

Kentucky Maximum Allowable Cost ("MAC") List Policy

Purpose

This Policy is for compliance with Kentucky Law as set forth at KRS § 304.17A-162 and 806 KAR 17:575.

Scope

This Policy is applicable to those pharmacies located in Kentucky participating in a Smith network through direct contract or through a contract with a pharmacy services administration organization ("PSAO") or group purchasing organization ("GPO"), as those terms are defined in Ky. Rev. Stat. Ann. § 304.17A-161, regarding all matters pertaining to MAC Lists.

For Purposes of this Policy, a "MAC" means the maximum amount that Smith will reimburse a pharmacy for the cost of a generic drug, and such other information that Smith desires to include, and does not include a dispensing or professional fee.

Policy

- I. **MAC List Drug Reimbursement.** For every drug for which Smith establishes a MAC to determine the drug product reimbursement, Smith shall ensure that:
 1. Drugs subject to MACs are:
 - a. Generally available for purchase by pharmacists and pharmacies in Kentucky from a national or regional wholesaler licensed in Kentucky by the Kentucky Board of Pharmacy;
 - b. Not obsolete, temporarily unavailable, or listed on a drug shortage list;
 - c.
 - i. Drugs that have an "A" or "B" rating in the most recent version of the United States Food and Drug

SmithRx

Phone: (844) 454-0123

Fax: (866) 642-5620

info@smithrx.comwww.smithrx.com

300 Brannan Street

San Francisco, CA 94102

P.O. Box 77864

San Francisco, CA 94107

Administration's Approved Drug Products with Therapeutic Equivalence Evaluations, also known as the Orange Book; or

- ii. Drugs rated "NR" or "NA" or have a similar rating by a nationally recognized reference;
2. Smith shall make available to contracted pharmacies, in an electronically accessible format, a comprehensive list of drugs subject to MAC pricing (the "MAC" List). This MAC List shall:
 - a. Identify the applicable health plan for which the pricing is applicable;
 - b. Be electronically searchable and sortable by individual drug name; national drug code (NDC), and generic code number (GPI);
 - c. Contain data elements including the drug name, NDC, per unit price, and strength of drug;
 - d. List a specific MAC for each drug that Smith will reimburse;
 - e. Provide the effective date for that MAC price; and
 - f. Provide the date the MAC List was updated.
3. Upon written request, Smith will provide a paper copy of the MAC List, or other copy in an agreed upon format, to the requesting pharmacy within two (2) business days upon receiving the necessary information required for each list requested.
4. Smith will update its MAC List weekly and will send updates electronically to all contracted pharmacies. The weekly update will include the following information for drugs added, removed or changed in price since the last weekly update:
 - a. The MAC price for each drug added to the MAC List;
 - b. The basis for each drug's inclusion on the updated MAC List;

- c. The identity of all drugs that were removed from the MAC List, if any;
 - d. For drugs that have changed price since the last weekly update, the old price and the new price;
 - e. For each drug added to or removed from the MAC List, the drug name, NDC, GPI and applicable health benefit plan information; and,
 - f. The effective date of the change
5. Upon written request, Smith will provide a paper copy, or other agreed upon format, of the updated MAC List to the requesting pharmacy within two (2) business days of receipt of the request.
6. Smith will base reimbursement (i.e., group the drug with other drugs to a specific MAC reimbursement rate) for a drug subject to MAC:
 - a. Solely on that drug and drugs that are therapeutically equivalent if the therapeutically equivalent drugs are listed in the most recent version of the United States Food and Drug Administration Approved Drug Products with Therapeutic Equivalence Evaluations, also known as the Orange Book.
 - b. Reimbursement for a "B" rated drug subject to MAC is based solely on that drug and drugs that are not therapeutically equivalent to a "B" rating in the most recent version of the United States Food and Drug Administration Approved Drug Products with Therapeutic Equivalence Evaluations, also known as the Orange Book.
 - c. Reimbursement for a "NR" or "NA" drug with a similar rating by a nationally recognized reference subject to MAC is based solely on that drug and other drugs with a "NR" or "NA" rating or similar rating by a nationally recognized reference that meets criteria for therapeutic equivalence used in the United States Food and Drug Administration Approved Drug Products with

Therapeutic Equivalence Evaluations, also known as the Orange Book.

- d. Reimbursement for a drug subject to MAC is based solely on that drug if there is no other therapeutically equivalent drug.
 - e. Reimbursement for a drug subject to MAC is not based on a drug that is obsolete, temporarily unavailable, listed on a drug shortage list, or that cannot be lawfully substituted.
7. Smith shall retain historical pricing data in an electronically accessible format for a minimum of 120 days.

