

Department of Health & Human Services
Centers for Medicare & Medicaid Services
61 Forsyth St., Suite 4T20
Atlanta, Georgia 30303-8909



September 21, 2010

Ms. Carol A. Herrmann-Steckel, MPH
Commissioner
Alabama Medicaid Agency
501 Dexter Avenue
Post Office Box 5624
Montgomery, Alabama 36103-5624

Re: Alabama Title XIX State Plan Amendment, Transmittal #10-008

Dear Ms. Herrmann-Steckel:

This is a follow up to the approval letter that you should have received from Mr. Larry Reed, Director, Division of Pharmacy and Center for Medicare & Medicaid Services, dated September 16, 2010. Enclosed is a copy of the approval letter, the signed HCFA-179 and the approved plan pages.

The effective date of this amendment is September 22, 2010.

Sincerely,

//s//

Jackie Glaze
Associate Regional Administrator
Division of Medicaid & Children's Health Operations

Enclosures

| | | | |
|---|--|--|---------------------|
| TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL | | 1. TRANSMITTAL NUMBER: 10-008 | 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 August 13, 2010 | |
| 5. TYPE OF PLAN MATERIAL (Check One): | | | |
| <input type="checkbox"/> NEW STATE PLAN <input type="checkbox"/> AMENDMENT TO BE CONSIDERED AS NEW PLAN <input checked="" type="checkbox"/> 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 1, 447.518 | | 7. FEDERAL BUDGET IMPACT: a. FFY 10 Savings for 1.5 months \$3.8 million (total dollars) b. FFY 11 Savings \$30.5 million (total dollars) | |
| 8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Attachment 4.19-B, Page 3 and Page 3a | | 9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable): Attachment 4.19-B, Page 3 and Page 3a | |
| 10. SUBJECT OF AMENDMENT: To establish a transparent, timely and accurate pharmacy reimbursement system on actual acquisition cost (invoice) data and a Cost of Dispensing Survey, and do so with all stakeholder involvement and support. | | | |
| 11. GOVERNOR'S REVIEW (Check One): | | | |
| <input type="checkbox"/> GOVERNOR'S OFFICE REPORTED NO COMMENT <input type="checkbox"/> COMMENTS OF GOVERNOR'S OFFICE ENCLOSED <input type="checkbox"/> NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL | | <input checked="" type="checkbox"/> OTHER, AS SPECIFIED: Governor's designee on file via letter with CMS | |
| 12. SIGNATURE OF STATE AGENCY OFFICIAL: //s// | | 16. RETURN TO: Carol A. Herrmann-Steckel Commissioner Alabama Medicaid Agency 501 Dexter Avenue P.O. Box 5624 Montgomery, Alabama 36103-5624 | |
| 13. TYPED NAME: Carol Herrmann-Steckel | | | |
| 14. TITLE: Commissioner | | | |
| 15. DATE SUBMITTED: 05-18-10 | | | |
| FOR REGIONAL OFFICE USE ONLY | | | |
| 17. DATE RECEIVED: 05-18-10 | | 18. DATE APPROVED: 09-17-10 | |
| PLAN APPROVED - ONE COPY ATTACHED | | | |
| 19. EFFECTIVE DATE OF APPROVED MATERIAL: 09/22/14 | | 20. SIGNATURE OF REGIONAL OFFICIAL: //s// | |
| 21. TYPED NAME: Jackie Glaze | | 22. TITLE: Associate Regional Administrator Division of Medicaid & Children's Health Opns | |
| 23. REMARKS: Approved with the following changes to item 4 as authorized by State Agency e-mail dated 09/20/10. Block # 4 changed to read: September 22, 2010. | | | |

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S2-26-12
Baltimore, Maryland 21244-1850



Center for Medicaid, CHIP and Survey & Certification

September 16, 2010

Carol H. Steckel, MPH
Commissioner
Alabama Medicaid Agency
501 Dexter Avenue
Post Office Box 5624
Montgomery, Alabama 36103-5624

Dear Commissioner Steckel:

We have reviewed Alabama's State Plan Amendment (SPA) 10-008 submitted to the Atlanta Regional Office on May 18, 2010. Based on the information provided, we are pleased to inform you that the SPA is approved. This amendment proposes to add to the definition of Alabama Estimated Acquisition Cost (AEAC) an Average Acquisition Cost (AAC) which will be based on actual invoice data obtained by the agency's vendor. The Wholesale Acquisition Cost (WAC) plus 9.2% will be retained in the definition of AEAC and applied to those drugs for which an AAC cannot be calculated. This amendment also proposes to revise the methodology utilized to determine the State Maximum Allowable Cost (SMAC) for multiple source drugs by using the AAC multiplied by a factor of 1.0. Lastly, this amendment proposes to increase the professional dispensing fee to \$10.64 based on the results of a Cost of Dispensing Survey. We look forward to continuing to work with you as you implement this new reimbursement methodology.

