

Department of Veterans Affairs (VA) Jan 2011 Veterans Health Administration Chief Business Office

Frequently Asked Questions (FAQ) Document for Pharmacy Benefit Managers (PBMs) and Third Party Payers (TPPs)

This document is designed to provide answers to frequently asked questions (FAQs) and links to additional information about the implementation of VA's new prescription billing methodology. It is intended to serve as a supplement to the regulation, not as a substitute for the regulation. Referencing this resource, in conjunction with the regulation and the availability of an e-mail address to ask specific questions, will assist you in understanding the changes brought about by the regulation.

Pursuant to the Code of Federal Regulations (CFR) 38 Part 17.101, VA reviewed its methodology for calculating Cost Based Inter-Agency Rates for Outpatient Prescriptions. VA determined the current methodology of billing \$51 for each prescription filled warranted modification. The new methodology, which includes a formula that uses VA's actual cost plus an administrative fee, will provide VA with a more accurate billing methodology for outpatient prescription drugs.

On October 6, 2010, the Department of Veterans Affairs (VA) published a final rule amending the Cost Based Inter-Agency regulation to provide for the use of the actual cost plus an administrative fee formula.

The regulation is located at <http://edocket.access.gpo.gov/2010/pdf/2010-25043.pdf>.

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Background and Rationale

Q: Why did VA create a new rule for prescription billing methodology?

A: Guided by the Department of Veterans Affairs' (VA) mission of providing exceptional health care that improves Veterans' health and well-being, VA published a rule to implement a new billing methodology to provide VA with a more accurate billing methodology for prescription drugs. Key points to remember include:

- The rule requires VA to bill the actual cost of the drug plus an administrative fee
- Prescriptions filled beginning March 18, 2011 will adhere to the new billing methodology. Prescriptions filled prior to March 18, 2011 will reflect the current methodology of \$51 per prescription.
- The rule was published on October 6, 2010 and is available at:
<http://edocket.access.gpo.gov/2010/pdf/2010-25043.pdf>

Business Process Changes

Q: When will the prescription billing methodology change go into effect?

A: VA's final rule was published on October 6, 2010 and will apply to outpatient prescriptions for non service connected conditions filled on or after March 18, 2011. Prescriptions filled prior to March 18, 2011 will reflect the current methodology of \$51 per prescription.

Q: When will VA begin submitting the new charges? Will the change take place for all Pharmacy Benefit Managers (PBMs) and Third Party Payers (TPPs) at the same time or will VA take a staggered approach?

A: VA will begin submitting charges to all payers using the actual drug cost plus administrative fee on March 18, 2011 for all outpatient drugs dispensed to Veterans for non service connected conditions.

Q: What types of prescriptions are impacted by the new rule?

A: This new billing methodology applies to outpatient prescription drugs dispensed to Veterans for non-service connected conditions, as authorized under the Code of Federal Regulations 38 CFR Part 17.101.

Q: What impact will the rule change have on PBMs and TPPs?

A: Currently VA bills payers a flat fee of \$51 regardless of the drug or quantity dispensed. Under the new regulation, VA will bill the actual cost of each drug for the quantity dispensed, plus an administrative fee. If needed, PBM and TPP pharmacy claim processing systems must be updated to accept the cost of the drug for adjudication purposes. Additionally, PBM and TPP staff will require training on how this change impacts their business processes. It is vital to consider the number of staff who will need training and how long it will take in order for your organization to be prepared to accept claims submitted under the new billing methodology on the March 18, 2011 implementation date.

Q: How does VA determine the cost of drugs submitted for reimbursement?

A: VA will use the actual cost of the drugs at the time of the purchase. In addition, the average national administrative cost associated with dispensing prescriptions will be added to the cost of the drug to determine the total charged billed.

VA's prescription costs are based on several sources to include:

Federal Supply Schedule (FSS)	78%
Federal Ceiling Price ("Big 4" pricing)	15%
Federal Supply Schedule Restricted (FSSR) including BPAs	2.5%
VA National Contract Price	4.5%

The Federal Supply Schedule (FSS) is used as the source for federal government-wide prices. The Federal Supply Schedule Restricted (FSSR) provides agency-specific prices and Blanket Purchase Agreements (BPAs) provide cost reductions via rebates paid to VA. Federal Ceiling Pricing results from nationally awarded contracts by the VA National Acquisition Center.

The most updated pricing information from the sources for non-proprietary pricing is available at: <http://www.pbm.va.gov/DrugPharmaceuticalPrices.aspx>

Q: What fields will display the prescription drug charges in the NCPDP transaction?

A: The charges for prescription drugs will be displayed in the NCPDP transaction fields as outlined in the table below:

NCPDP Field Number	NCPDP Field Name	Value contained in the NCPDP Transaction Field
409-D9	Ingredient Cost Submitted	Total Charge (the ingredient cost plus the administrative fee)
426-DQ	Usual & Customary Charge	Total Charge (the ingredient cost plus the administrative fee)
430-DU	Gross Amount Due	Total Charge (the ingredient cost plus the administrative fee)
423-DN	Basis of Cost Determination	"05" – indicating cost calculation
480-H9	Other Amount Claimed Submitted	Submitted with \$0

Q: How will VA submit charges for prescription drugs on a UB- 04 claim form?

A: Prescription claim information, including the per prescription charge, is displayed in the "prescription detail" text, which begins in **Field Locator 43 – Description** of the form.

