

MAXIMUM ALLOWABLE COST (MAC) PRICING

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OUTLINE

- What is MAC and how is it established?
- What are outcomes of MAC pricing?
- What is the difference between MAC and FUL?
- How does MAC work in California?
- What are legislations regarding MAC pricing?
- What are some challenges regarding MAC pricing?

WHAT IS MAC?

- Payer or PBM-generated list of products that includes the maximum amount a plan will pay for generic drugs and multi-source brands.
- Pharmacies will receive payments no higher than the MAC price when billing for drugs on the list.
- Enhances market efficiency
- Prices are driven by:
 - ▣ How long the drug has been generic
 - ▣ How many manufacturers are making generic versions
 - ▣ How widely available the drug is
 - ▣ Manufacturing issues

DRUGS COVERED UNDER MAC

- MAC lists may include:
 - ▣ Generic Drugs
 - ▣ Single source generics
 - ▣ Multi-Source Brands
 - ▣ OTC Drugs
 - ▣ Store Brand
 - ▣ Private Label Generics

SELECTING DRUGS FOR MAC

- Different states use different criteria for determining the drugs to include in its MAC program:
 - ▣ Approval Rating
 - ▣ Therapeutic Equivalence
 - ▣ Generic Availability
 - ▣ Manufacturer Supply
 - ▣ Pharmacy Availability
 - ▣ Drug Cost
 - ▣ Utilization
 - ▣ Other

MAC PRICING

- MAC price benchmarks vary across states:
 - ▣ **Acquisition Cost:**
 - Actual Acquisition Cost (AAC): final price pharmacy pays after discounts
 - ▣ **Wholesale Acquisition Cost (WAC):**
 - Price at which the drug can be bought from the manufacturer/wholesaler
 - ▣ **Average Wholesale Price (AWP):**
 - Average value wholesalers sell drugs to physicians, pharmacies, and other.
 - ▣ **Acquisition Cost and WAC**
 - ▣ **Acquisition Cost, WAC, and AWP**
 - ▣ **No benchmarks**

MAC EFFECTS

- Incentivize Pharmacies to Dispense Generics
 - ▣ Limit on how much they can be paid
- Increasing Competition Among Generic Manufacturers
 - ▣ “Shop for the best deal”
- Prevent Overpaying Pharmacies
 - ▣ Ensures drugs are obtained to a price consistent with actual cost
- May Help Control Medicaid Costs
 - ▣ Prevent reimbursements to far exceed acquisition costs

MEDICAID

- MAC helps contain drug costs for Medicaid.
- Alternate Option: Federal Upper Limit (FUL)
 - ▣ Maximum amount that a state Medicaid agency can reimburse a pharmacy for dispensing a generic drug
 - ▣ $\geq 175\%$ of the Average Manufacturer Price (AMP)
 - Average price paid by wholesalers to manufacturers for drugs
- MAC programs (vs. FUL):
 - ▣ State-level (v. Federal-level)
 - ▣ More drugs and lower prices
 - ▣ Greater flexibility

LACK OF TRANSPARENCY

- May be a source of revenue for PBMs.
- Most plan sponsors are unaware that there are multiple MAC lists and how much the PBMs retain.
- Utilize a low PBM price list to reimburse contracted pharmacies while charging high prices to their clients and plan sponsors.
 - ▣ “spread”
- **Plan sponsors and contracted pharmacies MAY have no transparency on the MAC process**

MAC TRANSPARENCY ACT, H.R. 244

- Aims to increase transparency in reimbursements to independent and community pharmacies.
- Clarifies how MAC lists are determined, how frequently PBMs should update, and the appeals process.
 - ▣ Expands to Medicare Part D, TRICARE, and the Federal Employees Health Benefits Program
- Compels federal programs to disclose unfair practices

MAC IN CALIFORNIA

- Under regulation by the **California Business and Professions Code Section 4440.**
- Pharmacy cannot break confidentiality from PBM (CA)
- MAC Drug Eligibility Criteria:
 1. Rated A or B in the Orange Book or NA, NR, or Z rating in Medi-Span or First DataBank
 2. Generally available for purchase from a national/regional wholesaler
 3. Not obsolete

