

Table of Contents

State/Territory Name: Alabama

State Plan Amendment (SPA) #: 13-007

This file contains the following documents in the order listed:

- 1) Regional Office Follow-up Approval Letter
- 2) Pharmacy Approval Letter
- 3) CMS 179 Form
- 4) Approved SPA Pages

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
Atlanta Regional Office
61 Forsyth Street, Suite 4T20
Atlanta, Georgia 30303



DIVISION OF MEDICAID & CHILDREN'S HEALTH OPERATIONS

September 25, 2013

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

Attention: Stephanie Lindsay

Re: Title XIX State Plan Amendment, AL 13-007

Dear Ms. Azar:

This is to affirm approval of the above referenced State Plan Amendment which was submitted to the Regional Office on July 22, 2013. The State's requested effective date of October 1, 2013 has been accepted.

Enclosed for your records are:

1. a copy of the approval letter dated September 23, 2013 that was submitted to the State by Larry Reed, Director, Division of Pharmacy;
2. the original signed 179; and
3. the approved plan pages.

If you have any additional questions regarding this amendment, please contact Melanie Johnson, State Coordinator for Alabama, at 404-562-0151.

Sincerely,

//s//

Charna R. Pettaway
Acting Associate Regional Administrator
Division of Medicaid & Children's Health Operations

Enclosures

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

September 23, 2013

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

Attention: Stephanie Lindsay

Dear Ms. Azar,

We have reviewed Alabama State Plan Amendment (SPA) 13-007 received in the Atlanta Regional Office on July 22, 2013. Under this SPA, the state proposes to replace Wholesale Acquisition Cost (WAC) + 9.2% with WAC + 0% in the pharmacy ingredient cost reimbursement methodology. WAC + 0% will be applied when the Average Acquisition Cost (AAC) is not available. In addition, the state proposes to remove the enhanced dispensing fee language. As requested by the state, we have made a pen and ink change to box 10 on the CMS-179 form. We are pleased to inform you that Alabama SPA 13-007 is approved, effective October 1, 2013.

The Atlanta Regional Office will forward to you a copy of the CMS-179 form, as well as the pages approved for incorporation into the Alabama Medicaid State Plan. If you have any questions regarding this amendment, please contact Jessica Walker at (410)786-2457.

Sincerely,

/s/

Larry Reed
Director
Division of Pharmacy

cc: Jackie Glaze, ARA, Atlanta Regional Office

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

FOR: HEALTH CARE FINANCING ADMINISTRATION

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

1. TRANSMITTAL NUMBER:
AL-13-007

2. STATE
Alabama

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

4. PROPOSED EFFECTIVE DATE
October 1, 2013

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 14 \$4.3 million savings
b. FFY 15 \$4.3 million savings

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Attachment 4.19-B, page 3 and 3a

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

Attachment 4.19-B, page 3 and 3a

10. SUBJECT OF AMENDMENT:
The primary purpose for this amendment is to replace Wholesale Acquisition Cost (WAC) + 9.2% with WAC + 0% in the pharmacy reimbursement methodology, to remove the enhanced dispensing fee language, and to add verbiage for specialty pharmacy reimbursement effective October 1, 2013.

11. GOVERNOR'S REVIEW (*Check One*):

GOVERNOR'S OFFICE REPORTED NO COMMENT OTHER, AS SPECIFIED:
 COMMENTS OF GOVERNOR'S OFFICE ENCLOSED Governor's designee on file
 NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL via letter with CMS

12. SIGNATURE OF STATE AGENCY OFFICIAL:
//s//

13. TYPED NAME: Stephanie McGee Azar

14. TITLE: Acting Commissioner

15. DATE SUBMITTED: 07/22/13

16. RETURN TO:
Stephanie McGee Azar
Acting Commissioner
Alabama Medicaid Agency
501 Dexter Avenue
Post Office Box 5624
Montgomery, Alabama 36103-5624

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED: 07/22/13

18. DATE APPROVED: 09/23/13

PLAN APPROVED – ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL: 10/01/13

20. SIGNATURE OF REGIONAL OFFICIAL:
//s//

21. TYPED NAME:
Charna R. Pettaway

22. TITLE: Acting Associate Regional Administrator
Division of Medicaid & Children Health Opns

23. REMARKS:
Approved with the following changes to item 10 as authorized by State Agency e-mail dated 09/20/13

Block # 10 changed to read: The primary purpose of this amendment is to replace Wholesale Acquisition Cost (WAC) + 9.2% with WAC + 0% in the pharmacy reimbursement methodology and to remove the enhanced dispensing fee language effective October 1, 2013.

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: 10/01/13

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) + 0%; 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 +0%.

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) +0%; 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.