



Third Party Pharmacy Prescription Billing Methodology Rule Change Department of Veteran Affairs

Training Session for Pharmacy Benefit Managers and
Third Party Payers

November 2010



Agenda

- **Welcome**
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- **Impacts and Benefits**
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Why the Change?

VA published a rule to implement a new billing methodology to provide VA with a more accurate billing methodology in relationship to the actual cost of prescription drugs. Key points to remember are:

- The new billing methodology requires VA to bill the actual cost of the drug plus an administrative fee
- The new billing methodology will be implemented with prescriptions filled beginning March 18, 2011

The rule was published on October 6, 2010 and is available at: <http://edocket.access.gpo.gov/2010/pdf/2010-25043.pdf>



Impacts and Benefits

What are the possible **impacts** and **benefits** of this change?

IMPACTS	BENEFITS
<ul style="list-style-type: none">• Adjudication system changes may be required if edits or patches have been incorporated for processing VA pharmacy claims at the average \$51 rate• Training of claims processors may be needed	<ul style="list-style-type: none">• VA's actual price (including volume discount) at the time of purchase is passed onto PBMs and TPPs at time of billing• An accurate calculation of the actual cost of each drug based on quantity dispensed



VA's Prescription Pricing: Background

VA's prescription costs are based on several sources to include:

- Federal Supply Schedule (FSS)
- Federal Ceiling Price ("Big 4" pricing)
- Federal Supply Schedule Restricted (FSSR)
- Blanket Purchase Agreements (BPAs)
- VA National Contract Price

The most updated pricing information (for non-proprietary pricing) is available at:

<http://www.pbm.va.gov/DrugPharmaceuticalPrices.aspx>



Administrative Fee Calculation



The administrative fee will be calculated annually based on experience from a prior fiscal year (October through September)

Drug Indirect Costs + Dispensing Costs

Total RX Fills

Updates to the administrative fee will be implemented in January of each year, for example:

- The administrative fee of \$11.40 (calculated for FY09) will apply to prescriptions filled beginning March 18, 2011 through December 2011
- The administrative fee calculated for FY10 will apply to prescriptions filled for the calendar year January to December 2012



Submission of Claims Electronic Transactions



The charges for prescription drugs will be displayed in the NCPDP transaction fields as outlined in the table below:

NCPDP Field Number	NCPDP Field Name	Value contained in the NCPDP Transaction Field
409-D9	Ingredient Cost Submitted	Total Charge (the ingredient cost plus the administrative fee)
426-DQ	Usual & Customary Charge	Total Charge (the ingredient cost plus the administrative fee)
430-DU	Gross Amount Due	Total Charge (the ingredient cost plus the administrative fee)
423-DN	Basis of Cost Determination	"05" – indicating cost calculation
480-H9	Other Amount Claimed Submitted	Submitted with \$0



Submission of Claims

Paper Claim Submissions on a UB-04



Prescription claim information, including the per prescription charge, is displayed in the “prescription detail” text, which begins in **Field Locator 43 – Description** around line item #4

The total charge of all prescriptions submitted will be displayed in the **TOTALS** box in **Field Locator 47** at line item #23



Submission of Claims

Paper Claim Submissions on a CMS-1500



The total charge per prescription will be displayed in **Item Number 24F - \$ Charges**

If only one prescription drug is submitted on the form, this same amount will be displayed as the total charge in **Item Number 28 - Total Charges**

If there is more than one prescription drug submitted on a single claim form, the total charge of all prescriptions submitted will be displayed in **Item Number 28 – Total Charges**



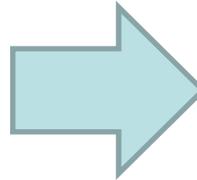
Submission of Claims 90-Day Fills



Current Methodology

VA is submitting a claim for a 90-day fill for a flat fee of \$51.00 for a drug, which includes the administrative fee

\$51



New Methodology

VA will submit a claim for the actual cost of the drug per unit for the quantity dispensed plus the administrative fee

(Cost X Quantity) + Admin Fee

Example: 90-Day Fill for SIMVASTATIN 80 mg
(NDC 24658-0214-45) at dosage of one tablet per day

$$0.084 \times 90 = \$7.56 + 11.40 = \$18.96$$



Submission of Claims Repackaged Drugs



- The process by which VA bills for repackaged drugs has not changed, with the exception that the submitted charge will also reflect the actual cost of the prescription, based on the quantity dispensed, plus the administrative fee.



Summary

- **Outpatient Prescriptions** will be billed using the actual cost of the drug for the quantity dispensed plus the annualized administrative fee
- The **Administrative Fee** will be calculated based on data from a prior fiscal year, and will be implemented in January of each calendar year
- **90–Day Fills** will be billed using the actual cost of the quantity dispensed plus the annualized administrative fee
- **Repackaged Drugs** will be billed using the actual cost of the drug plus the annualized administrative fee



Important Dates



- **Compliance Confirmation – January 17, 2011**
 - VA will be sending a communication to all PBMs and TPPs in January requesting confirmation that each payer is prepared to accept pharmacy claims from VA under the new billing methodology and can properly adjudicate and reimburse prescriptions under the new billing methodology
- **Regulation Implementation Date – March 18, 2011**
 - Prescriptions filled on and after March 18, 2011 will reflect the actual cost of the prescription plus the annualized administrative fee.



Additional Resources



- **Regulation**

- The final published rule can be located at <http://edocket.access.gpo.gov/2010/pdf/2010-25043.pdf>

- **FAQ Document**

- Additional copies of the FAQ document are available upon request via the e-mail address listed below. It will also be posted on the website in the near future. We will provide you with the link in a future communication.

- **e-mail Address for Questions**

- All questions and concerns should be sent to VHACOT hirdPartyPayerPrescriptionBG@va.gov



Questions





THANK YOU