



Office of the Governor  
Division of Medicaid

Dr. Robert L. Robinson  
Executive Director

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**Mississippi Medicaid revamps the way some prescription drugs are reimbursed**  
*State Maximum Allowable Cost (SMAC) more in line with national practice - encouraged by feds*

JACKSON, MS.- (May 1, 2008) – According to Executive Director Dr. Robert L. Robinson, “Beginning today, Mississippi Medicaid is revamping the way some generic prescription drugs are paid for so that it's more along the lines with the national practice. Not only is Mississippi increasing the dispensing fee, Medicaid will also reimburse pharmacies 30% above the acquisition cost.”

The methods by which all state Medicaid programs pay for prescription drugs have been subject to much attention and scrutiny in recent years. In an effort to reduce the deficit facing the Mississippi Division of Medicaid, this change in policy (to reduce drug expenditures by using the same method used by 47 out of 50 states and by private payers) has been put into effect. This policy implements a State Maximum Allowable Cost (SMAC) program to reimburse based on acquisition cost is encouraged by the federal government. The Division expects to initially set SMAC rates for 838 drug groups, which is expected to reduce annual expenditures for those drugs by \$32.9 million in total program expenditures.

A review of dispensing fees from other states indicates Mississippi Medicaid's dispensing fee, that begins May 1, 2008, appears to be consistent with other states. Dr. Robinson said, “We believe that the increase to \$5.50 will rank Mississippi as 6th highest in the nation. Other state Medicaid retail pharmacy dispensing fees vary from a low of \$1.75 in New Hampshire to a high of \$7.25 in California.”

The Division of Medicaid contracted with the University of Mississippi, School of Pharmacy, Department of Pharmacy Administration and the Center for Pharmaceutical Marketing and Management to survey, collect, and analyzes data from Mississippi Medicaid pharmacy providers regarding the cost of dispensing prescription drugs.

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Dr. Robinson went on to say, "The Division of Medicaid certainly recognizes that when filling a prescription, it is essential for the pharmacy to be reimbursed for the cost of the drug, the cost associated with filling that prescription, and a reasonable profit. But if a SMAC program is not in place, there is no incentive for pharmacy providers to purchase generic drugs prudently."

According to the 2007 NCPA Pfizer Digest Executive Summary, the average gross profit for independent pharmacies was 22.8% in 2006. Medicaid's SMAC rate allows for at least a 30% profit above the acquisition cost. In addition, research shows that the Division's reimbursement and dispensing fees exceed Medicare Part D and most other third party payers.

This policy change was filed with the Secretary of State's office in accordance with the Administrative Procedures Act as AP2008-023 which proposed changes to the Medicaid Provider Policy Manual Section 31.04. The effective date of this rule is May 1, 2008.

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