

***CMS Retail Price Survey  
National Average Drug Acquisition Cost (NADAC)  
Overview and Help Desk Operations***

***August 17, 2017***

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and CHIP Services  
&  
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# Overview

- Welcome and Introductions
- National Average Drug Acquisition Cost (NADAC)
- NADAC Implementation Considerations
- NADAC Equivalency
- NADAC/Federal Upper Limit
- Help Desk Operations
- Questions and Answers

# CMS Retail Price Survey Webinar

## Participants

- CMS
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  - Joseph Fine, R.Ph., MPA
- Myers and Stauffer LC
  - Darold Barnes, R.Ph.
  - Jennifer Murray, PharmD., BCGP
  - Michael Sharp, R.Ph.

# NADAC

## Background and History

- Section 1927(f) of the Social Security Act provides, in part, that CMS may contract with a vendor to conduct monthly surveys with respect to retail community pharmacies of retail prices for covered outpatient drugs.
- In June 2010, State Medicaid Pharmacy Administrators, along with the National Association of State Medicaid Directors (NASMD), submitted to CMS the “Post AWP Pharmacy Pricing and Reimbursement” white paper in response to the change in availability of AWP.
- CMS has developed the NADAC to provide a national reference file to assist State Medicaid programs in the pricing of Covered Outpatient Drug claims to reflect the actual acquisition cost (AAC) of drugs.

# NADAC

## Background and History

- The National Average Drug Acquisition Cost (NADAC) represents the national **average** invoice price derived from retail community pharmacies for drug products based on invoices from wholesalers and manufacturers.
- The purpose was to create and publish a national reference benchmark that State Medicaid programs may use when determining their reimbursement to pharmacy providers.
- It **does not** reflect off-invoice discounts, rebates or price concessions. These amounts are not readily available and do not tie directly to specific NDCs.

# NADAC

## National Medicaid Claims Coverage

January 2017 NADAC National Drug Codes (NDCs) were compared to 2016 CMS fee-for-service (FFS) National Utilization Data to determine the comprehensiveness and applicability to State Medicaid programs.

- NADACs have been calculated for approximately **96%** of all Medicaid claim submissions
  - NADACs have been calculated for approximately **87%** of all Medicaid brand claim submissions.
  - NADACs have been calculated for approximately **97%** of all Medicaid generic claim submissions.
- As of August 2017 the NADAC file is comprised of 24,721 NDCs.

# NADAC

## General Survey Overview

1. Monthly survey of retail community pharmacies (2,500/month, randomly selected)
2. Collect acquisition costs (voluntary participation, 450-600 responding pharmacies per month)
3. Import invoice data into acquisition cost database (electronic/fax:~80%, paper/data entry:~20%)
4. Scrub, review and analyze data (statistical and manual outlier removal - 200,000-300,000 final cost observations per month)
5. Calculate national average drug acquisition costs (brand and generic rates at drug group level).
6. Perform quality assurance procedures.
7. Publish reference file at National Drug Code level to Medicaid.gov
8. Operate NADAC Help Desk for pharmacies and states.

# NADAC

## Survey Process Highlights

- A national pharmacy compendia file containing information on pharmacies throughout the country is used to determine the pool of retail community pharmacies eligible for each monthly survey.
- Randomly selected retail community pharmacies undergo additional quality review to assure closed door and 340B pharmacies are excluded.
- Survey sent on the 1<sup>st</sup> of month for the previous month's invoices.
- Survey reminders are sent on the 10<sup>th</sup> of each month.
- Survey is closed on the 21<sup>st</sup> of each month.
- Pharmacies that have been selected for a survey will be withheld from future survey selection for a three-month period.
- Invoice requests are not limited to specific drugs.
- All data received from participating pharmacies is confidential and proprietary.



# NADAC

## Survey/Rate Publication Timeline

Description	Month 1	Month 2
Date of Drug Purchases for Acquisition Costs	June 1 – June 30	July 1 – July 31
Month of Survey Collection, Processing and NADAC Calculations	July	August
Month of NADAC Reference File Publication	August	September

# NADAC

## Monthly Survey Significance

- Approximately 85% of all NDCs on the NADAC are updated with the monthly survey.
- Month to month generic drug pricing is dynamic with approximately an equal number of increases and decreases.
  - Of the top 50 utilized generics in 2016, the vast majority of the rates have decreased year after year.
  - These decreases are often the result of additional manufacturers producing the drug.
- Contrary to generic drug pricing, brand drug pricing generally increases over time and is closely aligned with manufacturer pricing increases, i.e. Wholesale Acquisition Cost (WAC) / Average Wholesale Price (AWP).
  - Some brand drugs, such as clotting factor, have no consistent correlation to published manufacturer pricing, i.e. WAC/AWP.

