



State of New Jersey
Department of Human Services
Division of Medical Assistance and Health Services

NEWSLETTER

Volume 5 No. 70

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TO: Providers of Pharmaceutical Services

SUBJECT: Changes to the Volume Discounts Applied to Medicaid Pharmacy Claims

EFFECTIVE: Claims with Service Dates on or after January 2, 1996

BACKGROUND: In accordance with the New Jersey Administrative Code (N.J.A.C.) 10:51 et al., the maximum cost to the Medicaid and Pharmaceutical Assistance to the Aged and Disabled (PAAD) programs for each eligible prescription claim, which is not subject to the Maximum Allowable Cost (MAC) pricing requirements, is based on the Average Wholesale Price (AWP) of a drug less a sliding-scale, volume discount of 0 to 6 percent plus a dispensing fee of \$3.73 to \$4.07. The volume discount assigned to a pharmacy by the New Jersey Division of Medical Assistance and Health Services (DMAHS) is based on regression categories reflecting a pharmacy's total prescription volume for a preceding calendar year.

Due to the need for the Division to consider reductions in Medicaid expenditures as a response to funding limits available for the State Fiscal Year (SFY) 1996 budget, overall expenditures by the Medicaid program for covered services were closely reviewed. As an outcome of this review process, the Division has decided to implement a two (2) percent increase in current volume discounts used by the State to calculate Medicaid reimbursement for covered pharmacy services. This change in volume discounts shall only apply to pharmacy services covered by the Medicaid program. PAAD reimbursement is not affected by this change in Division policy.

ACTION: For pharmacy claims with service dates on or after January 2, 1996, the volume discounts applied to Medicaid pharmacy claims to determine reimbursement for covered drug costs shall increase by two (2) percent. These changes shall apply to both retail pharmacy claims and nursing facility claims covered by the Medicaid program. The volume discount change for each regression category is described below.

| CATEGORY | PRESCRIPTION VOLUME | FORMER REGRESSION | NEW REGRESSION |
|----------|---------------------|-------------------|----------------|
| I | 14,999 or less | 0% | 2% |
| II | 15,000 to 19,999 | 2% | 4% |
| III | 20,000 to 29,999 | 3% | 5% |
| IV | 30,000 to 39,999 | 4% | 6% |
| V | 39,000 to 49,999 | 5% | 7% |
| VI | 50,000 or more | 6% | 8% |

It is important to note that Medicaid and PAAD reimbursement for drug costs shall continue to be based on a drug's Average Wholesale Price (AWP). In addition, the assignment of regression categories, current pharmacy dispensing fees and capitation payments are unaffected by these changes.

The volume discount changes shall also apply to eligible pharmacy claims covered by Medicaid-related pharmacy programs, including the New Jersey General Assistance (GA) program, the AIDS Drug Distribution Program (ADDP), and the Cystic Fibrosis program.

If you have any questions regarding this Newsletter, please contact the Chief, Pharmaceutical Services, at 1-609-588-2724.

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