

Dear Pharmacy Owner / Manager:

As you are aware, changes in the availability of drug pricing benchmarks necessitate that many State Medicaid programs evaluate alternative pricing methods for use in reimbursing pharmacies for drugs that they dispense. Because of these changes, we have the unique opportunity to work together to recognize the contributions pharmacists make to the health of Medicaid recipients through the realignment of drug ingredient reimbursement for estimating pharmacy's acquisition costs, and the provision of reasonable Medicaid dispensing fees that consider professional services performed by pharmacists.

The Centers for Medicare and Medicaid Services (CMS) is working with State Medicaid programs, with input from national pharmacy associations and many other stakeholders, regarding the design and development of a National Average Drug Acquisition Cost (NADAC) reference file. We expect that the NADAC reference file will represent a new pricing benchmark based on the national average costs that pharmacies pay to acquire Medicaid covered outpatient drugs. This pricing benchmark will be based on drug acquisition costs collected directly from pharmacies through a nationwide survey process. This survey will be conducted on a monthly basis to ensure that the NADAC reference file remains current and up-to-date.

CMS envisions that the NADAC reference file will provide State Medicaid agencies with an additional pricing reference which they can use to evaluate their current drug reimbursement methodologies. If a Medicaid program chooses to utilize the NADAC reference file for drug ingredient reimbursement, we expect that States will simultaneously evaluate their Medicaid dispensing fee.

One of the primary goals of this program is to create and maintain an up-to-date NADAC reference list for Medicaid covered outpatient drugs reflecting the average price paid for drugs by retail community pharmacies, chain pharmacies, and specialty pharmacies. The drug acquisition cost survey process has been designed to minimize the administrative burdens on pharmacies that participate and to streamline the process of obtaining drug cost data from pharmacies.

CMS has contracted with Myers and Stauffer LC, a national certified public accounting firm that provides professional accounting, consulting, data management and analysis services to government-sponsored healthcare programs. Myers and Stauffer has extensive experience working with State Medicaid pharmacy programs and collecting acquisition costs directly from pharmacies. Under this CMS contract, Myers and Stauffer has developed a methodology for collecting drug acquisition costs and calculating the NADAC reference file prices for covered outpatient drugs.

A meeting with stakeholders was held on August 4, 2011 at the CMS offices in Baltimore, during which the proposed methodology for the NADAC was presented. Since that meeting, further stakeholder input has been received and considered in the final design and development of the drug acquisition cost survey and NADAC reference file initiative. Additional information and routine updates will be available from the <http://Medicaid.gov> website.

Your pharmacy has been randomly selected to participate in this month's survey. We are requesting that you provide a copy of selected purchase invoices for drugs purchased by your pharmacy. The attached survey instructions prepared by Myers and Stauffer outlines the survey process for submitting one (1) month's worth of drug invoices by fax, mail, or electronic submission. Since 2,000 to 2,500 pharmacies nationwide are randomly selected to participate in the survey each month, the probability that your pharmacy will be selected again during the year is 5% or less. Based on the contractor's experience, it is estimated to take less than 30 minutes of non-pharmacist time to assemble and submit the requested information.

It is important to note that all drug purchase price information submitted for this project will remain under the control of CMS, will only be used for the purposes described above, and will remain secure to the extent provided by law, consistent with Exemption 4 of the Freedom of Information Act (FOIA). Accordingly, neither CMS nor Myers and Stauffer will release invoice information and pharmacy identification that is submitted voluntarily and is identified by you as proprietary, except as is required by law.

By participating in the survey, you will have the opportunity to ensure that the market conditions facing your pharmacy are represented in the calculation and evaluation of the NADAC. One of the goals of the NADAC program is to account for the prices that pharmacies pay to acquire drugs.

To accomplish this goal, information from your pharmacy is necessary. Your participation in this endeavor is strongly encouraged and greatly appreciated.

This Retail Price Survey represents an opportunity for Medicaid pharmacies to participate in an initiative to determine a reference price representing the acquisition cost of drugs. Please note that current Federal regulations require State Medicaid programs to consider the professional services performed when setting their dispensing fee rates.

Please contact the Help Desk operated by Myers and Stauffer LC at (800) 591-1183 should you have any questions regarding this survey.

Sincerely,

Barbara Coulter Edwards  
Director, Disabled and Elderly Health Programs Group  
Center for Medicaid and CHIP Services