# NADAC

## Weekly Reference File Update Importance

- Help Desk rate adjustments
- Published pricing updates for brand rates
- NDC additions and deletions due to:
  - Compendia NDC deletions and additions
  - CMS labeler terminations and activations
  - CMS termination date and reactivation date

# NADAC

## File Specifications and Posting Schedule

- The NADAC file is posted to the Medicaid.gov website on a weekly basis (Wednesday).
- The data can be exported in multiple formats.
- Drugs are listed at the NDC-11 level and the file can be sorted and filtered based upon any of the columns in the file.
- Each new file will be a full replacement of the previous file.
- The file can be downloaded directly by the state's claims processor or obtained from First DataBank, Gold Standard or MediSpan.

# NADAC

## Effective Date Policies

- The Effective Date associated with a NADAC will depend on whether the NADAC was updated.
- For NADAC rates that do not change from the previous reference file, both the NADAC rate and Effective Date will generally carry forward to the new reference file.
- For NADAC rates that are added or changed from the previous reference file, a new Effective Date is assigned to the NADAC. This Effective Date is the date on which the NADAC becomes effective.
  - New NDCs added due to CMS or compendia additions, which are part of an existing drug group with a NADAC, will receive the effective date of the weekly file and therefore NDCs within same drug group may have the same rate, but different Effective Dates.
- NADAC rates with a WAC update will receive an Effective Date equal to that of the WAC Effective Date as provided by the compendia.
  - There may be rare situations the WAC Effective Date cannot be equal to the compendia WAC Effective Date if the previous rate segment had an Effective Date greater than the WAC Effective Date. This is due to compendia editorial policies which do not allow rate segment Effective Date overlap.
- NADAC rate changes resulting from help desk inquiries will receive an Effective Date equal to the weekly file date in which they are published and will not be backdated.
  - This policy was based upon a collaborative discussion between CMS, Myers and Stauffer, drug file compendia and early state adopters of the file.
  - States which desire to back date rates to accommodate provider complaints will need to incorporate a method into their claims processing system.
  - To date, there have been very few complaints regarding NADAC effective date policies.

# NADAC

## Weekly Reference File Format

### CMS

#### Weekly NADAC Reference File as of 07/26/2017

NDC Description	NDC	NADAC Per Unit	Effective Date	Pricing Unit	Pharmacy Type Indicator	OTC	Explanation Code	Classification for Rate Setting	Corresponding Generic Drug NADAC Per Unit	Corresponding Generic Drug Effective Date
12-HR DECONGEST 120 MG CAPLET	00113005452	0.33014	07/19/2017	EA	C/I	Y	1	G		
12-HR DECONGEST 120 MG CAPLET	36800005452	0.33014	07/19/2017	EA	C/I	Y	1	G		
12-HR DECONGEST 120 MG CAPLET	36800005460	0.33014	07/19/2017	EA	C/I	Y	1	G		
12-HR DECONGEST 120 MG CAPLET	37205044652	0.33014	07/19/2017	EA	C/I	Y	1	G		
3-DAY VAGINAL CREAM	51672206200	0.29959	07/19/2017	GM	C/I	Y	1, 5, 6	G		
4 WAY 1% NASAL SPRAY	00067208601	0.18294	05/17/2017	ML	C/I	Y	4, 5, 6	B	0.08394	02/22/2017
8 HOUR ER 650 MG CAPLET	46122006271	0.06341	07/19/2017	EA	C/I	Y	1	G		
8 HOUR ER 650 MG CAPLET	46122006278	0.06341	07/19/2017	EA	C/I	Y	1	G		
ABACAVIR 300 MG TABLET	00378410591	1.72262	07/19/2017	EA	C/I	N	1	G		
ABACAVIR 300 MG TABLET	00904652304	1.72262	07/19/2017	EA	C/I	N	1	G		
ABACAVIR 300 MG TABLET	00904652306	1.72262	07/19/2017	EA	C/I	N	1	G		
ABACAVIR 300 MG TABLET	31722055760	1.72262	07/19/2017	EA	C/I	N	1	G		
ABACAVIR 300 MG TABLET	51079020401	1.72262	07/19/2017	EA	C/I	N	1	G		
ABACAVIR 300 MG TABLET	51079020406	1.72262	07/19/2017	EA	C/I	N	1	G		
ABACAVIR 300 MG TABLET	60505358306	1.72262	07/19/2017	EA	C/I	N	1	G		

