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Letter of Direction #70-1

Date: November 10, 2022

To: Centennial Care 2.0 Managed Care Organizations

From: Nicole Comeaux, Director, Medical Assistance Division 

Subject: **MCO Requirements: Outpatient Pharmacy Reimbursement of an Annual All-Inclusive Rate to I.H.S. & Tribal 638 MCO Contracted Pharmacies**
Repeal & Replace LOD #70

Title: I.H.S. & Tribal 638 Outpatient Pharmacy Annual Reimbursement Rate Changes

This Letter of Direction (LOD) is intended to repeal and replace LOD #70, which was issued by the Human Services Department Medical Assistance Division (HSD/MAD) on November 23, 2021.

The purpose of this LOD is to provide the Centennial Care Managed Care Organizations (MCOs) with the instructions that will be outlined in the MCO Policy Manual on the federal requirements related to changes in reimbursement to MCO contracted Indian Health Service (I.H.S.) and Tribal 638 outpatient pharmacies. Effective for dates of service beginning March 1, 2021, the Medical Assistance Division (MAD) will begin to reimburse all I.H.S. and Tribal 638 outpatient pharmacies at the All-Inclusive Rate (AIR) published annually in the Federal Register.

Billing For Drug Items Dispensed From I.H.S. and Tribal 638 Outpatient Facilities

An outpatient pharmacy may dispense *unlimited* new prescription drugs including IV drugs and nutrition supplements, single multi-drug compounds, or prescription drug refills in a 24-hour period and be reimbursed for each dispensing. When drug item costs exceed the AIR, reimbursement will remain at the AIR. The applicable AIR shall be determined by the date of service submitted on the pharmacy drug claim.

The outpatient pharmacy AIR reimbursement will mirror the Outpatient per Visit Rate of \$519 for 2021, and \$640 for 2022 found on the Federal Register links below:

- [Federal Register :: Reimbursement Rates for Calendar Year 2021](#)
- [Federal Register :: Reimbursement Rates for Calendar Year 2022](#)

Each year the MCOs are required to continue reimbursing the AIR assigned in the previous year until notified of the new published rate that will be implemented with claim adjustments for that year. Pharmacy drug claims reimbursed at the AIR are not eligible for a professional dispensing, pharmaceutical administration, and/or compounding fees. The AIR for pharmacy drug services may be billed in addition to billing an I.H.S. or Tribal 638 physical health, behavioral health, or dental encounter that is provided on the same day. I.H.S. or Tribal 638 outpatient pharmacies will continue to bill the MCOs pharmacy benefit managers (PBMs). Excluded from this reimbursement change are durable medical equipment, medical supplies, and over the counter orthotic items.

MCOs are required to have their PBMs update their claims processing systems to allow payment of the AIR on outpatient pharmacy drug claims effective for dates of service beginning March 1, 2021. All affected dates of service for pharmacy drug claims will be adjusted and reprocessed to reflect the new reimbursement rate annually. MCOs are required to have all adjustments completed within 120 days from the time notification is received. MCO's must notify HSD when the new annual rate is updated and when all adjustments have been completed.

This LOD will sunset upon inclusion in the Managed Care Policy Manual.

If you have questions regarding this LOD, please contact your MAD MCO Contract Manager.