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State/Territory name: Alabama

State Plan Amendment (SPA): 20-0001

This file contains the following documents in order listed:

- 1) Approval Letter
- 2) CMS 179 Form
- 3) Approved SPA page(s)

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S2-14-26
Baltimore, Maryland 21244-1850



Center for Medicaid and CHIP Services

Disabled and Elderly Health Programs Group

March 23, 2020

Ms. Stephanie McGee Azar
Commissioner
Alabama Medicaid Agency
501 Dexter Avenue
PO Box 5624
Montgomery, AL 36103-5624

Dear Ms. Azar:

We have reviewed Alabama State Plan Amendment (SPA) 20-0001 received in the Centers for Medicare & Medicaid Services (CMS) Division of Program Operations South Branch on January 6, 2020. This SPA proposes to change the default pharmacy ingredient cost reimbursement methodology when no Average Acquisition Cost (AAC) is available from Wholesale Acquisition Cost (WAC) +0% to WAC -4% for brand drugs and WAC +0% for generic drugs.

Based on the information provided and consistent with the regulations at 42 CFR 430.20, we are pleased to inform you that SPA 20-0001 is approved with an effective date of June 1, 2020. A copy of the signed CMS-179 form, as well as the pages approved for incorporation into Alabama's state plan will be forwarded by the Division of Program Operations South Branch.

If you have any questions regarding this request, please contact Justin Aplin at (410) 786-6901 or Justin.Aplin@cms.hhs.gov.

Sincerely,

/s/

Cynthia R. Denemark, R.Ph.
Deputy Director
Division of Pharmacy
DEHPG/CMCS/CMS

cc: Hether Vega
James G. Scott, Director
Alice Hogan
Charles Friedrich

Alabama Medicaid Agency
Division of Program Operations
Division of HCBS Operations West Branch
Division of Program Operations South Branch

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL**

1. TRANSMITTAL NUMBER:
AL-20-0001

2. STATE
Alabama

FOR: HEALTH CARE FINANCING ADMINISTRATION

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE
SOCIAL SECURITY ACT (MEDICAID)

TO: REGIONAL ADMINISTRATOR
HEALTH CARE FINANCING ADMINISTRATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE
June 1, 2020

5. TYPE OF PLAN MATERIAL (Check One):

NEW STATE PLAN AMENDMENT TO BE CONSIDERED AS NEW PLAN AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:
42 CFR 447 Subpart I, 447.518

7. FEDERAL BUDGET IMPACT:
a. FFY 2020 1.7 million savings
b. FFY 2021 5.2 million savings

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Attachment 4.19-B, Page 3, Prescribed Drugs

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION
OR ATTACHMENT (If Applicable):

Attachment 4.19-B, Page 3, Prescribed Drugs

10. SUBJECT OF AMENDMENT:

This amendment will change the current default pharmacy ingredient cost reimbursement methodology when no AAC is available from Wholesale Acquisition Cost (WAC) + 0% to WAC - 4 % for brand drugs and WAC + 0% for generic drugs.

11. GOVERNOR'S REVIEW (Check One):

GOVERNOR'S OFFICE REPORTED NO COMMENT
 COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
 NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

OTHER, AS SPECIFIED:
Governor's designee on file
via letter with CMS

12. SIGNATURE OF STATE AGENCY OFFICIAL

13. TYPED NAME:

Stephanie McGee Azar

14. TITLE:

Commissioner

15. DATE SUBMITTED:

1-6-2020

16. RETURN TO:

Stephanie McGee Azar
Commissioner
Alabama Medicaid Agency
501 Dexter Avenue
Post Office Box 5624
Montgomery, Alabama 36103-5624

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:

01/06/2020

18. DATE APPROVED:

3/23/2020

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:

06/01/2020

20. SIGNATURE OF REGIONAL OFFICIAL

21. TYPED NAME:

James Scott

22. TITLE:

Division Director
Division of Program Operations

23. REMARKS:

4. Prescribed Drugs

Medicaid pays for covered outpatient legend and non-legend, brand and generic drugs prescribed by individuals legally licensed to prescribe the drugs authorized under the program and dispensed by a licensed pharmacist or licensed authorized physician in accordance with state and federal laws.

No payments made pursuant to methods and standards described in this Attachment 4.19-B will exceed upper limits established in 42 CFR Section 447, Subpart D.

- A.** Notwithstanding specific reimbursement described in this section, payment for covered outpatient drugs (both brand and generic) dispensed by a:
1. Retail community pharmacy
 2. Specialty pharmacy
 3. Long-term care or institutional pharmacy (when not included as an inpatient stay)
 4. 340B eligible entities (including 340B contract pharmacies) not listed on the U.S. Department of Health and Human Services Health Resources & Service Administration (HRSA) 340B Drug Pricing Program Database
 5. Indian Health Service, Tribal and Urban Indian pharmacy
- Shall not exceed the lowest of:
- a. The Alabama Average Acquisition Cost (AAC) of the drug; when no AAC is available, the Wholesale Acquisition Cost (WAC) -4% for brand drugs and WAC + 0% for generic drugs, plus a reasonable professional dispensing fee of \$10.64,
 - b. The Federal Upper Limit (FUL), plus a professional dispensing fee of \$10.64, or
 - c. The provider's Usual and Customary (U&C) charge to the general public regardless of program fees.
- B.** Payment for blood clotting factor products will be the Average Sales Price (ASP) + 6% plus a professional dispensing fee of \$10.64.
- C.** For eligible 340B entities listed on the U.S. Department of Health and Human Services Health Resources & Service Administration (HRSA) 340B Drug Pricing Program Database, payment shall not exceed the entity's actual acquisition cost for the drug, as charged by the manufacturer at a price consistent with the Veterans Health Care Act of 1992, plus a professional dispensing fee of \$10.64.
- D.** For facilities purchasing drugs through the Federal Supply Schedule (FSS), payment shall not exceed the entity's actual acquisition cost for the drug, plus a professional dispensing fee of \$10.64.
- E.** For facilities purchasing drugs at Nominal Price, payment shall not exceed the entity's actual acquisition cost for the drug, plus a professional dispensing fee of \$10.64.
- F.** Physician Administered Drugs (PADs) are reimbursed at a rate of ASP + 6%. For PADs that do not have a published ASP, the reimbursement is calculated based on published compendia pricing such as Wholesale Acquisition Cost (WAC). For PADs administered by 340 entities, payment shall not exceed the entity's actual acquisition cost for the drug.
- G.** Investigational drugs not approved by the FDA are not covered.