# NADAC

## Week-to-Week Comparison File Format

View of Exported Week-to-Week Comparison File from Medicaid.gov

NADAC Comparison as of 7/26/2017

NDC Description	NDC	Old NADAC Per Unit	New NADAC Per Unit	Classification for Rate Setting	Percent Change	Primary Reason	Start Date	End Date	Effective Date
AURYXIA 210 MG TABLET	59922063101	4.84166	5.13497	B	6.06%	WAC Adjustment	7/19/2017	7/26/2017	7/15/2017
INDERAL XL 120 MG CAPSULE	76299042285	22.29738	24.30436	B	9.00%	WAC Adjustment	7/19/2017	7/26/2017	7/17/2017
INDERAL XL 120 MG CAPSULE	76299042288	22.29738	24.30436	B	9.00%	WAC Adjustment	7/19/2017	7/26/2017	7/17/2017
INDERAL XL 80 MG CAPSULE	76299042088	21.97013	23.94744	B	9.00%	WAC Adjustment	7/19/2017	7/26/2017	7/17/2017
INDERAL XL 80 MG CAPSULE	76299042085	21.97013	23.94744	B	9.00%	WAC Adjustment	7/19/2017	7/26/2017	7/17/2017
INNOPRAN XL 120 MG CAPSULE	24090045185	22.29738	24.30436	B	9.00%	WAC Adjustment	7/19/2017	7/26/2017	7/17/2017
INNOPRAN XL 120 MG CAPSULE	24090045188	22.29738	24.30436	B	9.00%	WAC Adjustment	7/19/2017	7/26/2017	7/17/2017
INNOPRAN XL 80 MG CAPSULE	24090045085	21.97013	23.94744	B	9.00%	WAC Adjustment	7/19/2017	7/26/2017	7/17/2017
INNOPRAN XL 80 MG CAPSULE	24090045088	21.97013	23.94744	B	9.00%	WAC Adjustment	7/19/2017	7/26/2017	7/17/2017
OFLOXACIN 0.3% EAR DROPS	24208041005	7.97405	10.99881	G	37.93%	Help Desk	7/19/2017	7/26/2017	7/26/2017
OFLOXACIN 0.3% EAR DROPS	50383002505	7.97405	10.99881	G	37.93%	Help Desk	7/19/2017	7/26/2017	7/26/2017
OFLOXACIN 0.3% EAR DROPS	60505036301	7.97405	10.99881	G	37.93%	Help Desk	7/19/2017	7/26/2017	7/26/2017
PROLIA 60 MG/ML SYRINGE	55513071001	1040.7077	1089.6209	B	4.70%	WAC Adjustment	7/19/2017	7/26/2017	7/20/2017

Primary Reason field may contain the following: Help Desk, WAC Adjustment, Rate Group Change, Survey Rate

# NADAC

## Drug Grouping

- Separate NADACs calculated for brand drugs and generic drugs.
  - Classification for rate setting values are designated on the NADAC file as:
    - B for brand
    - G for generic
    - B-ANDA for brand drugs approved under an ANDA
    - B-Bio for biosimilars
  - NADACs will be applied to NDCs based primarily on their CMS drug category code of S/I or N. Brand and generic exception management (such as authorized generics and B-ANDA drugs) exists for certain NDCs. These NDCs are identified with an explanation code of “6” on the NADAC file.



# NADAC

## Core Features

- NADAC file format
- Explanation codes to further describe NADAC rate setting situations
- Single-source brand drugs
- Multiple-source brand and generic drug rates, corresponding generic rates for multiple-source brand drugs where NADAC is available
- Brand drugs approved under an ANDA (B-ANDA)
- Brand drug separation by labeler where invoice pricing is not consistent
- Package size specific rates where invoice pricing is not appropriate for grouping
- Authorized generic linking where the authorized generic is the only available generic in the corresponding generic rate group
- Separate NADACs for legend and over the counter drugs in the same drug group
- NADAC Week-to-Week file comparison to highlight rate changes, effective date and reason

# NADAC

## Core Features Example-Explanation Codes

Explanation Codes: Codes that pertain to how the NADAC file was calculated; see explanation code descriptions below.