MAC LIST EXAMPLE

MAC LIST

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GCN	Drug Name	Brand Name	MAC	Eff Dat	Trm Da	GVT PRI
26901	12 HOUR DECONGESTANT 120 MG TAB	12 HOUR DECONGESTANT	\$ 0.28720	12/01/17	12/31/17	
37997	1ST BASE CRE	1ST BASE	\$ 10.54940	12/01/17	12/31/17	
37625	1ST RELIEF 4%-1% SPRAY	1ST RELIEF	\$ 3.25780	12/01/17	12/31/17	
28361	3-DAY VAGINAL CREAM 2% CREAM/APPL	3-DAY VAGINAL CREAM	\$ 0.31290	12/01/17	12/31/17	
98581	5-HTP 100 MG CAP	5-HTP	\$ 0.16560	12/01/17	12/31/17	
99724	A+D ZINC OXIDE 1%-10% CRE	A+D ZINC OXIDE	\$ 0.02650	12/01/17	12/31/17	
87691	ABACAVIR SULFATE-LAMIVUDINE-ZIDOVUDINE TAB 300-150-300 MG	TRIZIVIR	\$ 20.86160	12/01/17	12/31/17	
39562	ABATINEX 680 MG (750 MILLION CELL) CAP	ABATINEX	\$ 0.12510	12/01/17	12/31/17	
43173	ABATREX WITH ALA 200 MG-8 MG-4 MG-600 MG-100 MG TAB	ABATREX WITH ALA	\$ 0.24030	12/01/17	12/31/17	
24062	ABILIFY 1 MG/ML SOLUTION	ABILIFY	\$ 5.08460	12/01/17	12/31/17	
18537	ABILIFY 10 MG TAB	ABILIFY	\$ 17.66100	12/01/17	12/31/17	
18538	ABILIFY 15 MG TAB	ABILIFY	\$ 3.12000	12/01/17	12/31/17	
26305	ABILIFY 2 MG TAB	ABILIFY	\$ 3.12000	12/01/17	12/31/17	
18539	ABILIFY 20 MG TAB	ABILIFY	\$ 22.95070	12/01/17	12/31/17	
18541	ABILIFY 30 MG TAB	ABILIFY	\$ 24.97500	12/01/17	12/31/17	
20173	ABILIFY 5 MG TAB	ABILIFY	\$ 11.90730	12/01/17	12/31/17	
26445	ABILIFY DISCMELT 10 MG TAB	ABILIFY DISCMELT	\$ 27.57140	12/01/17	12/31/17	
26448	ABILIFY DISCMELT 15 MG TAB	ABILIFY DISCMELT	\$ 27.57140	12/01/17	12/31/17	

MAC TRANSPARENCY IN CA

- **Assembly Bill No. 627 Pharmacy Benefit Managers: Contracting Pharmacies**
- Amends Sections 4430 and 4432 of, and adds Section 4440 to the Business and Professions Code
 - Approved: July 13, 2015
 - Effective Date: January 1, 2016
- Requirements:
 - PBM must disclose any data sources used to determine MAC pricing
 - PBM must make available to contracting pharmacy, upon request, updated MAC lists that are readily accessible, secure, and usable Web-based format
 - Review and adjust MAC pricing at least once every 7 days
 - Provide appeal process for contracting pharmacy

MAC APPEAL PROCESS

- Pharmacies can challenge the MAC if:
 - ▣ MAC is below the cost compared to other pharmacies
 - ▣ Drug doesn't meet inclusion criteria
- Pharmacy has ≥ 14 business days from receipt of payment to file an appeal
- PBM must make a decision within 7 business days from receipt of the appeal

MAC APPEAL PROCESS (...continued)

- If approved:
 - ▣ PBM should adjust the MAC for pharmacies within 1 day of determination.
 - ▣ Pharmacy can reverse and resubmit claim.

- If denied:
 - ▣ PBM should provide reason
 - ▣ Provide NDC of equivalent drug that can be purchased by a similar pharmacy at or less than the MAC price

DOWNSIDERS OF MAC

- PBMs use arbitrary MAC pricing to make profits at the expense of pharmacies, plans, and consumers
 - ▣ “Spread”
- Reimbursement: AWP – % is variable across PBMs and States
 - ▣ Not guaranteed for every drug – not at average
- Pharmacies manage different MAC lists

CHALLENGES

- Large Lists
 - ▣ Typical MAC lists can contain around 2000 drugs.
- MAC calculation is not standardized
 - ▣ States use different benchmarks in calculating MAC.
- Lack of Transparency
 - ▣ Source of profit for PBMs.

SUMMARY

- MAC lists are Payer or PBM-generated list of products that includes the maximum amount a plan will pay for generic drugs that meet criteria.
- MACs have changed the drug market through competition, efficiency, and dispensing choices.
- There is a need for more legislation to improve standardization, transparency, and management.



QUESTIONS?

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