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OFFICE OF AIDS
AIDS Drug Assistance Program (ADAP)

Management Memorandum
Memorandum Number: 2013-09

DATE: July 12, 2013

TO: ADAP COORDINATORS

SUBJECT: ADAP PHARMACY BACK-BILLING FOR EXPENDITURES BILLABLE TO THE
LOW INCOME HEALTH PROGRAM (LIHP)

The purpose of this notice is to inform ADAP Coordinators that effective **July 15, 2013**, ADAP's pharmacy benefits manager will seek reimbursement for ADAP drug expenditures that have been identified as billable to LIHP. Under federal law, Ryan White (RW) HIV/AIDS Programs must serve as the payer of last resort. If any payer (i.e. LIHP) exists for an ADAP client's medications, that payer (i.e. LIHP) must pay for the medications, not ADAP. Therefore, ADAP expenditures that are identified as LIHP costs must be back-billed in order to adhere to the Payer of Last Resort provision.

The "Ryan White Requirements and the LIHP—Frequently Asked Questions #5" document, which addresses ADAP's pharmacy back-billing process is attached for your reference. However, if you have any back-billing questions, please contact Irene Wong, ADAP Advisor, at Irene.Wong@cdph.ca.gov or (916) 449-5799 or Charmaine Montilla at Charmaine.Montilla@cdph.ca.gov or (916) 445-5438.

For more information regarding RW and LIHP, please visit the OA website at <http://www.cdph.ca.gov/programs/aids/Pages/OARyanWhiteDHCSLowIncomeHealthProgram.aspx>.

Celia Banda-Brown, Chief
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Enclosure

cc: California Conference of Local AIDS Directors
County LIHP Administrators
Ryan White Healthcare Reform Stakeholder Advisory Committee

Ryan White Requirements and the LIHP - Frequently Asked Questions #5

Topic: ADAP Pharmacy Back-billing Reimbursement for Low Income Health Program (LIHP) Drug Expenditures

1. What is pharmacy back-billing?

In the context of ADAP, pharmacy back-billing is a process in which ADAP, via its pharmacy benefits manager (PBM), will seek reimbursement for drugs dispensed to ADAP clients who have been identified as also being enrolled in LIHP.

In the context of LIHP, pharmacy back-billing is a process in which an ADAP pharmacy submits prescription claims to the local LIHP for drugs originally paid for by ADAP but subsequently identified as having been dispensed to an individual enrolled in LIHP.

2. Why must back-billing occur?

Under federal law, Ryan White (RW) HIV/AIDS Programs must serve as the payer of last resort. If another payer (i.e. LIHP) exists for an ADAP client's medications, that payer (i.e. LIHP) must pay for the medications, not ADAP. Therefore, ADAP expenditures that are identified as LIHP costs must be back-billed in order to adhere to the Payer of Last Resort provision.

3. Under what conditions will pharmacy back-billing occur?

In order for back-billing to occur, the following conditions must be met *at the time the prescription drugs were dispensed*:

- The client was enrolled in **both** LIHP* and ADAP; and
- The dispensing pharmacy was **both** an ADAP network pharmacy and a LIHP contracted pharmacy.

*LIHP enrollment is retroactive to the first of the month in which the LIHP application was submitted with the exception of four counties which allow further retroactive enrollment of three months prior to the first of the application month for Orange and San Bernardino counties and one month prior to the first of the application month for San Diego and Santa Cruz counties.

4. How far back will ADAP seek reimbursement for prescription drug costs for ADAP clients enrolled in LIHP?

For the ten Legacy local LIHPs, the ADAP PBM will back-bill to the full extent possible, but no further back than July 1, 2011. For non-Legacy local LIHPs, the ADAP PBM will back-bill no further than the local LIHP implementation start date.

5. How will the ADAP PBM back-bill an ADAP pharmacy that is also a LIHP contracted pharmacy?

The ADAP cost for prescriptions that are identified for LIHP clients will be recovered by the PBM withholding the amount from future payments to the pharmacy. The pharmacy will then need to bill the local LIHP for those same prescriptions per their LIHP contract.

6. How much will an ADAP pharmacy that is also a LIHP contracted pharmacy be reimbursed for back-billed LIHP prescription drug costs?

The ADAP pharmacy that is also a LIHP contracted pharmacy can claim prescription drug costs for drugs dispensed to LIHP clients up to the amount established by the pharmacy's contract with the local LIHP.

The ADAP 340B pharmacies that are also LIHP contracted pharmacies must claim in accordance with their LIHP pharmacy contract for either drug replenishment or the contracted LIHP drug reimbursement rate.