- Code 1: The NADAC was calculated using information from the most recently completed pharmacy survey.
- Code 2: The average acquisition cost of the most recent survey was within  $\pm 2\%$  of the current NADAC; therefore, the NADAC was carried forward from the previous file.
- Code 3: The NADAC based on survey data has been adjusted to reflect changes in published pricing, or as a result of an inquiry to the Help Desk.
- Code 4: The NADAC was carried forward from the previous file.
- Code 5: The NADAC was calculated based on package size.

# NADAC

## Core Features Example-Explanation Codes

- Code 6: The CMS Covered Outpatient File drug category type of 'S/I/N' (Single Source/Innovator/Non-Innovator) has not been applied. Most 'S/I' drugs with the same strength, dosage form and route of administration were grouped together for the purpose of the NADAC calculation and 'N' drugs were also grouped together. In some cases, however, in calculating a NADAC, the CMS 'S/I/N' designation was not applied when the state Medicaid brand or generic payment practices for these drugs generally differed from the CMS Covered Outpatient File designation
- Codes 7 through 10: Reserved for future use

# NADAC

## Core Features – Explanation Code 6 Description

Authorized generic drugs are listed in the CMS Covered Outpatient Drug file as 'I' drugs for the purpose of rebates as they were approved under a New Drug Application (NDA). However, they are grouped as 'N' for the NADAC calculation since they are generally designated as generic by most state Medicaid programs for the purposes of reimbursement. Another example of this occurrence is when proprietary named drugs, approved under an Abbreviated New Drug Application (ANDA) are in the CMS Covered Outpatient Drug file as 'N' for the purpose of rebates. However, they are grouped as 'S/I' for the NADAC calculation since they are generally reimbursed as brand drugs by state Medicaid programs.

# NADAC

## Core Features Example-Single Source Brand

### CMS

#### Weekly NADAC Reference File as of 07/26/2017

NDC Description	NDC	NADAC Per Unit	Effective Date	Pricing Unit	Pharmacy Type Indicator	OTC	Explanation Code	Classification for Rate Setting	Corresponding Generic Drug NADAC Per Unit	Corresponding Generic Drug Effective Date
ADVAIR 100-50 DISKUS	00173069500	4.65872	02/22/2017	EA	C/I	N	2, 5	B		
ADVAIR 100-50 DISKUS	00173069504	9.52101	01/01/2017	EA	C/I	N	4, 5	B		
ADVAIR 250-50 DISKUS	00173069600	5.79383	02/22/2017	EA	C/I	N	2, 5	B		
ADVAIR 250-50 DISKUS	00173069604	9.56043	01/01/2017	EA	C/I	N	4, 5	B		
ADVAIR 500-50 DISKUS	00173069700	7.61886	02/22/2017	EA	C/I	N	2, 5	B		
ADVAIR 500-50 DISKUS	00173069704	15.52033	01/01/2017	EA	C/I	N	4, 5	B		
ADVAIR HFA 115-21 MCG INHALER	00173071622	23.36732	01/01/2017	GM	C/I	N	4, 5	B		
ADVAIR HFA 115-21 MCG INHALER	00173071620	28.90926	02/22/2017	GM	C/I	N	2, 5	B		
ADVAIR HFA 230-21 MCG INHALER	00173071722	34.94478	01/01/2017	GM	C/I	N	4, 5	B		
ADVAIR HFA 230-21 MCG INHALER	00173071720	38.03940	02/22/2017	GM	C/I	N	2, 5	B		
ADVAIR HFA 45-21 MCG INHALER	00173071520	23.24575	02/22/2017	GM	C/I	N	2, 5	B		
ADVAIR HFA 45-21 MCG INHALER	00173071522	23.99291	01/01/2017	GM	C/I	N	4, 5	B		