II. Appeals. The following section outlines the Smith process for MAC List appeals by contracted pharmacies, or their designees (i.e., PSAOs or GPOs). Smith's Kentucky MAC List pricing appeal process may also be found on Smith's website.

1. When an Appeal may be Filed.

- a. A contracted pharmacy, or its designee, may file a MAC List pricing appeal , in the following circumstances:
 - i. The maximum allowable cost established for a drug reimbursement is below the cost at which the drug is available for purchase by pharmacists and pharmacies in Kentucky from national or regional wholesalers licensed in Kentucky by the Kentucky Board of Pharmacy; or
 - ii. Smith has placed a drug on the MAC List in violation of KRS 304.17A-162(8).
- b. A contracted pharmacy may initiate an appeal regardless of whether it previously has been submitted outside of Kentucky.

2. How to File an Appeal.

- a. Contracted pharmacies, or their designees, have sixty (60) days to file a MAC List appeal from the date of the initial claim submission.



- b. Appeals may be initiated by completing the MAC List appeals form, a copy of which is attached hereto as Exhibit A, and sending the completed form to:

SmithRx
Pharmacy Network Department
pharmacynetwork@smithrx.com
300 Brannan Street, Suite 601
San Francisco, CA 94107

- c. Contract pharmacies may call us to make a MAC List appeal, but must follow-up with a written or online request within three (3) days of the call.
- d. For assistance with a MAC List appeal, you may call Pharmacy Network Support at 844-454-0955.

3. Acknowledgment of Receipt.

- a. Upon receipt of an appeal, Smith will send the initiating party confirmation of receipt, in the form attached hereto as Exhibit B, and contact information where additional information regarding the process may be obtained.
- b. Prior to responding to a MAC List appeal initiated by a PSAO or GPO, Smith will require documentation that such entity is acting on behalf of a contracted pharmacy.

4. Response to Appeals

- a. Smith shall investigate, resolve, and respond to all appeals within ten (10) calendar days of receipt.
- b. Upon resolution, Smith shall send a written response via email to the appealing party in the form attached hereto as Exhibit C, which will include:
 - i. The date of the decision;





- ii. The name and contract information, including the phone number, mailing address and title) of the person making the decision; and
 - c. A statement setting forth the specific reason for the decision.
 - i. If the appeal is granted, the response statement shall include:
 - 1. The amount of the adjustment to be paid retroactive to the initial date of service to the appealing pharmacy;
 - 2. The drug name, national drug code, and prescription number of the appealed drug; and
 - 3. The appeal number assigned by Smith
 - d. If the appeal is denied, Smith shall send a written response in the form attached hereto as Exhibit D, which shall include:
 - i. The NDC or the NDC of a therapeutically equivalent drug, as defined in KRS 304.17A-162(9), of the same dosage, dosage form, and strength of the appealed drug; and
 - ii. The Kentucky licensed wholesaler offering the drug at or below maximum allowable cost on the date of fill.
- III. MAC List Appeal Adjustments. If a price update is warranted as a result of an appeal, Smith shall:
- 1. Make the change in the MAC to the initial date of service the appealed drug was dispensed;
 - 2. Adjust the MAC of the drug for the appealing pharmacy and for all other contracted pharmacies in the network of that pharmacy benefit manager that filled a prescription for patients covered under the same





health benefit plan to the initial date of service the appealed drug was dispensed;

3. Individually notify all other contracted pharmacies in the network that a retroactive MAC adjustment has been made as a result of a granted appeal, in the form attached hereto as Exhibit E, effective to the initial date of service the appealed drug was dispensed. Notification can be by mail courier, electronic mail, facsimile or web portal posting for sixty (60) days and corresponding electronic communication to a contracted pharmacy with hyperlink to the portal for the granted appeal. The notification shall include:
 - a. Date of granted appeal
 - b. The name of the appealed drug
 - c. Date of service
 - d. NDC
 - e. GPI
 - f. Health plan identification information (i.e., plan name, BIN and PCN)
4. Adjust the drug product reimbursement for contracted pharmacies that resubmit claims to reflect the adjusted MAC, if the change is applicable to their contract;
5. Allow the appealing pharmacy and all other contracted pharmacies in the network that filled prescriptions for patients covered under the same health benefit plan to resubmit claims within sixty (60) days of notification and receive retroactive payment based on the adjusted MAC from the initial date of service the appealed drug was dispensed; and
6. Make retroactive price adjustments in the next payment cycle.

