



State of New Mexico
Medical Assistance Program Manual
Supplement



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TO: ALL PHARMACY PROVIDERS PARTICIPATING IN THE NEW MEXICO
MEDICAID PROGRAM

FROM: CAROLYN INGRAM, DIRECTOR, MEDICAL ASSISTANCE DIVISION

**SUBJECT: REDUCTION IN PHARMACY DISPENSING FEES EFFECTIVE
FEBRUARY 1, 2010.**

Effective with dates of service February 1, 2010, the pharmacy dispensing fee when product selection has not taken place will be lowered from \$3.65 to \$2.50. Product selection occurs when a practitioner has prescribed a brand name multisource drug and the pharmacist substitutes a lower cost equivalent drug item as allowed by state law.

Due to a serious shortfall in state revenues largely related to gas and oil taxes, many state program budgets are either being reduced or not sufficiently increased to cover current program costs. The New Mexico Medicaid program budget is no exception. Program costs are outpacing available revenues. Therefore, the Medicaid program is reducing provider rates by amounts that still assure provider reimbursement is reasonable. The Human Services Department has surveyed dispensing fees paid by other payers in New Mexico and accepted by pharmacies and has determined that a \$2.50 dispensing fee when product selection has not taken place is a reasonable dispensing fee.

The Human Services Department submitted to the Medicaid Advisory Committee options available to New Mexico Medicaid. The input received from this group proved invaluable as Medicaid moved forward with the decision-making process.

A great deal of analysis went into various options and input from numerous stakeholders was given serious consideration. Throughout the process, Medicaid adhered to the goals of better controlling the growth in costs while: 1) protecting children as much as possible; 2) limiting benefits before reducing eligibility; and, 3) utilizing revenue enhancements that federal contributions help fund.

Even with the implementation or planned implementation of many of the other studied options, it is still necessary to implement a reduction in reimbursement to providers as part of the solution to address the serious budget situation.

The following describes how pharmacy providers will be affected by the reduction:

A. PHARMACY DISPENSING FEE – NO PRODUCT SELECTION

Effective with dates of service beginning February 1, 2010, the pharmacy dispensing fee will become \$2.50.

As a result of this change, the total anticipated reduction in payments in the fee for service Medicaid program is estimated to be \$400,000 annually.

B. BILLING FOR SERVICES

As noted above, product selection occurs when a practitioner has prescribed a brand name multisource drug and the pharmacist substitutes a lower cost equivalent drug item as allowed by state law. Instructions for billing claims for which product selection has not occurred will not change as a result of implementing this reduction.

For items which are dispensed as a result of product selection, MAD and ACS will send instructions to pharmacies on how to submit claims to be paid using a \$3.65 dispensing fee.

The change will involve using the “Originally Prescribed Product Code” (NCPDP 445-EA). When product selection has taken place, the pharmacy will supply the NDC of the item prescribed in the “Originally Prescribed Product Code” field while the NDC of the item dispensed will be in the “Product ID” (NCPDP 407-D7).

Prior to making payment, if the originally prescribed product is a brand name drug and the dispensed Product ID is a lower priced generic equivalent drug, a dispensing fee of \$3.65 rather than \$2.50 will be used in calculating the payment to the pharmacy.

C. COMMENTS

Providers may view the proposed rates or percent reductions on the MAD website by clicking on the “Provider Information” bullet and selecting “Fee for Service” from the drop down list which links to the following web page:

<http://www.hsd.state.nm.us/mad/PFeeSchedules.html>

The Medical Assistance Division will receive comments on this reduction through **February 5, 2010**, to allow sufficient time for interested parties to submit comments. The Medical Assistance Division will review all comments and shall notify providers of any changes that are made due to the comments.

Copies of all comments will be made available by the Medical Assistance Division upon request by providing copies directly to a requestor or by making them available on the MAD website or at a location within the county of the requestor. Contact the Medical Assistance Division as indicated below.

D. CONTACTING MEDICAL ASSISTANCE DIVISION (MAD) PROGRAM STAFF

Written or e-mailed comments are preferred because they become part of the record associated with this change.

Written comments may be sent to:
Benefit Services Bureau
HSD/Medical Assistance Division
PO Box 2348
Santa Fe, NM 87504-2348

E-mail comments may be sent to:
Tabitha.Mondragon@state.nm.us

However, if you have questions regarding the above information, you may contact the Benefit Services Bureau at (505) 827-3171.

We appreciate your participation in the Medicaid program and look forward to a time of improved economic conditions within the state.