II. Payment for prescribed drugs.

For the Medicaid Fee- For-Service Program, the Department reimburses the lesser of the computed price or the usual and customary charge. This pricing methodology does not apply to drug items reimbursed under the Section 1915(b) Waiver for Managed Care.

a. Computed Price – The computed price is defined as the allowed cost of the drug plus a dispensing fee established by the department. The allowed cost is the lower of the following:

1. State Allowed Costs (SAC) – State allowed costs are established after (1) assuring availability of FDA A-rated therapeutically equivalent drug using information available from the FDA and from the American Society of Hospital Pharmacists on drug shortages; and (2) determining the typical package size used. SAC amounts will be calculated at 150% of the lowest cost product (from among Medicare reimbursement prices when available, manufacturer prices, wholesaler prices, and invoice prices) and will be at least 20% above the second lowest cost.

This calculated amount may be lowered as follows: (1) To 60% of the average price of all available therapeutically equivalent multi-source drug products, but not below the cost for which an item is determined to be consistently and readily available from local wholesale sources in the state; or (2) When 2 or more therapeutically equivalent multi-source drug products are determined to be consistently and readily available from local wholesale sources within the state, the SAC may be lowered to the price at which the product is consistently and readily available.

SAC reimbursement does not apply when a physician writes in his or her own handwriting “brand medically necessary” on the prescription. This constitutes physician certification that substitution of another product does not apply.

In establishing the State Allowed Cost, the New Mexico Medicaid Program does not exceed, in the aggregated, payment levels established by CMS for multiple source and other drugs as required by 42 CFR 447.331 and 42 CFR 447.332.

2. Estimated Acquisition Cost: (EAC) - EAC is the lower of AWP minus 14%, the wholesaler average cost as submitted to the state, the manufacturer price as submitted to the state or the pharmacy invoice price as obtained through audits.

This amount may be lowered as follows: (1) When the AWP less 14% is shown not to approximate average actual acquisition cost, in which case EAC shall be the actual amount at which an item can be shown to be consistently and readily available; or (2) When a pharmacy practice is specialized or limited to the extent that its buying practices do not approximate a retail pharmacy and AWP less 14% is shown not to accurately approximate the average actual acquisition costs, such as a pharmacy limited to mail order, limited to supplying items for chronic use, or an institutional or facility pharmacy with significant buying discounts not available to retail pharmacies. In these cases the percent discount from AWP may range from 14% to 20%, based on audited data, to more accurately approximate actual cost.

- The EAC is established using the State Maximum Allowable Cost (SMAC), the Suggested Wholesale Price less 14% (SWP-14%); the Wholesale Net Unit price plus 6% (WNU+6%); the direct price plus 6% (DIR + 6%) when applicable.

3. Federal Upper Limit (FUL) – FUL is a federal maximum amount established by CMS. The FUL is not used during periods of time when CMS is not reviewing and establishing FUL’s.
FUL reimbursement does not apply when a physician writes in his or her own handwriting “brand medically necessary” on the prescription. This constitutes physician certification that substitution of another product does not apply.