The total charge of all prescriptions submitted on the claim form will be displayed in the **TOTALS** box in **Field Locator 47** at line item #23.

Please note there is no change in the process for billing prescription claims. The only change will be the submission of the actual cost plus administrative fee in Field Locator 47.

Q: How will VA submit charges for prescription drugs on a CMS-1500 claim form?

A: The total charge per prescription will be displayed in **Item Number 24F - \$ Charges**.

- If only one prescription drug is submitted on the form, this same amount will be displayed as the total charge in **Item Number 28 - Total Charges**.
- If there is more than one prescription drug submitted on a single claim form, the total charge of all prescriptions submitted will be displayed in **Item Number 28 – Total Charges**.

Q: Why did I receive claims for the same prescription drug with two different costs?

A: The same drug may be submitted with a different charge at different times based on the actual cost of that drug to VA based on the location and time of purchase.

Q: How is the administrative fee calculated and applied?

A: VA will determine the average national administrative cost annually based on experience from a prior fiscal year (October through September). VA will apply the result of this calculation as the new administrative fee to prescription claims at the beginning of each calendar year (January).

Drug Indirect Costs + Dispensing Costs
Total RX Fills

The **Drug Indirect Cost** is the calculated indirect cost of the drug, which is derived from the **Drug Actual Cost** minus the **Drug Variable Supply Cost**, which does not include the labor cost of dispensing the drug.

Dispensing Costs include the labor and other associated indirect costs of dispensing the prescription. For Consolidated Mail Order Pharmacy (CMOP) prescriptions it is the monthly CMOP dispensing fee charged to the VA medical center. For prescriptions filled by a VA facility, it is the cost of the labor products used to dispense the prescription.

The denominator of the equation, **Total Rx Fills**, includes the number of prescription fills, refills and partial fills in the fiscal year.

Updates to the administrative fee will be implemented in January of each year, with the exception of 2011. For example:

- The administrative fee of \$11.40 (calculated for FY09) will apply to prescriptions filled beginning March 18, 2011 through December 2011
- The administrative fee calculated for FY10 will apply to prescriptions filled for the calendar year January to December 2012

VA will send PBMs and TPPs a notification of the updated administrative fee prior to the beginning of each year.

Q: How will VA submit charges for 90-day fills under the new billing methodology?

A: VA will bill for the actual cost of the drug for the quantity dispensed plus the administrative fee, or **(Cost X Quantity) + Admin Fee**

Example:

90-Day Fill for SIMVASTATIN 80 mg (NDC 24658-0214-45) at a dosage of one tablet per day
0.084 X 90 = \$7.56 + 11.40 = \$18.96

Q: How will VA submit charges for repackaged drugs under the new billing methodology?

A: Under the new regulation, the submitted charge for repackaged drugs will reflect the actual cost to the facility that purchased the drugs at the time of purchase. In addition, the average national administrative cost associated with dispensing prescriptions will be added to the actual cost of the repackaged drug to determine the total charge billed.

Support and Resources

Q: How will VA communicate to payers about the new rule?

A: VA developed a communication plan to provide PBMs and TPPs with information about changes resulting from the publication and implementation of the regulation. VA will contact all affected payers through mail, e-mail and follow-up telephone calls, if necessary, to address questions surfaced as a result of the publication and implementation of the regulation. Several training and Q&A sessions have also been scheduled. Payers will be informed of the training schedule in advance. In addition, you may send your questions through e-mail to VHACOThirdPartyPayerPrescriptionBG@va.gov.

Q: How long will the e-mail address available for questions be accessible?

A: The e-mail address is designed to provide real-time responses to questions about the regulation. As such, it will remain active until May 31, 2011.

Q: When will the training and Q&A sessions take place? How will I be informed of them?

A: Multiple training and Q&A sessions are scheduled for PBMs and TPPs. The training sessions are scheduled on the following dates and times:

Wednesday, November 10, 10 a.m. to 11 a.m. EST

Wednesday, November 10, 12 p.m. to 1 p.m. EST

Thursday, November 18, 10 a.m. to 11 a.m. EST

Thursday, November 18, 1 p.m. to 2 p.m. EST

You will receive an invitation to attend these sessions prior to the dates listed above which will contain all required information to allow you to access the sessions.

Q: I can't attend the training and Q&A sessions. What are my options?

A: The training and Q&A sessions will be offered on several dates and various times of the day. If you are not able to attend, you have the opportunity to submit questions or concerns, or request presentation materials, at VHACOThirdPartyPayerPrescriptionBG@va.gov. The training presentation is also posted at <http://www1.va.gov/CBO/payerinfo.asp> for your reference.

Q: Where should I direct questions about my specific agreement with VA?

A: For questions about your current agreement terms and conditions, send your question to the e-mail address VHACOThirdPartyPayerPrescriptionBG@va.gov and the appropriate VA representative will respond to you.

Q: What additional resources are available should I have questions?

A: The following are options for additional support:

- Access to the Final Rule in the Federal Register:
<http://edocket.access.gpo.gov/2010/pdf/2010-25043.pdf>
- Regulatory information:
Please refer to the Code of Federal Regulations 38 CFR Part 17.101
- Access to the Training Presentation, FAQ Document and additional link to the Final Rule:
<http://www1.va.gov/CBO/payerinfo.asp>
- General inquiries about the regulation:
Send an email to VHACOThirdPartyPayerPrescriptionBG@va.gov
- Questions about your pharmacy agreement:
Send an email to VHACOThirdPartyPayerPrescriptionBG@va.gov