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**State/Territory Name: Alaska**

**State Plan Amendment (SPA) #: 17-0005**

This file contains the following documents in the order listed:

- 1) Supplemental Letter
- 2) Approval Letter
- 3) CMS 179 Form
- 4) Approved SPA Pages

DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
Seattle Regional Office  
701 Fifth Avenue, Suite 1600, MS/RX-200  
Seattle, WA 98104



Division of Medicaid & Children's Health Operations

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August 31, 2017

Valerie Davidson, Commissioner  
Department of Health and Social Services  
PO Box 110601  
Anchorage, AK 99503-7167

RE: Alaska State Plan Amendment (SPA) Transmittal Number 17-0005

Dear Ms. Davidson:

The Centers for Medicare & Medicaid Services (CMS) approved State Plan Amendment (SPA) 17-0005, in compliance with the requirements of the Final Covered Outpatient Drug Rule. This SPA amendment is effective April 1, 2017.

Enclosed you will find a copy of the official CMS Form 179, amended state plan pages, and copy of the August 31, 2017, approval letter from the CMS Pharmacy Team for your records.

If you have any questions, please contact me, or your staff may contact Maria Garza at [maria.garza@cms.hhs.gov](mailto:maria.garza@cms.hhs.gov) or (206) 615-2542.

Sincerely,

Digitally signed by David L. Meacham-S



David L. Meacham  
Associate Regional Administrator

Enclosure

cc:  
Jon Sherwood, DHSS  
Courtney King, DHSS

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



## Disabled & Elderly Health Programs Group

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August 31, 2017

Jon Sherwood  
Deputy Commissioner  
Medicaid and Healthcare Policy  
Department of Health and Social Services  
4501 Business Park Blvd, Bldg. L  
Anchorage, Alaska 99503-7167

Dear Mr. Sherwood:

We have reviewed Alaska's State Plan Amendment (SPA) 17-0005 received in the Seattle Regional Office on June 26, 2017. This SPA proposes to bring Alaska into compliance with the reimbursement requirements in the Covered Outpatient Drug final rule with comment period (CMS-2345-FC).

SPA 17-0005 pertains to reimbursement for covered outpatient drugs using actual acquisition cost methodologies and implements professional dispensing fees of \$13.36 for pharmacies located on the road system, \$21.28 for those not located on the road system, and \$10.76 for out-of state pharmacies. The SPA also includes reimbursement methodologies for specialty drugs distributed primarily through the mail, drugs not distributed by retail community pharmacies, compounded drugs, clotting factors, 340B drugs, physician-administered drugs, Federal Supply Schedule drugs, and drugs purchased at the nominal price. The state provided data and studies to demonstrate that the acquisition cost methodologies and pharmacy dispensing fees being paid are sufficient to ensure the program's beneficiaries will have access to pharmacy services at least to the extent as the general population.

Based on the information provided and consistent with the regulations at 42 CFR 430.20, we are pleased to inform you that SPA 17-0005 is approved with an effective date of April 1, 2017. A copy of the signed CMS-179 form, as well as the pages approved for incorporation into Alaska's state plan will be forwarded by the Seattle Regional Office. If you have any questions regarding this amendment, please contact Emeka Egwim, Pharm.D, RPh at (410) 786-1092.

Sincerely,

/s/

Meagan T. Khau  
Deputy Director  
Division of Pharmacy

cc: Courtney O'Byrne King, Medicaid State Plan Coordinator, DHSS, Alaska  
David Meacham, Associate Regional Administrator, CMS Seattle Regional Office  
Erin Narus, PharmD, RPh, Pharmacy & Ancillary Services Lead, DHSS, Alaska  
Maria Garza, Analyst, CMS Seattle Regional Office

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

1. TRANSMITTAL NUMBER:  
17-0005

2. STATE  
AK

**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  
April 01,2017

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:  
Section 1902(a)(30)(A) of the Act; 42 CFR 447.518

7. FEDERAL BUDGET IMPACT:  
a. FFY    \$ 0  
b. FFY    \$ 0

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:  
Attachment 4.19-B pages 7, 8, 8a, ~~8b, and 8c~~ (P&I)

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION  
OR ATTACHMENT (*If Applicable*):  
Attachment 4.19-B pages 7, 8, 8a, ~~8b, and 8c~~ (P&I)

10. SUBJECT OF AMENDMENT:  
This SPA revises pharmacy reimbursement language to comply with the requirements of the Covered Outpatient Drug Rule.

