

Policy and Procedure: Generic Drug Pricing Compliance

Policy Statement

It is the policy of EHO to ensure that all generic drugs are priced in compliance with the requirements set forth by each Department of Insurance (DOI). This policy establishes the procedures for determining generic drug pricing, ensuring compliance, and conducting ongoing monitoring.

Purpose

The purpose of this policy is to:

- Establish a clear and compliant process for pricing generic drugs.
- Ensure that EHO adheres to all applicable state laws and regulations related to generic drug pricing.
- Protect plan sponsors and members from overpaying for generic medications.
- Maintain accurate and transparent records of generic drug pricing methodologies.

Scope

This policy applies to all employees of EHO involved in any aspect of generic drug pricing, including but not limited to:

- Pharmacy Network Management
- Reimbursement
- Contracting
- Auditing
- Compliance

Definitions

- **Maximum Allowable Cost (MAC):** The maximum amount a pharmacy will be paid for a generic drug.
- **Generic Drug:** A prescription drug that is equivalent to a brand-name drug in dosage, safety, strength, route of administration, quality, performance, and intended use.
- **State Department of Insurance (DOI):** The regulatory agency responsible for overseeing insurance activities within the state.
- **Usual and Customary (U&C) Price:** The price a pharmacy charges cash-paying customers for a drug.

- **National Average Drug Acquisition Cost (NADAC):** A survey conducted by the Centers for Medicare & Medicaid Services (CMS) to determine the average price pharmacies pay wholesalers for drugs.
 - **Wholesale Acquisition Cost (WAC):** The manufacturer's list price for a drug sold to wholesalers.
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Procedures

Generic Drug Pricing Methodology

Establishment of MAC Lists:

- EHO will establish and maintain a list of generic drugs subject to MAC pricing.
- The MAC list will be developed and updated based on the following criteria:
 - Availability of multiple sources of supply for the generic drug.
 - Price data from reputable sources, including but not limited to: NADAC, WAC, pricing databases (e.g., First Data Bank, Medi-Span), and state-specific pricing regulations or databases.
 - Consideration of regional price variations, if applicable.
 - Compliance with state DOI requirements for MAC pricing, including frequency of updates and appeal processes.
- The MAC price will be set at a level that is reasonably related to the prices at which pharmacies can acquire the generic drug and in compliance with state DOI regulations.
- The MAC list will be reviewed and updated no less frequently than every seven days to reflect changes in market prices and ensure compliance, adhering to state DOI requirements.

Pricing Updates:

- Pricing data will be continuously monitored through the sources listed above.
- When a significant price change is identified, the MAC price will be adjusted accordingly.
- All MAC price updates will be documented, including the date of the change, the source of the price data, and the rationale for the adjustment.

Pharmacy Reimbursement:

- Pharmacies will be reimbursed for generic drugs at the lower of the submitted billed charge or the applicable MAC price.
- Reimbursement methodologies will be clearly communicated to network pharmacies in contract agreements.

Compliance with State DOI Requirements

State-Specific Regulations:

- EHO will maintain a current understanding of all applicable state DOI laws, regulations, and requirements related to generic drug pricing in each state.
- This includes requirements related to MAC list development, pharmacy appeals, disclosure of methodologies, and auditing/reporting.
- A designated compliance officer will be responsible for monitoring changes in state DOI regulations and ensuring EHO's policies are updated accordingly.

MAC List Appeals Process:

- EHO will establish a fair and transparent process for pharmacies to appeal MAC prices.
- This process will comply with all state DOI requirements and include defined submission procedures, specified response timeframes, evaluation criteria (including acquisition costs), a mechanism for adjusting valid appeals, and documentation of all resolutions.

Disclosure and Transparency:

- EHO will provide plan sponsors and network pharmacies with clear and accurate information about its generic drug pricing methodologies.
- Disclosure of pricing information will be made in accordance with state DOI requirements.

Monitoring and Auditing

- **External Audits:** EHO will cooperate fully with any audits conducted by the state DOI or other regulatory agencies.
- **Corrective Action:** Any identified instances of non-compliance will be promptly investigated, corrected, and documented with plans to prevent future occurrences.

Documentation and Record Retention

EHO will maintain accurate records related to generic drug pricing for a period of 7 years, in accordance with state and federal regulations. This includes:

- MAC lists and historical updates.
 - Pricing methodologies and audit reports.
 - Pharmacy appeals and resolutions.
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