# NADAC

## Core Features Example-Brand and Generic Specific Rates

### CMS

#### Weekly NADAC Reference File as of 07/26/2017

NDC Description	NDC	NADAC Per Unit	Effective Date	Pricing Unit	Pharmacy Type Indicator	OTC	Explanation Code	Classification for Rate Setting	Corresponding Generic Drug NADAC Per Unit	Corresponding Generic Drug Effective Date
ABILIFY 10 MG TABLET	59148000813	28.62591	04/19/2017	EA	C/I	N	2	B	0.86966	07/19/2017
ABILIFY 10 MG TABLET	59148000835	28.62591	04/19/2017	EA	C/I	N	2	B	0.86966	07/19/2017
ARIPIRAZOLE 10 MG TABLET	00093758056	0.86966	07/19/2017	EA	C/I	N	1	G		
ARIPIRAZOLE 10 MG TABLET	00904651161	0.86966	07/19/2017	EA	C/I	N	1	G		
ARIPIRAZOLE 10 MG TABLET	13668021805	0.86966	07/19/2017	EA	C/I	N	1	G		
ARIPIRAZOLE 10 MG TABLET	13668021830	0.86966	07/19/2017	EA	C/I	N	1	G		
ARIPIRAZOLE 10 MG TABLET	13668021890	0.86966	07/19/2017	EA	C/I	N	1	G		
ARIPIRAZOLE 10 MG TABLET	13811068110	0.86966	07/19/2017	EA	C/I	N	1	G		
ARIPIRAZOLE 10 MG TABLET	13811068130	0.86966	07/19/2017	EA	C/I	N	1	G		
ARIPIRAZOLE 10 MG TABLET	16729028001	0.86966	07/19/2017	EA	C/I	N	1	G		

# NADAC

## Core Features Example-Brand Separated By Labeler

### CMS

#### Weekly NADAC Reference File as of 07/26/2017

NDC Description	NDC	NADAC Per Unit	Effective Date	Pricing Unit	Pharmacy Type Indicator	OTC	Explanation Code	Classification for Rate Setting	Corresponding Generic Drug NADAC Per Unit	Corresponding Generic Drug Effective Date
PROAIR HFA 90 MCG INHALER	59310057922	6.35485	02/22/2017	GM	C/I	N	2, 5	B		
PROVENTIL HFA 90 MCG INHALER	00085113201	10.80093	02/22/2017	GM	C/I	N	2, 5	B		
VENTOLIN HFA 90 MCG INHALER	00173068221	2.47780	01/01/2017	GM	C/I	N	2, 5	B		
VENTOLIN HFA 90 MCG INHALER	00173068224	2.47780	01/01/2017	GM	C/I	N	2, 5	B		
VENTOLIN HFA 90 MCG INHALER	00173068220	2.79022	02/22/2017	GM	C/I	N	2, 5	B		
PRINIVIL 20 MG TABLET	00006020754	1.72039	06/08/2017	EA	C/I	N	4	B	0.02418	07/19/2017
ZESTRIL 10 MG TABLET	52427044090	12.13660	12/01/2016	EA	C/I	N	4	B	0.01732	07/19/2017

Brand drugs having the same drug name, strength and dosage form can be separated by labeler code due to NADAC per unit cost differences. Proair, Proventil and Ventolin are separated by both labeler and package size.

# NADAC

## Core Features Example-Authorized Generic Linking

### CMS

#### Weekly NADAC Reference File as of 07/26/2017

NDC Description	NDC	NADAC Per Unit	Effective Date	Pricing Unit	Pharmacy Type Indicator	OTC	Explanation Code	Classification for Rate Setting	Corresponding Generic Drug NADAC Per Unit	Corresponding Generic Drug Effective Date
NATROBA 0.9% TOPICAL SUSP	52246092904	1.96172	05/17/2017	ML	C/I	N	2, 5	B	1.59301	06/21/2017
SPINOSAD 0.9% TOPICAL SUSP	28595057004	1.59301	06/21/2017	ML	C/I	N	4, 5, 6	G		

Brand drug linked to the corresponding authorized generic where no A-rated ANDA approved generic drug exists in the drug group.