11. GOVERNOR'S REVIEW (*Check One*):  
 GOVERNOR'S OFFICE REPORTED NO COMMENT     OTHER, AS SPECIFIED:  
 COMMENTS OF GOVERNOR'S OFFICE ENCLOSED    Does not wish to comment  
 NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

12. SIGNATURE OF STATE AGENCY OFFICIAL:  


16. RETURN TO:

13. TYPED NAME: Jon Sherwood

14. TITLE: Deputy Commissioner – SOA H&SS

15. DATE SUBMITTED:  
6/26/17

**FOR REGIONAL OFFICE USE ONLY**

17. DATE RECEIVED:  
6/26/17

18. DATE APPROVED:  
8/31/17

PLAN APPROVED – ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:  
4/1/17

20. SIGNATURE OF REGIONAL OFFICIAL:  


21. TYPED NAME:  
David L. Meacham

22. TITLE:  
Associate Regional Administrator

23. REMARKS:  
6/27/17 - State authorized P&I change to box 9  
8/18/17: State authorized P&I change to box 8

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**Methods and Standards for Establishing  
Payment Rates: Other Types of Care**

Podiatry Services

Payment is at the lesser of billed charges, the Resource Based Relative Value Scale methodology used for physicians, the provider's lowest charge, or the state maximum allowable for procedures that do not have an established RVU. State developed fee schedule rates are the same for both public and private providers. Except as otherwise noted in the plan, state developed fee schedule rates are the same for both governmental and private providers. The fee schedule was last updated, to be effective for services on or after 7/1/2015, and is available at <http://manuals.medicaidalaska.com/medicaidalaska/providers/FeeSchedule.asp>

Prescribed Drugs

- The Department will use the National Average Drug Acquisition Cost (NADAC), as calculated and supplied by the Centers for Medicare and Medicaid Services, as the state maximum allowable cost for both brand and generic drugs.
  - When considering the amount billed by the provider, the lowest of the following will be the amount billed: gross amount due, usual and customary pricing, and submitted ingredient cost plus the professional dispensing fee.
- (A) Drugs acquired outside of 340B or FSS, including 340B covered entities that purchase drugs outside of the 340B program and contract pharmacies under contract with a 340B covered entity described in section 1927(a)(5)(B) of the Act -
- Reimbursement for drugs will be the lowest of the amount billed, WAC + 1% plus professional dispensing fee, state maximum allowable cost (SMAC) plus professional dispensing fee, or the federal upper limit (FUL) plus the professional dispensing fee.
- (B) Specialty Drugs that are not distributed by a retail community pharmacy and distributed primarily through the mail -
- Reimbursement for drugs will be the lowest of the amount billed, WAC + 1% plus professional dispensing fee, SMAC plus professional dispensing fee, or the FUL plus the professional dispensing fee.
- (C) Drugs not distributed by a retail community pharmacy, such as in or for a long-term care facility -
- Reimbursement for drugs will be the lowest of the amount billed, WAC + 1% plus professional dispensing fee, SMAC plus professional dispensing fee, or the FUL plus the professional dispensing fee.
- (D) Indian Health Service, tribal, and urban Indian facilities (pharmacies, dispensing providers) purchasing drugs through the Federal Supply Schedule (FSS) -
- Reimbursement for drugs provided by a facility purchasing drugs through the Federal Supply Schedule or drug pricing program under 38 U.S.C. 1826, 42 U.S.C. 256b, or 42 U.S.C. 1396-8, other than the 340B drug pricing program, will not exceed the acquisition cost, as outlined in regulation for such facilities, plus the professional dispensing fee.
- (E) 340B purchased covered outpatient drugs

