

**TO:** Providers of Pharmaceutical Services  
Health Maintenance Organizations (HMOs) - For informational purposes

**SUBJECT:** Changes to Coverage and Reimbursement for Pharmaceutical  
Services

**EFFECTIVE:** For claims with dates of service on or after July 15, 1996

**BACKGROUND:** P.L. 1996, c. 42, the State Fiscal Year 1997 Appropriations Act , made changes to both coverage and reimbursement for pharmaceutical services.

**PURPOSE:** To advise providers of these changes in coverage and reimbursement for pharmaceutical services for the New Jersey Medicaid program (Medicaid), and the Pharmaceutical Assistance to the Aged and Disabled (PAAD) program. In addition, these changes affect the General Assistance (GA) program, the AIDS Drug Distribution Program (ADDP) and the Cystic Fibrosis Drug (CFD) program drug claims also processed by the Division's fiscal agent.

**ACTION:**

1. Effective for prescription claims with service dates on or after **July 15, 1996**, payments for drug costs will be based on the Average Wholesale Price (AWP) less a 10 percent volume discount.
2. Reimbursement for all non-legend drug claims with dates of service on or after **July 15, 1996**, including protein replacement supplements, specialized infant formulas and food oils, devices and supplies, will be based on the Estimated Acquisition Cost (EAC), as identified in current national compendia or other appropriate sources, minus a 10 percent volume discount, plus the dispensing fee.
3. Reimbursement for prescription drugs dispensed by a retail pharmacy with dates of service on or after **July 15, 1996**, will be limited to a 34-day supply or 100 unit doses, whichever is greater.
4. Effective for prescriptions with service dates on or after **July 15, 1996**, each prescription order for a PAAD beneficiary shall state "Brand Medically Necessary" in the

prescriber's own handwriting in order to override generic substitution of Maximum Allowable Cost (MAC) drugs, and each prescription order shall follow the requirements of P.L. 1977, c. 240 (N.J.S.A. 24:6E-1 et seq.). The list of drugs substituted shall conform to the Drug Utilization Review Council approved list of substitutable drugs and all requirements pertaining to drug substitution as established by the State Medicaid program. The "Brand Medically Necessary" requirements for the Medicaid Program remain unchanged at this time.

**PLEASE NOTE:** The New Jersey Division of Medical Assistance and Health Services' fiscal agent will continue to process all claims according to the current methodology until the system changes are in place. When the new system is ready, the fiscal agent will adjust and/or recoup overpayments for Medicaid, Medicaid-related and PAAD fee-for-service pharmacy claims with service dates on or after **July 15, 1996**.

For your convenience, we are attaching a notice for PAAD beneficiaries, which we are requesting be posted where it is clearly visible to your PAAD beneficiaries.

If there are any questions concerning this Newsletter, please call the New Jersey Medicaid program's Chief, Pharmaceutical Services, at (609) 588-2724 or your Medicaid District Office.

**Attachment:** Poster of Changes

**RETAIN THIS NEWSLETTER NUMERICALLY BEHIND THE NEWSLETTER TAB  
(BLUE TAB MARKED "5")**