# NADAC

## Core Features Example-Package Size Specific Rates

### CMS

#### Weekly NADAC Reference File as of 07/26/2017

NDC Description	NDC	NADAC Per Unit	Effective Date	Pricing Unit	Pharmacy Type Indicator	OTC	Explanation Code	Classification for Rate Setting	Corresponding Generic Drug NADAC Per Unit	Corresponding Generic Drug Effective Date
AMOX-CLAV 200-28.5 MG/5 ML SUS	65862053301	0.06823	07/19/2017	ML	C/I	N	1, 5	G		
AMOX-CLAV 200-28.5 MG/5 ML SUS	66685101102	0.06823	07/19/2017	ML	C/I	N	1, 5	G		
AMOX-CLAV 200-28.5 MG/5 ML SUS	00143998175	0.08571	06/21/2017	ML	C/I	N	4, 5	G		
AMOX-CLAV 200-28.5 MG/5 ML SUS	16714029202	0.08571	06/21/2017	ML	C/I	N	4, 5	G		
AMOX-CLAV 200-28.5 MG/5 ML SUS	00143998150	0.11363	03/22/2017	ML	C/I	N	4, 5	G		
AMOX-CLAV 200-28.5 MG/5 ML SUS	16714029201	0.11363	03/22/2017	ML	C/I	N	4, 5	G		
BETAMETHASONE DP 0.05% CRM	00168005546	1.16524	07/19/2017	GM	C/I	N	1, 5	G		
BETAMETHASONE DP 0.05% CRM	00472038045	1.16524	07/19/2017	GM	C/I	N	1, 5	G		
BETAMETHASONE DP 0.05% CRM	00472038015	1.78633	07/19/2017	GM	C/I	N	1, 5	G		
BETAMETHASONE DP 0.05% CRM	51672127401	1.78633	07/19/2017	GM	C/I	N	1, 5	G		
OXISTAT 1% CREAM	10337035860	9.66565	12/31/2016	GM	C/I	N	4, 5	B	7.71650	03/22/2017
OXISTAT 1% CREAM	10337035830	19.12389	12/31/2016	GM	C/I	N	4, 5	B	15.05400	01/18/2017

Package size specific rates for drugs having the same drug name, strength and dosage form when a variation in per unit acquisition costs exists between package sizes. In general, larger package sizes have a lower per unit cost.

# NADAC

## Core Features Example-Legend and Over-the-Counter (OTC) Specific Rates

### CMS

#### Weekly NADAC Reference File as of 07/26/2017

NDC Description	NDC	NADAC Per Unit	Effective Date	Pricing Unit	Pharmacy Type Indicator	OTC	Explanation Code	Classification for Rate Setting	Corresponding Generic Drug NADAC Per Unit	Corresponding Generic Drug Effective Date
RANITIDINE 150 MG TABLET	00172435749	0.05395	07/19/2017	EA	C/I	N	1	G		
RANITIDINE 150 MG TABLET	00172435770	0.05395	07/19/2017	EA	C/I	N	1	G		
RANITIDINE 150 MG TABLET	00781188310	0.05395	07/19/2017	EA	C/I	N	1	G		
RANITIDINE 150 MG TABLET	00781188360	0.05395	07/19/2017	EA	C/I	N	1	G		
RANITIDINE 150 MG TABLET	51079087901	0.05395	07/19/2017	EA	C/I	N	1	G		
RANITIDINE 150 MG TABLET	51079087920	0.05395	07/19/2017	EA	C/I	N	1	G		
RANITIDINE 150 MG TABLET	00904635024	0.14546	07/19/2017	EA	C/I	Y	1	G		
RANITIDINE 150 MG TABLET	00904635051	0.14546	07/19/2017	EA	C/I	Y	1	G		
RANITIDINE 150 MG TABLET	55111040434	0.14546	07/19/2017	EA	C/I	Y	1	G		

Drug class specific NADAC per unit rates for OTC and legend drugs having the same drug name, strength and dosage form.

# NADAC

## Implementation Considerations for States

- Review and understand the NADAC Methodology, including the NADAC Help Desk process.
- Review past webinars and Q&A documentation available on Medicaid.gov.
- Explore the NADAC file structure and implications for pharmacy claims processing systems.
- Explore mechanisms to obtain the weekly and monthly NADAC files.
  - First DataBank, Gold Standard and MediSpan
    - Review and understand specific compendia editorial policies for publication and maintenance of the NADAC (i.e. dating policies, rate termination policies, pricing types, file timing)
  - Direct weekly download from Medicaid.gov by state's claim processor
- Understand the types of drugs that are included on the NADAC file.
- Consult with states that have already implemented the NADAC file.
- Review NADAC brand vs. generic classifications and compare to state processes.
- Preferred Drug List impact (i.e. preferred multiple source brands).
- Contact the Myers and Stauffer Help Desk with questions.

# NADAC

## NADAC Equivalency Metrics

- Developed to analyze the relationship of NADAC pricing to published compendia pricing benchmarks
- Illustrates the median discount off of WAC and AWP that would equate to the published NADAC values
  - Calculated for legend brand and generic drugs separately in the aggregate
  - Calculated for legend single source brand and multiple source brand drugs
  - Calculated for legend generic drugs by number of rebating labelers within the drug rate group (drug, strength, dosage form)
- Produced on a quarterly basis to reflect most recent monthly NADAC file as compared to WAC and AWP in effect at the time of NADAC publication
- NDCs utilized for the aggregate calculations must have had a recent invoice cost observation in the previous 3 NADAC surveys
- Quarterly NADAC equivalency data and methodology is posted to Medicaid.gov at:
  - <https://www.medicaid.gov/medicaid/prescription-drugs/retail-price-survey/index.html>

