federally exempt from cost sharing. For more information refer to the [Billing a Recipient](#) manual.

Coupons

Pharmacies cannot use pharmaceutical manufacturers' coupons, discounts, waive copays, or similar promotions to attract prescription business from South Dakota Medicaid recipients. Federal anti-fraud and abuse provisions prohibit these types of business transactions or arrangements.

Network Error

For network processing errors the pharmacy should first contact their software support personnel or the contracted switch provider before contacting the OptumRx Help Desk at 1.855.401.4262.

Reimbursement

South Dakota Medicaid reimburses prescription drug claims utilizing a "lesser of" methodology. Claims are reimbursed at the lesser of:

- Usual and Customary price;
- National Average Drug Acquisition Cost (NADAC) plus a dispensing fee;
- Wholesale Acquisition Cost (WAC) if no NADAC plus a dispensing fee;
- Federal Upper Limit (FUL) plus a dispensing fee;
- State Maximum Allowable Cost (MAC) plus a dispensing fee.

The dispensing fee is listed on the [Pharmacy Dispensing Fee Schedule](#).

Price Appeals

MAC appeals must be directed to the MAC vendor utilizing the [South Dakota MAC Appeal Form](#). NADAC appeals must be directed to the [CMS contracted NADAC vendor](#).

Timely Filing

South Dakota Medicaid must receive a provider's completed claim form within 6 months following the month the service was provided. Requests for reconsiderations will only be considered if they are received within the timely filing period or within 3 months of the date a claim was denied. The time limit may be waived or extended by South Dakota Medicaid in certain circumstances. Providers should refer to the [General Claim Guidance](#) manual for additional information.

Third-Party Liability

Medicaid recipients may have one or more additional source of coverage for health services. South Dakota Medicaid is generally the payer of last resort, meaning Medicaid only pays for a service if there are no other liable third-party payers. Providers must pursue the availability of third-party payment sources and should use the Medicare Crossover or Third-Party Liability billing instructions when applicable. Providers should refer to the [General Claim Guidance](#) manual for additional information.

Coordination of Benefits

Pharmacies must follow the NCPDP Implementation Guide when submitting claims with coordination of benefits from more than one health plan or provider. Complete all applicable fields correctly and appropriately. Failure to do so will cause denial of claims or recovery of payments.

Refer to the South Dakota Medicaid [Version D.0 Payer Sheet](#).

DEFINITIONS

1. "Actual Acquisition Cost," the net cost of a drug to the dispenser;
2. "Bioavailability," the degree to which a drug or other substance becomes available to the target tissue after administration;

3. "Brand name," an arbitrarily adopted name that is given by a manufacturer to a drug to distinguish it as produced or sold by the manufacturer and which may be used and protected as a trademark;
4. "Compounded medication," a therapeutic product prescribed by a licensed practitioner requiring the mixing together of two or more substances by the pharmacist or prescriber;
5. "Contractor," a vendor that has a contract with the department to provide a service;
6. "Cost," for all drugs and supplies, the actual amount paid by the dispensing provider to the supplier after all discounts are deducted;
7. "Drug Efficacy Study Implementation (DESI) Drugs," Federal Food and Drug Administration (FDA) designations related to "substantial evidence" of effectiveness. DESI drugs were introduced to the market between 1937 and 1962, during which time manufacturers did not have to show that their products were effective. Federal Medicaid statutes prohibit state Medicaid agencies from paying for these drugs. Examples include Midrin and Anusol HC suppositories."Generic drugs," drugs of similar chemical composition available from multiple sources and not protected by trademark registration;
8. "Legend drugs," drugs which may be dispensed by prescription only;
9. "MAC," Maximum Allowable Cost;
10. "Maintenance drugs," a medication that has been dispensed three times in the same strength, regardless of dosage schedule, in any combination of brand name or generic form, and used in the treatment of a chronic health condition;
11. "Multiple-source drug," a drug that is sold in therapeutically equivalent forms under one or more brand names, available from two or more generic distributors, and available from one or more drug wholesale firms located in South Dakota;
12. "NADAC," National Average Drug Acquisition Cost;
13. "Non-legend drugs," drugs and supplies available without a prescription;
14. "Over-the-counter" or "OTC," drugs available without a prescription;
15. "Pharmacist," a person licensed to practice pharmacy under SDCL chapter [36-11](#) or by the state in which the pharmacist is located;
16. "Pharmacy," a facility defined as a pharmacy under SDCL chapter [36-11](#) or by the state in which it is located;

17. "Pharmacy and therapeutics committee" or "P&T committee," the South Dakota Medicaid pharmacy and therapeutics committee established under the provisions of Executive Order 2005-09;
18. "Usual and Customary," refers to the average cash price paid by a patient at a retail pharmacy.
19. "WAC," Wholesale Acquisition Cost;

REFERENCES

- [Administrative Rule of South Dakota \(ARSD\)](#)
- [South Dakota Medicaid State Plan](#)
- [Code of Federal Regulations](#)

QUICK ANSWERS

1. **Can pharmacies be reimbursed for flu vaccines? Is a prescription from a physician required?**

Yes, pharmacies may be reimbursed for flu vaccines and other vaccinations allowed under the pharmacy scope of practice. Refer to the [Physician Administered Drugs, Vaccines, and Immunization](#) manual for claims instructions and policies regarding pharmacy administered vaccines.

2. **Is Optum Rx a Pharmacy Benefits Manager (PBM) for South Dakota Medicaid?**

No, South Dakota Medicaid retains sole control over pharmacy benefits for South Dakota Medicaid with input from the P&T Committee. Optum Rx acts in an administrative capacity to process claims and prior authorizations for South Dakota Medicaid.

3. **Who do I contact when I don't know why a claim is denying?**

Providers must contact OptumRx at 1-855-401-4262. Completed PA forms can be faxed to 1-844-403-1029.

4. **Can the patient call OptumRx to see why a drug has been denied?**

No, the OptumRx helpline requires entry of an NPI so it is for pharmacy or prescriber staff only.