



Michelle Lujan Grisham, Governor
Kari Armijo, Acting Secretary
Lorelei Kellogg, Acting Medicaid Director

Letter of Direction #70-2

Date: July 3, 2023

To: Centennial Care 2.0 Managed Care Organizations

From: Lorelei Kellogg, Acting Director, Medical Assistance Division ~~✍~~

Subject: MCO Requirements: Outpatient Pharmacy Reimbursement of an Annual All-Inclusive Rate to I.H.S. & Tribal 638 MCO Contracted Pharmacies
Repeal & Replace LOD #70-1

Title: I.H.S. & Tribal 638 Outpatient Pharmacy Annual Reimbursement Rate Changes

This Letter of Direction (LOD) is intended to repeal and replace LOD #70-1, which was issued by the Human Services Department Medical Assistance Division (HSD/MAD) on November 10, 2022.

The purpose of this LOD is to provide the Centennial Care Managed Care Organizations (MCOs) with the instructions that will be outlined in the MCO Policy Manual on the federal requirements related to changes in reimbursement to MCOs contracted with Indian Health Service (I.H.S.) and Tribal 638 outpatient pharmacies. Effective for dates of service beginning March 1, 2021, the Medical Assistance Division (MAD) will begin to reimburse all I.H.S. and Tribal 638 outpatient pharmacies at the All-Inclusive Rate (AIR) published annually in the Federal Register.

Billing For Drug Items Dispensed From I.H.S. and Tribal 638 Outpatient Facilities

An outpatient pharmacy may dispense *unlimited* new prescription drugs including IV drugs and nutrition supplements, single multi-drug compounds, or prescription drug refills in a 24-hour period and be reimbursed for each dispensing. When drug item costs exceed the AIR, reimbursement will remain at the AIR. The applicable AIR shall be determined by the date of service submitted on the pharmacy drug claim.

The outpatient pharmacy AIR reimbursement will mirror the Outpatient per Visit Rate of \$519 for 2021, \$640 for 2022, and \$654 for 2023 found on the following Federal Register links:

- [Federal Register :: Reimbursement Rates for Calendar Year 2021](#)
- [Federal Register :: Reimbursement Rates for Calendar Year 2022](#)
- [Federal Register :: Reimbursement Rates for Calendar Year 2023](#)

Each year the MCOs are required to continue reimbursing the AIR assigned in the previous year until notified of the new published rate that will be implemented and retrospectively adjust claims for the new calendar year. Pharmacy drug claims reimbursed at the AIR are not eligible for a professional

dispensing fee, pharmaceutical administration fee, and/or compounding fee. The AIR for pharmacy drug services may be billed in addition to billing an I.H.S. or Tribal 638 physical health, behavioral health, or dental encounter services that are provided on the same day. The I.H.S. or Tribal 638 outpatient pharmacies will continue to bill the MCOs pharmacy benefit managers (PBMs). Excluded from this reimbursement change are durable medical equipment, medical supplies, and over the counter orthotic items.

MCOs are required to have their PBMs update their claims processing systems to allow payment of the AIR on outpatient pharmacy drug claims effective for dates of service beginning March 1, 2021. All affected dates of service for pharmacy drug claims will be adjusted and reprocessed to reflect the new reimbursement rate annually and for any claim submissions for previous years at that year's assigned rate. MCOs are required to have all adjustments completed within 120 days from the time notification is received. MCO's must notify HSD when the new annual rate is updated and when all adjustments have been completed.

This LOD will not sunset until the new Managed Care Policy Manual is written or upon a Repeal and Replacement of this LOD.

If you have questions regarding this LOD, please contact your MAD MCO Contract Manager.