

## NADAC Methodology Changes – Executive Summary

The “Methodology for Calculating the National Average Drug Acquisition Cost (NADAC) for Medicaid Covered Outpatient Drugs” document was updated in February 2024. The first NADAC rates files with the updated methodology were effective 4/17/2024.

The full methodology documentation is available here: <https://www.medicaid.gov/media/25391>

This document provides an Executive Summary of the changes in the recent update.

Category	Previous Methodology	Current Methodology
Brand Cost Observations	Monthly Brand NADAC rate calculations were performed using invoice cost observations from the most recent month of data collection. A minimum number of observations in the most recent survey was required to establish or update a rate.	Monthly Brand NADAC rate calculations are performed using all invoice cost observations with invoice dates on or after the most recent WAC Effective Date. To establish or update a rate, at least five invoice cost observations within the above criteria, or in the previous 365 days, whichever is shorter, are required. (Page 17)
Brand 2% Rule – Excluded Observations	Per the “2% Rule”, monthly Brand NADAC rate calculations were performed, but if the newly calculated rate was less than a 2% change from the existing rate, the existing rate was preserved and the NADAC Effective Date remained unchanged.	The “2% Rule” has been removed. Following the most recent WAC effective date, brand NADAC rates will be updated monthly if enough observations are present.
Generic Cost Observations	Monthly Generic NADAC rate calculations were performed using invoice cost observations from the most recent month of data collection. A minimum number of cost observations in the most recent month was required to establish or update a rate.	For Generic NADAC rate groups with enough invoice cost observations in the most recent month, only invoice cost observations from the most recent month are used to perform rate calculations. (Page 17)
		For Generic NADAC rate groups with a low number of invoice cost observations in the most recent month, additional invoice cost observations from the most recent six survey months, utilizing the most recent invoice dates, will be used to perform rate calculations.(Page 17)