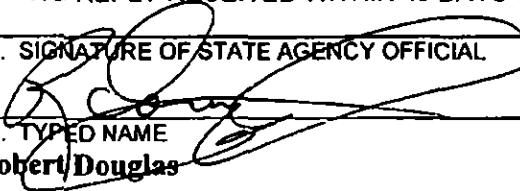


Table of Contents

State/Territory Name: Colorado

State Plan Amendment (SPA) #: CO-11-038

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) 179
- 3) Approved SPA Pages

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES		1. TRANSMITTAL NUMBER: 1 1 - 0 3 8	2. STATE: COLORADO
		3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
TO: REGIONAL ADMINISTRATOR CENTERS FOR MEDICARE & MEDICAID SERVICES DEPARTMENT OF HEALTH AND HUMAN SERVICES		4. PROPOSED EFFECTIVE DATE September ²³ 9, 2011	
5. TYPE OF PLAN MATERIAL (Check One): <input type="checkbox"/> NEW STATE PLAN <input type="checkbox"/> AMENDMENT TO BE CONSIDERED AS A 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 U.S.C. § 1396a (a)(30)		7. FEDERAL BUDGET IMPACT a. FFY 2011 \$ 0.00 b. FFY 2012 \$ 0.00	
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT Attachment 4.19-B, Page 2C * delete page number.		9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable) Attachment 4.19-B, Page 2C * delete this pg. number	
10. SUBJECT OF AMENDMENT Change to reimbursement rates for fee-for-service outpatient drugs.			
11. GOVERNOR'S REVIEW (Check One) <input type="checkbox"/> GOVERNOR'S OFFICE REPORTED NO COMMENT <input checked="" type="checkbox"/> OTHER, AS SPECIFIED <input type="checkbox"/> COMMENTS OF GOVERNOR'S OFFICE ENCLOSED <input type="checkbox"/> NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL Governor's letter dated 11 February 2011			
12. SIGNATURE OF STATE AGENCY OFFICIAL 		16. RETURN TO Colorado Department of Health Care Policy and Financing 1570 Grant Street Denver, CO 80203-1818 Attn: Barbara Prehmus	
13. TYPED NAME Robert Douglas			
14. TITLE Legal Division Director			
15. DATE SUBMITTED September 1, 2011			
FOR REGIONAL OFFICE USE ONLY			
17. DATE RECEIVED 9/1/11		18. DATE APPROVED 7/18/12	
PLAN APPROVED - ONE COPY ATTACHED			
19. EFFECTIVE DATE OF APPROVED MATERIAL 9/23/11		20. SIGNATURE OF REGIONAL OFFICIAL 	
21. TYPED NAME RICHARD C. ALLEN		22. TITLE ARA, Director	
23. REMARKS			

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 and CHIP Services

2012 JUL 23 PM 1:31 Disabled and Elderly Health Programs Group

July 18, 2012

Suzanne Brennan
Medicaid Program Director
Colorado Department of Health Care Policy and Financing
1570 Grant Street
Denver, CO 80203

Attn: Barbara Prehmus

Dear Ms. Brennan:

We have reviewed Colorado State Plan Amendment (SPA) 11-038, Prescribed Drugs, received in the Regional Office on September 1, 2011. This amendment proposes to change the State Maximum Allowable Cost (MAC) reimbursement for covered outpatient prescriptions from one based on a mark-up of pharmacy acquisition cost of generic drugs to one based on the average acquisition cost (AAC) for the pharmaceutical service or a mark-up of the Wholesale Acquisition Cost when the AAC is not available. A separate State MAC has been established for both rural and non-rural pharmacies. We are pleased to inform you that the amendment is approved, effective September 23, 2011.

Per your email approval, we made the requested changes to blocks four and nine on the CMS-179 form. A copy of the signed CMS-179 form, as well as the pages approved for incorporation into the Colorado state plan will be forwarded by the Denver Regional Office.

If you have any questions regarding this amendment, please contact Wendy Tuttle at (410) 786-8690.

Sincerely,

A handwritten signature in black ink, appearing to read "L. Reed", is written over the typed name.

Larry Reed
Director
Division of Pharmacy

cc: Richard Allen, ARA, Denver Regional Office
Diane Dunstan-Murphy, Denver Regional Office

TITLE XIX OF SOCIAL SECURITY ACT
DIVISION OF MEDICAL ASSISTANCE

Attachment 4.19-B

State of Colorado

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES-OTHER
TYPES OF CARE

Pharmaceutical Services:

- A. Reimbursement for all pharmaceutical services shall be based upon the lower of:
1. The usual and customary charge to the public; or
 2. The allowed drug ingredient cost, plus a designated dispensing fee.
- B. The allowed drug ingredient cost shall be the lesser of the State Maximum Allowable Cost (State MAC) rate, as defined in C, or the submitted drug ingredient cost. If no State MAC rate is available, the allowed drug ingredient cost shall be the lesser of the adjusted Wholesale Acquisition Cost (WAC) rate, or the submitted drug ingredient cost.
- C. The State MAC rate is the established maximum allowable reimbursement rate for pharmaceutical services determined by the Department based on the Average Acquisition Cost (AAC) for the pharmaceutical service. Separate State MAC rates have been established for both rural and non-rural pharmacies. The Department shall update the SMAC rates on a weekly basis, based on broad national pricing changes determined by the Department's vendor and post an updated SMAC Price List on the Department's web site (www.colorado.gov/hcpf) on a weekly basis beginning September 23, 2011.
- D. Any pharmacy, except a Mail Order Pharmacy, that is the only pharmacy within a twenty-mile radius, may submit a letter to the Department requesting the designation of a rural pharmacy. If the designation is approved by the Department, the reimbursement shall be the rural State MAC rate. If no rural State MAC rate is available, reimbursement to the rural pharmacy shall be the adjusted WAC rate.
- E. Dispensing fees are established by the state upon consideration to costs shown on periodic operation surveys, in-house studies of dispensing costs, national and regional data, and/or economic trends and conditions. The dispensing fee is \$4.00 for all pharmacies except institutional pharmacies which receive a dispensing fee of \$1.89.

TN No. 11-038

Approval Date: 7/18/12

Supersedes TN No. 09-003

Effective Date: September 23, 2011

TITLE XIX OF SOCIAL SECURITY ACT
DIVISION OF MEDICAL ASSISTANCE

Attachment 4.19-B

State of Colorado

- F. The State MAC shall be utilized until the Department has completed both the Average Acquisition Cost (AAC) and Cost of Dispensing (COD) surveys, is able to implement a new AAC reimbursement methodology, and update the Dispensing Fee to better match actual costs incurred by Colorado pharmacies. Expected implementation of both the new AAC reimbursement methodology and new Dispensing Fees is Fall 2012.

TN No. 11-038

Approval Date: 7/18/12

Supersedes TN No. 09-003

Effective Date: September 23, 2011