



Fix the Pharmacy Fee Gap in Medi-Cal

Recent federal rules from CMS change how Medi-Cal must reimburse pharmacies for prescription drugs. Key provisions of these rules take effect in two stages, in April 2016 and April 2017, as follows:

1. Changes that took effect in April 2016 implement new “Federal Upper Limits,” which reduce the drug ingredient reimbursement pharmacies receive for most multi-source (i.e., generic) drugs.
2. Changes that will take effect in April 2017 implement average acquisition cost-based reimbursement for all other drugs, which reduces payments for most single-source (i.e., brand name) drugs.

Both of these changes will significantly cut Medi-Cal drug

reimbursement to pharmacies. In order to prevent overall pharmacy reimbursement rates from falling into the negative as a result of these changes, CMS will also require Medi-Cal to update the professional dispensing fee paid to pharmacies to reflect the actual cost of providing services to Medi-Cal patients. However, the dispensing fee is not required to be adjusted until the *second* phase of these changes, in April 2017. This means pharmacies will receive significantly reduced reimbursement for generic drugs (over 71% of Medi-Cal drugs dispensed) **for a full year** without any corresponding update to the dispensing fee. **The state estimates that this one-year “gap” will cost pharmacies throughout California up to \$260 million.**

What does pharmacy reimbursement consist of?

Drug Ingredient Reimbursement pays pharmacies for the cost of the drug.
Professional Dispensing Fee pays pharmacies for the cost of dispensing to patients.

This problem is the result of federal law, but California has the ability to minimize the negative impact. The changes that created the one year pharmacy fee gap result in surprise cuts to pharmacies and therefore unplanned savings to the state that were not included in the Governor’s January budget. Pharmacies are asking that some of these **one-time savings** be applied to a **one-time fix** so that they don’t have to choose between Medi-Cal patients and losing money.

California can fix the pharmacy fee gap by applying a dispensing fee “supplement,” which would be limited to drugs subject to the cuts and only during this one-year period. This temporary solution will cost less than the total savings to the state as a result of the federal changes, so the overall result still saves money to the state.

This issue will be discussed during Budget Conference Committee hearings. California pharmacists urge that the state do the right thing and avoid painful cuts as a result of the pharmacy fee gap.

Conference Committee, please Fix the Pharmacy Fee Gap!