

National Average Drug Acquisition Cost (NADAC) NADAC Equivalency Methodology

The purpose of this document is to provide background and methodology for the quarterly NADAC equivalency metrics. The NADAC equivalency metrics are published on a quarterly basis and are intended to be utilized for analyzing and monitoring the NADAC pricing relationship to compendia drug pricing values. In addition, the NADAC equivalency metrics can be utilized by state Medicaid programs for evaluating their respective pharmacy reimbursement protocols. NADAC rates are published by the Centers for Medicare & Medicaid Services (CMS). The weekly and monthly NADAC files are published to the CMS Medicaid.gov pharmacy pricing website at:

<https://www.medicaid.gov/medicaid/prescription-drugs/pharmacy-pricing/index.html>

NADAC methodology documentation, webinar presentations, NADAC field definitions and NADAC equivalency metrics are published on the CMS Medicaid.gov Retail Price Survey website located at:

<https://www.medicaid.gov/medicaid/prescription-drugs/retail-price-survey/index.html>

Three NADAC equivalency tables are published on a quarterly basis:

Table 1: Illustrates the aggregate mean and median discounts for single source legend drugs and innovator multiple source legend drugs (both commonly known as brand legend drugs), as well as non-innovator multiple source legend drugs (commonly known as generic legend drugs) comparing the published NADAC values to that of the wholesale acquisition cost (WAC) and average wholesale price (AWP). The data in this table is limited to the most 5 recent quarters of available pricing data.

Table 2: Illustrates the aggregate mean and median discounts for single source legend drugs and innovator multiple source legend drugs (both commonly known as brand legend drugs) comparing the published NADAC values to that of WAC and AWP. The data in this table is limited to the most 5 recent quarters of available pricing data.

Table 3: Illustrates the median discounts off of WAC and AWP for generic legend drugs by the number of active rebating labelers producing an active National Drug Code (NDC) within the drug rate group (drug, strength, dosage form and route of administration). The percentages provided reflect only the most recent calendar quarter of available pricing data.

Since the NADAC pricing does not incorporate off-invoice discounts, it is important to note that the NADAC equivalency metrics do not include off-invoice discounts. The NADAC equivalency metrics represent aggregate discounts for retail community pharmacies and do not represent aggregate discounts for other classes of pharmacy trade (i.e. specialty, mail order, long term care, home infusion, etc.). The aggregate discounts provided in the NADAC equivalency metrics are not intended to be utilized for direct reimbursement to retail community pharmacies.

Tables 1 and 2 Technical Specifications

- Includes only legend drugs that are classified as covered outpatient drugs
- Reflects the past 5 quarters of data and utilizes the most recent monthly NADAC file as compared to the WAC and AWP obtained from national drug file compendia in effect on the date of the monthly NADAC file publication. In order for a specific NDC to be included in the analysis, it must have a NADAC invoice cost observation in at least one of the previous 3 NADAC surveys.
- Excludes NDCs that have a current or future obsolete date as obtained from national drug file compendia
- Excludes NDCs that have a CMS termination date occurring prior to the date of the monthly NADAC file(s) utilized for the analysis
- Generic and brand drug classification is obtained from the NADAC file
- Single source drug and innovator multiple source drug (both commonly known as brand legend drugs) classifications are obtained from national drug file compendia and reflect the classification in effect on the date of the monthly NADAC file publication

Table 3 Technical Specifications

- Includes only generic legend drugs that are classified as covered outpatient drugs
- In order for a specific NDC to be included in the analysis and labeler count, it must have a NADAC invoice cost observation in at least one of the previous 3 NADAC surveys or have a paid pharmacy claim in the most recent 3 months
- Utilizes WAC and AWP from national drug file compendia in effect on the date of the most recent NADAC file publication
- Excludes NDCs that have a current or future obsolete date as obtained from national drug file compendia
- Excludes NDCs that have a CMS termination date occurring prior to the date of the monthly NADAC file(s) utilized for the analysis
- Generic drug classification is obtained directly from the NADAC file
- The rebating labeler active status and effective dates are obtained directly from the CMS Drug Manufacturer Contact Information file which is published quarterly and updated with interim additions and terminations.

Questions related to the NADAC equivalency metrics can be directed to the Myers and Stauffer pharmacy help desk at:

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