

Insights

Changes to Indiana Medicaid State Plan Affect 340B Reimbursement

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A July 21, 2017 letter from CMS approves Indiana's State Plan Amendment ("SPA") 17-0002, which "proposes to bring Indiana into compliance with the reimbursement requirements in the Covered Outpatient Drug final rule with comment."^[1] In review of the approved SPA, one notable change emerges, and participating 340B covered entities should take note. Under the heading "Indiana Medicaid 340B Policy for Indiana Health Coverage Programs," the following was stated by CMS: **"Drugs acquired through the 340B drug pricing program and dispensed by 340B contract pharmacies are not covered."**

Where contract pharmacy relationships are integral components of a covered entity's 340B program and extend the 340B benefit to where many patients access prescription drugs (i.e., local retail pharmacies), this new Indiana Medicaid reimbursement standard requires that covered entities closely monitor their 340B contract pharmacy relationships to ensure that contract pharmacy inventories acquired using 340B purchasing accounts are not used to fill ineligible outpatient prescriptions for Indiana Medicaid beneficiaries. As indicated by the new reimbursement criteria, neither the contract pharmacy nor the covered entity will be reimbursed for filling that prescription.

These reimbursement changes are reflective of Indiana Health Coverage Programs ("IHCP") adoption of recent federal guidelines expressing concern over 340B contract pharmacies and a covered entity's ability to effectively comply with 340B program requirements.^[2] In essence, IHCP believes these 340B contract pharmacy changes will improve covered entities' 340B program compliance by eliminating diversion of 340B drugs to ineligible patients, minimize the risk of contract pharmacy duplicate discounts, and remove the covered entity's oversight of Indiana Medicaid beneficiaries filling outpatient prescriptions at 340B contract pharmacies.

Importantly, CMS granted the SPA a retroactive effective date of April 1, 2017. Thus, covered entities may soon receive reimbursements from Indiana Medicaid reflecting these changes. Although these changes only apply to traditional fee-for-service Medicaid beneficiaries, covered entities should also check with managed care payors to get an understating of any similar changes applied to those 340B contract pharmacy reimbursement schemes.

Compliance with the 340B drug pricing program is a detailed, complex task. As evidenced by Indiana Medicaid's new reimbursement criteria, program compliance can also impact service reimbursement generally. Krieg DeVault LLP recommends its 340B covered entity clients be confident that their 340B compliance programs address all federal and state 340B program requirements. Our health care practice group members can provide expert guidance regarding your organization's 340B program. Should you have any questions regarding 340B compliance, please contact Stephanie T. Eckerle.

[1] <https://www.medicaid.gov/State-resource-center/Medicaid-State-Plan-Amendments/Downloads/IN/IN-17-002.pdf>

[2] <http://provider.indianamedicaid.com/ihcp/Bulletins/BT201754.pdf>