IV. Right to Request State Review





1. Within thirty (30) days of Smith's final determination regarding the appeal, a contracted pharmacy may appeal Smith's decision to the Kentucky Department of Insurance.
 - a. Pharmacies must complete Smith's appeal process before appealing to the Kentucky Department of Insurance.
2. Within 30 days of the Kentucky Department of Insurance's final decision, Smith will make any necessary changes to its MAC List, and send notification of the changes to contracted pharmacies in accordance with this policy.

V. Inquiries from the Kentucky Department of Insurance.

1. Smith shall respond to any and all inquiries from the Kentucky Department of Insurance within fifteen (15) days of receipt of any letter from the Kentucky Commissioner of Insurance setting forth request for information.





EXHIBITS

Appeal form	A
Appeal acknowledgement notification	B
Appeal granted notification	C
Appeal denied notification	D
Adjustment in reimbursement notification	E





**EXHIBIT A
APPEALS FORM**

SmithRx MAC Pricing Appeal Form

Appeals must be submitted within 30 days or within such time period as may be required by applicable state law, of the claim fill date.

All fields are required unless otherwise indicated. Incomplete forms will not be reviewed.

Provider Information

Appeal Date	
Pharmacy NPI or NABP	
Pharmacy Phone Number	
Pharmacy Fax Number	
Contact Name	
Contact Email	

Claim Information

BIN	
PCN	
Rx Number	
NDC	
Drug Name, Dose, Form	
Fill Date	

Reason for Appeal (Select one or more reasons)

- MAC Unit is below cost
- Drug is experiencing supply issues, please review MAC
- Dispensed least expensive generic
- Other - Please use the notes section to explain

Notes:

MUST submit invoice showing NDC and acquisition cost for the claim being disputed

Please return completed forms and proof of acquisition cost to SmithRx via:

Email: pharmacynetwork@smithrx.com

Fax: 866-441-4290





**EXHIBIT B
APPEAL ACKNOWLEDGMENT NOTIFICATION**

Re: MAC List Appeal Confirmation of Receipt

Dear [*Pharmacist*]:

We are writing to confirm that Smith Health, Inc. has received your MAC List appeal request, and that Smith will make a final determination and notify you in writing within ten (10) calendar days. Your appeal number is _____.

Sincerely,

SMITH HEALTH, INC.





**EXHIBIT C
APPEALS GRANTED NOTIFICATION**

Re: MAC List Appeal # _____ Determination

Dear [*Pharmacist*]:

We are writing to inform you that Smith Health, Inc. has made a final determination regarding the following MAC List appeal and has granted your appeal:

Date of decision:

Drug name:

NDC:

Prescription number:

Date of service:

Reason for the decision:

Smith will make a retroactive price adjustment to the initial date of service to your account in the amount of \$ _____ in the next payment cycle.

If you have any further questions regarding this decision, please contact [INSERT NAME, TITLE, PHONE NUMBER, MAILING ADDRESS AND EMAIL ADDRESS OF DECISIONMAKER].

Sincerely,
SMITH HEALTH, INC.





**EXHIBIT D
APPEALS DENIAL FORM**

Re: MAC List Appeal #___ Determination

Dear [*Pharmacist*]:

We are writing to inform you that Smith Health, Inc. has made a final determination regarding the following MAC List appeal and has denied your appeal:

Date of Decision:

Reason for the Decision:

NDC [or NDC of a therapeutically equivalent drug of the same dosage, dosage form, and strength of the appealed drug]:

Kentucky licensed wholesaler offering the drug at or below the MAC on the date of fill:

If you have any further questions regarding this decision, please contact [INSERT NAME, TITLE, PHONE NUMBER, MAILING ADDRESS AND EMAIL ADDRESS OF DECISIONMAKER].

Sincerely,

SMITH HEALTH, INC.





EXHIBIT E

ADJUSTMENT IN REIMBURSEMENT NOTIFICATION

Re: MAC List Price Retroactive Adjustment

Dear [*Pharmacy*]:

We are writing to inform you that on [INSERT DATE], Smith Health, Inc. made a retroactive MAC price adjustment with respect to the following product dispensed to beneficiaries under the following plan, as a result of a granted appeal, effective to the initial date of service that the appealed drug was dispensed.

Date of decision:

Date of service:

Drug name:

NDC:

GPI:

Health plan name:

BIN:

PCN:

You will have sixty (60) days to resubmit claims and receive retroactive payment based on the adjusted MAC from the initial date of service the appealed drug was dispensed. Please note that the MAC adjustment applies only to claims submitted under the above indicated plan only.

If you have any further questions regarding this decision, please contact [INSERT NAME, TITLE, PHONE NUMBER, MAILING ADDRESS AND EMAIL ADDRESS OF DECISIONMAKER].

Sincerely,

SMITH HEALTH, INC.

