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TO: Providers of Pharmaceutical Services

SUBJECT: Change in Medicaid Reimbursement for Protein Replacement Supplements and Related Products

EFFECTIVE: Claims with Service Dates on or after February 5, 1996

BACKGROUND: Currently, protein replacement supplements, and related products, including specialized infant formulas and food oils, are reimbursed by Medicaid as non-legend or over-the-counter (OTC) drugs. Reimbursement for these products is based on the lower of a pharmacy's usual and customary charge to the general public or 150 percent of their Average Wholesale Price (AWP).

As the outcome of a review of Medicaid reimbursement for covered services, the New Jersey Division of Medical Assistance and Health Services (DMAHS) has determined that changes in the marketplace related to acquisition costs for these products no longer support current levels of Medicaid reimbursement. As a result of these findings, the Division is changing its policy regarding reimbursement for protein supplements, specialized infant formulas and food oils.

ACTION: For claims with service dates on or after February 5, 1996, Medicaid reimbursement for protein replacement supplements, specialized infant formulas and food oils shall be based on the lower of:

(1) The product's AWP less a pharmacy's volume discount (see N.J.A.C. 10:51-1.6) plus dispensing fee (see N.J.A.C. 10:51-1.7); or

(2) A pharmacy's usual and customary charge to the general public.

It is important to note that Medicaid reimbursement for other non-legend drugs will continue to be based on the lower of 150 percent of their AWP or the pharmacy's usual and customary charge to the general public.

If you have questions regarding this Newsletter, please contact Edward J. Vaccaro, R.Ph., Assistant Director of the Office of Health Service Administration, at (609) 588-2724.

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