# NADAC

## NADAC Equivalency Metrics

Aggregate Mean and Median Discounts:  
Brand and Generic Legend Drugs

Quarter Ending	Brand Legend Drugs			
	WAC Mean	WAC Median	AWP Mean	AWP Median
June 2016	-3.8%	-3.4%	-19.9%	-19.5%
September 2016	-3.9%	-3.4%	-20.0%	-19.5%
December 2016	-3.8%	-3.5%	-19.9%	-19.6%
March 2017	-4.3%	-3.9%	-20.3%	-19.9%
June 2017	-4.3%	-3.9%	-20.4%	-19.9%

Quarter Ending	Generic Legend Drugs			
	WAC Mean	WAC Median	AWP Mean	AWP Median
June 2016	-40.8%	-44.3%	-71.8%	-80.6%
September 2016	-41.0%	-43.9%	-71.7%	-80.3%
December 2016	-39.8%	-42.8%	-71.9%	-80.5%
March 2017	-44.3%	-47.7%	-74.1%	-82.5%
June 2017	-37.4%	-46.9%	-74.1%	-82.6%

# NADAC

## NADAC Equivalency Metrics

Aggregate Mean and Median Discounts:  
Single Source and Multiple Source Brand Legend Drugs

Quarter Ending	Brand Legend Single Source			
	WAC Mean	WAC Median	AWP Mean	AWP Median
June 2016	-3.4%	-3.4%	-19.5%	-19.5%
September 2016	-3.4%	-3.4%	-19.6%	-19.5%
December 2016	-3.4%	-3.5%	-19.6%	-19.6%
March 2017	-3.9%	-3.9%	-20.0%	-19.9%
June 2017	-4.0%	-3.9%	-20.0%	-19.9%

Quarter Ending	Brand Legend Multiple Source			
	WAC Mean	WAC Median	AWP Mean	AWP Median
June 2016	-4.3%	-3.4%	-20.4%	-19.5%
September 2016	-4.5%	-3.5%	-20.5%	-19.6%
December 2016	-4.2%	-3.5%	-20.3%	-19.6%
March 2017	-4.8%	-3.8%	-20.8%	-19.9%
June 2017	-4.8%	-3.9%	-20.8%	-19.9%

# NADAC

## NADAC Equivalency Metrics

Aggregate Median Discounts:

Generic Legend Drug Groups by Rebating Labeler Count

Generic Legend Drugs		
# of Labelers	Median	
	WAC	AWP
1	-11.0%	-32.6%
2	-19.5%	-41.5%
3	-32.2%	-53.0%
4	-36.9%	-60.7%
5	-44.6%	-73.6%
6	-51.7%	-80.6%
7	-52.0%	-86.5%
8	-57.4%	-91.5%
9	-58.8%	-90.7%
10	-57.2%	-95.1%
11 or more	-65.8%	-97.4%

# NADAC

## NADAC Equivalency Purpose and Application

- Utilized to analyze NADAC relationships to compendia pricing values for invoice monitoring purposes and demonstrate these pricing relationships.
- Retail community pharmacy wholesaler invoices can be subject to manipulation based upon their ability to request what cost detail is shown on the invoice from a net price perspective depending on their off-invoice and rebate arrangements.
- Net pricing is often influenced through wholesaler contracting and/or a pharmacy's ability to contract with a particular pharmacy buying group.
  - To learn more about pharmacy buying groups visit the following link: <http://www.drugchannels.net/2017/04/cardinal-healths-unhappy-profit.html>
- Pharmacy wholesaler invoices are carefully evaluated for manipulation during both the survey and Help Desk processes.



# NADAC

## NADAC Equivalency Purpose and Application

- Used as a tool for evaluating the legitimacy of the submitted pharmacy invoice costs.
- **The aggregate discounts provided in the NADAC equivalency metrics are not intended to be utilized as a *primary reimbursement* benchmark for pharmacy claims payment.**
  - The equivalency is based on an array of NADAC to WAC/AWP relationships and the calculated mean/median discounts are aggregates and are **not** appropriate for all pharmacy claims payment.
- The aggregate discounts could be considered as a basis for a back-up benchmark for drug products that do not have an established AAC or NADAC.

