



June 27, 2024

Daniel Tsai  
Deputy Administrator and Director  
Center for Medicaid and CHIP Services (CMCS)  
Centers for Medicare & Medicaid Services (CMS)  
Department of Health and Human Services  
7500 Security Boulevard Baltimore, MD 21244

**RE: Clarification on NADAC Rate Updates**

Dear Director Tsai:

The American Pharmacists Association (APhA) respectfully writes to request prompt clarification regarding CMS' recent changes and updates to the National Average Drug Acquisition Cost (NADAC) price benchmark. Additionally, APhA would welcome the opportunity to meet with your office to discuss issues related to pharmacy reimbursement and ways to collaborate to address and communicate to our membership about these issues.

APhA is the largest association of pharmacists in the United States advancing the entire pharmacy profession. APhA represents pharmacists in all practice settings, including but not limited to community pharmacies, hospitals, long-term care facilities, specialty pharmacies, community health centers, physician offices, ambulatory clinics, managed care organizations, hospice settings, and government facilities. Our members strive to improve medication use, advance patient care and enhance public health.

As you know, NADAC rates dramatically reduced pharmacy reimbursement in Medicaid beginning mid-April with an unprecedented month-over-month drop in the NADAC benchmark (-16%) and May (-3%) followed by an increase in June (+14%). Pharmacy stakeholders are still trying to understand the overall impact when these results are combined with the June increase on the overall reimbursement trend. Such a dramatic decrease in the benchmark that resulted in a 19% average decrease in NADAC reimbursement for generic drugs, with some NADACs down 60%, resulted in a volatility in the NADAC average that has not been seen previously. While the NADAC benchmark improved in June, it is still at a significantly lower rate than prior to April. This is concerning given the rising [closures of community pharmacies](#) due to declining reimbursement rates across all payers.

**APhA and our members received no advance notification of this decrease which has impacted many healthcare providers serving one of our nation's most vulnerable patient populations, Medicaid beneficiaries.**

APhA's understanding is that CMS' explanation for the historical decline in NADAC rates was due to two identified factors. 1) Increasing the number of pharmacies CMS surveyed, and 2) An updated [February 2024 NADAC methodology](#) where the first NADAC rates files with the updated methodology were effective on April 17, 2024.

APhA has also heard that a new, large pharmacy organization had begun submitting data to the NADAC survey, which had a material impact on its yielded values.

The negative impact of the changes on our nation's pharmacies and the patient populations we serve requires additional clarification as various pharmacy benefit manager (PBM) reform legislation currently being considered by the U.S. Congress ([S.3430, Section 202](#); [H.R. 5378, Section 202](#)) would significantly expand the NADAC survey. Therefore, additional transparency is necessary to assist CMS, Congress, pharmacies, and our patients to fully understand the dramatic and downstream impact of any significant changes to the NADAC. As such, APhA respectfully requests the following information from CMS:

1. **CMS' clear explanation of whether the new NADAC survey data should be excluded from the benchmark calculation as an outlier when it exceeded the +/- two (2) standard deviations from the mean as specified in the February 2024 [updated methodology](#) (Page 17).**
2. **CMS' explanation for the removal of the "Explanation Code" 2 from the list of the "codes that pertain to how the NADAC rate was calculated" in the February 2024 updated methodology. The previous January 2023 methodology listed "Explanation Code" 2 as "Code 2: The average acquisition cost of the most recent survey was within  $\pm 2\%$  of the current NADAC; therefore, the NADAC was carried forward from the previous file." APhA requests CMS explain how the standard deviation outlier can be applied without utilizing the removed "Explanation Code" 2?**
3. **A public release of a CMS comparison of the March to June NADAC data utilizing the previous January 2023 methodology compared to the new February 2024 methodology. Analysis should also include the more than 3,000 National Drug Codes (NDCs) representing approximately 1,000 products (based upon active ingredient,**

dosage form, and strength) that had a NADAC value in the past, but had no NADAC value in March 2024.

4. An estimation of an increase in a supplemental dispensing fee necessary to offset future dips in NADAC to avoid pharmacies purchasing below the acquisition cost to acquire a product, including the most recent dip in April. APhA's preliminary estimate for this one-time April occurrence is approximately \$1.44 more per dispensed prescription for Fee For Service claims in the impacted period.
5. CMS' plans to engage pharmacist and pharmacy stakeholders prior to future changes to the NADAC price benchmark.

Thank you for your prompt attention to these requests for clarification on CMS' recent changes and updates to the NADAC price benchmark. APhA stands ready to assist you in protecting Medicaid patients' access to their trusted, local community pharmacists. If you have any questions or would like to speak further about these requests, please contact me at [mbaxter@aphanet.org](mailto:mbaxter@aphanet.org).

Sincerely,



Michael Baxter  
Vice President, Government Affairs