

# Policy for Identification of National Drug Pricing for Maximum Allowable Cost (MAC) Determination

## **Policy Objective:**

To establish a clear and transparent process for identifying the national drug pricing compendia or sources utilized by EHO to obtain drug price data for the purpose of establishing Maximum Allowable Cost (MAC) lists and determining product reimbursement in accordance with the requirements of each state Department of Insurance.

## **Scope:**

This policy applies to all prescription drugs for which EHO establishes a MAC and is relevant to all departments and personnel involved in the development, maintenance, and application of MAC pricing.

## **Policy Statement:**

EHO is committed to utilizing nationally recognized and commercially available drug pricing compendia or sources to establish fair and accurate MAC pricing for pharmaceutical products. To ensure compliance with each state Department of Insurance regulations and to promote transparency for contracted pharmacies, EHO will adhere to the following guidelines for identifying and utilizing these data sources:

### **1. Identification of National Drug Pricing Compendia/Sources:**

a. EHO will identify at least three (3) nationally recognized and commercially available drug pricing compendia or sources to obtain wholesale acquisition cost (WAC), national average drug acquisition cost (NADAC), and/or other relevant drug pricing data. These sources may include, but are not limited to:

- First Databank (FDB)
- Medi-Span
- Red Book (IBM Micromedex)
- National Average Drug Acquisition Cost (NADAC) published by the Centers for Medicare & Medicaid Services (CMS)
- Other reputable, nationally recognized pricing services that provide comprehensive and regularly updated drug pricing information.

b. For each drug for which a MAC is established, EHO will document the specific national drug pricing compendia or sources consulted in the determination of the MAC. This documentation will be maintained and made available to contracted pharmacies upon request, in accordance with state regulations.

c. EHO will regularly review the available national drug pricing compendia and sources to ensure that the chosen sources remain the most accurate, comprehensive, and relevant for establishing fair MAC pricing. This review will occur at least annually, or more frequently as deemed necessary due to changes in the pharmaceutical market or regulatory requirements.

### **2. Criteria for Selecting Pricing Compendia/Sources:**

- a. The selected compendia or sources must be widely recognized and utilized within the pharmacy benefit management and pharmaceutical industries.
- b. The data provided by the compendia or sources must be regularly updated to reflect current market conditions and pricing fluctuations.
- c. The methodology used by the compendia or sources to determine drug pricing data must be transparent and consistently applied.
- d. The compendia or sources should provide pricing data at a sufficient level of detail, including package size, strength, and dosage form, to allow for accurate MAC calculations.

**3. Documentation and Transparency:**

- a. EHO will maintain a comprehensive record of the national drug pricing compendia or sources utilized for each MAC list. This record will include the name of the source, the date the data was accessed, and the specific data points considered in the MAC calculation.
- b. Upon the request of a contracted pharmacy, EHO will provide the name of the national drug pricing compendia or sources used to establish the MAC for a specific drug. This information will be provided in a timely manner and in accordance with the procedures outlined by each state Department of Insurance.
- c. EHO will establish a clear process for contracted pharmacies to inquire about the rationale for a specific MAC price and to provide evidence challenging the MAC price based on their acquisition costs. This process will be communicated to contracted pharmacies.

**4. Compliance and Review:**

- a. The Pharmacy Network Management Department is responsible for ensuring compliance with this policy.
- b. This policy will be reviewed and updated at least annually, or as needed, to reflect changes in state regulations, industry best practices, and the availability of national drug pricing compendia or sources.
- c. Any exceptions to this policy must be documented and approved by the Compliance Officer.

**Procedure:**

1. The Compliance Officer will identify and maintain a list of at least three national drug pricing compendia or sources that meet the criteria outlined in this policy.
2. When establishing or updating a MAC list for a particular drug, the Compliance Department will consult at least two (ideally three) of the identified compendia or sources to obtain relevant pricing data (e.g., WAC, NADAC).
3. The specific compendia or sources and the data points used in the MAC calculation will be documented in the MAC pricing file for that drug.
4. A standardized process will be established to respond to inquiries from contracted pharmacies regarding the national drug pricing compendia or sources used for a specific MAC. This process will include verification of the pharmacy's contract status and adherence to any state-specific requirements for information disclosure.
5. The Compliance Department will regularly monitor updates and changes to the identified national drug pricing compendia and sources to ensure the continued

accuracy and relevance of the data used for MAC pricing.

**Responsibilities:**

- **Compliance Department:** Responsible for identifying and maintaining the list of national drug pricing compendia/sources, documenting the sources used for each MAC, and ensuring compliance with this policy.
- **Compliance Department:** Responsible for overseeing adherence to this policy and relevant state regulations.
- **Legal Department:** Responsible for interpreting relevant state regulations and advising on policy updates as needed.
- **Pharmacy Network Management:** Responsible for communicating this policy and the process for MAC inquiries to contracted pharmacies.

This policy is intended to ensure transparency and compliance with each state Department of Insurance regulations regarding the identification of national drug pricing compendia or sources used in establishing MAC pricing. EHO is committed to fair and accurate reimbursement practices for our contracted pharmacies.