- Reimbursement for drugs for a covered entity described in U.S.C. 256b, that indicates it will use covered outpatient drugs purchased through the 340B pricing program to bill to Medicaid, will be the lower of the submitted actual acquisition cost plus professional dispensing fee, WAC +1% plus professional dispensing fee, the SMAC plus professional dispensing fee, or the FUL plus professional dispensing fee.
- (F) Drugs acquired through the 340B program and dispensed by contract pharmacies under contract with a 340B covered entity described in section 1927 (a)(5)(B) of the Act will not be reimbursed. Compounded Drugs
- 1) Reimbursement for compounded prescriptions will be the sum of the costs of each of the ingredients as established under (A) through (E) above plus the professional dispensing fee to reimburse no more than the provider's lowest charge.
  - 2) The professional dispensing fee for a compounded covered outpatient drug is the applicable fee listed in (K) of this subsection.
- (G) Physician-administered drugs
- 1) Physician administered drugs including those purchased through the 340 B program are reimbursed at the lower of the billed amount or WAC + 1% without a professional dispensing fee.
  - 2) Physician administered drugs will be reimbursed for the drug without a professional dispensing fee.
- (H) Clotting factor
- Reimbursement for drugs will be the lowest of the amount billed, WAC + 1% plus professional dispensing fee, SMAC plus professional dispensing fee, or the federal upper limit plus the professional dispensing fee.
- (I) Drugs other than those of (A) through (H) above, and for brand names of multiple source drugs, specified by the prescriber, without a specific established limit in accordance with 42 C.F.R. 447.512, will be reimbursed the lesser of the provider's billed amount or WAC + 1%, plus the professional dispensing fee.
- (J) Investigational and Experimental Drugs
- 1) Reimbursement will not be provided for investigational drugs.
  - 2) Reimbursement will not be provided for experimental drugs.
- (K) Professional Dispensing Fee
- 1) The professional dispensing fee is based on the results of the surveys of in-state pharmacies' costs of dispensing prescriptions. For each pharmacy, the professional dispensing fee will be reimbursed no more than once every 22 days per individual medication strength, and based on the following schedule:

(a) For pharmacy located on the road system:	\$13.36
(b) For a pharmacy not located on the road system:	\$21.28
(c) For an out-of-state pharmacy:	\$10.76
(d) For a mediset pharmacy:	\$16.58
  - 2) The department will reimburse the lesser of the pharmacy's assigned professional dispensing fee based on the schedule above, or the submitted dispensing fee.
  - 3) Professional Dispensing Fee Schedule Description
    - (a) "pharmacy located on the road system" means a pharmacy in this state and is connected to

Anchorage by road;

- (b) “pharmacy not located on the road system” means a pharmacy located in this state and is not connected to Anchorage by road;
- (c) “out of state pharmacy” means a pharmacy that is physically located in a state other than this state;
- (d) “mediset pharmacy” means a pharmacy dispensing 75% or more of the total annual Medicaid prescription for covered outpatient drugs in prescriber-ordered medisets or unit doses to a recipient living in a congregate living home, a recipient of home and community-based services, a recipient eligible for Medicaid under a category set out in 7 AAC 100.002(b) or (d) who is blind or disabled, a recipient who is an adult experiencing a severe emotional disturbance.

(L) Miscellaneous and Definitions

- Reimbursement will be made to the provider for reasonable and necessary postage or freight costs incurred in the delivery of the prescription from the dispensing pharmacy to a recipient in a rural area. Cross-town postage or delivery charges are not covered. Handling charges are included in the dispensing fee (below) and not directly reimbursed.