# NADAC

## Federal Upper Limit (FUL) Impact

For those FUL Product Groups that meet the required criteria, the weighted average of the most recently reported monthly AMPs is multiplied by 175 percent.

CMS then attempts to match each NDC-11 within the FUL drug group to those in the monthly NADAC file. Where CMS can match at least one of the NDC-11s in the FUL drug group in question to an NDC-11 on the NADAC file, CMS compares the value of 175 percent of the weighted average of AMPs for that FUL drug group to the (G) NADAC value.

- If the 175 percent of the weighted average of AMPs for the FUL drug group is greater than the (G) NADAC value, CMS publishes the FUL at 175 percent of the weighted average of AMPs
- If the (G) NADAC value is greater than 175 percent of the weighted AMPs, CMS publishes the FUL to equal the NADAC

# NADAC

## Federal Upper Limit (FUL) Impact

Generally, it is not expected that all NDC-11s in the FUL drug group will appear on the NADAC file. Further, it is only necessary to have one of the NDC-11s in the FUL drug group in question to appear on the NADAC file, but if there is more than one NADAC price for the drug, (i.e., at least one of the NDC-11s in the FUL product group has a different NADAC value assigned), then CMS will not calculate a FUL, as it is considered not to be a one-to-one comparison.

# NADAC

## Help Desk Overview

- Provider inquiries regarding the NADAC are investigated and evaluated by a team of certified pharmacy technicians, analysts and pharmacists.
- Reviews are based upon invoice data collected from the pharmacy initiating the review, additional pharmacies contacted by the Help Desk, and other market factors, such as compendia price changes and drug shortages.
- NADACs will be adjusted when drug pricing changes have been substantiated and those adjustments will be reflected in the NADAC rate updates published on a weekly basis.
- If a provider's invoice costs are within the range of invoice costs utilized to establish the current NADAC rate, and the rate is still supported with the most recent cost observations and research, **then the current NADAC will remain unchanged.**
- Other considerations evaluated during the review include but are not limited to the following: Number of cost observations covered by the current NADAC, previous month averages and cost observation trending, other published state specific AAC rates, labeler changes, drug shortages and changes in the number of labelers producing the drug.

# NADAC

## Help Desk Overview

- Providers can check the next weekly NADAC file, the Week-to-Week comparison file or contact the Help Desk to receive a status update on their inquiry.
- The Help Desk will not address pharmacy inquiries into specific state or claim reimbursement related questions or concerns.
- The NADAC is a **national average** of retail community pharmacy invoice costs, therefore, some pharmacies will be able to purchase drugs on invoice below the NADAC and some pharmacies will be able to purchase drugs on invoice above the NADAC.
- It **does not** reflect off-invoice discounts, rebates or price concessions. These amounts are not readily available and do not tie directly to specific NDCs.

# NADAC

## Help Desk Statistics

- The NADAC Help Desk received 1,500 pharmacy provider calls from April – June 2017.
  - 92% of the calls were related to NADAC rate inquiries
  - 76% of the calls were for brand drugs, 24% were for generic drugs
  - Calls originated from 33 unique states.
  - 5% of rate inquiries result in an adjustment to the NADAC rate.
  - The NDCs submitted for the NADAC rate inquiries represented 2.79% of paid NDCs by FFS state Medicaid program based upon available CMS National Utilization Data for 2016.
  - Of the pharmacies submitting rate inquiries, approximately 60% of those pharmacies were included in a monthly NADAC survey during 2016 but only 35% responded to the survey request.
  - All calls received were requesting increased drug ingredient reimbursement.
  - No calls were received requesting decreases due to the NADAC rate being too high.
- Encourage pharmacy providers to participate when they receive a monthly NADAC survey request.

# NADAC

## Information Links

- CMS Retail Price Survey
  - Electronic mail: RPS@cms.hhs.gov
- Myers and Stauffer NADAC Help Desk
  - Toll-free phone: (855) 457-5264
  - Electronic mail: info@mslcrps.com
  - Facsimile: (844) 860-0236
- CMS Retail Price Survey Homepage
  - <https://www.medicaid.gov/medicaid/prescription-drugs/retail-price-survey/index.html>
- CMS Pharmacy Pricing Homepage
  - <https://www.medicaid.gov/medicaid/prescription-drugs/pharmacy-pricing/index.html>
- CMS NADAC Rate Inquiry Form
  - <https://www.medicaid.gov/medicaid/prescription-drugs/downloads/retail-price-survey/hdform.pdf>

# NADAC

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## Questions and Answers