A copy of the CMS-179 form with pen & ink changes changing the proposed effective date, as well as the pages approved for incorporation into Alabama's state plan, will be forwarded by the Atlanta Regional Office. If you have any questions regarding this amendment, please contact Madlyn Kruh at (410) 786-3239.

Sincerely,

/ s /

Larry Reed
Director
Division of Pharmacy

cc: Jackie Glaze, Acting ARA, Atlanta Regional Office

4. Prescribed Drugs

Effective Date: 07/01/91

- a. Medicaid pays for covered outpatient drugs prescribed by doctors of medicine, osteopathy, and dentistry 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.

Effective Date: 09/22/10

- b. Multiple Source Drugs. Reimbursement for covered multiple source drugs in the Medicaid Program shall not exceed the lowest of:
- (1) The federally mandated upper limit (FUL) for certain multiple source drugs as established and published by CMS plus a reasonable dispensing fee; or
 - (2) The Alabama Estimated Acquisition Cost (AEAC) for the drug plus a reasonable dispensing fee. AEAC is defined by Medicaid as the Average Acquisition Cost (AAC) of the drug or, in cases where no AAC is available, Wholesale Acquisition Cost (WAC) + 9.2%; or
 - (3) The provider's Usual and Customary charge to the general public for the drug; or
 - (4) The Alabama State Maximum Allowable Cost (State MAC) plus a reasonable dispensing fee. The Alabama State MAC is defined as the AAC of a drug multiplied by 1.0 that will apply to all multiple source drugs within a particular grouping.

(a) **Reimbursement Methodology for the Alabama State MAC**

The State MAC reimbursement will apply to certain multiple source drug products that meet therapeutic equivalency, market availability, and other criteria deemed appropriate by the Alabama Medicaid Agency.

- Drugs are subject to a State MAC if there is at least one non-innovator multiple source alternative product available.
- The Alabama Medicaid Agency or its designated representative will collect and review pharmacy invoices and other information deemed necessary by the Alabama Medicaid Agency in an effort to determine AAC in accordance with applicable State and Federal law.
- This information will be collected from Medicaid-participating pharmacies via surveys. The AAC is multiplied by 1.0 to derive the State MAC rate that will apply to all multiple source drugs within the particular grouping.
- If the AAC no longer represents a drug's market price due to a drug shortage or other emergency situation, the Alabama Medicaid Agency will conduct a review and, if applicable, adjust the AAC to represent the drug's current market price, or apply WAC + 9.2%.

EXCEPTION:

The FUL and/or State MAC may be waived for a brand innovator multiple-source drug. For these cases the prescriber must provide documentation of the medical necessity for the brand name rather than the available generic equivalent and receive an override.

- c. Other Drugs. Reimbursement for covered drugs other than multiple source drugs shall not exceed the lowest of:
- (1) The Alabama Estimated Acquisition Cost (AEAC) for the drug plus a reasonable dispensing fee. AEAC is defined by Medicaid as the Average Acquisition Cost (AAC) of the drug or, in cases where no AAC is available, Wholesale Acquisition Cost (WAC) + 9.2%; or
 - (2) The provider's Usual and Customary charge to the general public for the drug; or
 - (3) For blood clotting factor products, the Average Sales Price (ASP) + 6% plus a reasonable dispensing fee.
- d. Dispensing Fees. A reasonable dispensing fee is set by the Agency. This fee is reviewed periodically for reasonableness and, when deemed appropriate by Medicaid, may be adjusted. The dispensing fee paid by the Agency effective 9/22/10 is \$10.64.

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.

TN No. AL-10-008

Supersedes

TN No. New

Approval Date: 09-17-10

Effective Date: 9/22/10