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State/Territory Name: Colorado

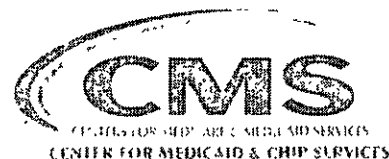
State Plan Amendment (SPA) #: CO-12-025

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:	2. STATE:
		1 2 - 0 2 5	COLORADO
TO: REGIONAL ADMINISTRATOR CENTERS FOR MEDICARE & MEDICAID SERVICES DEPARTMENT OF HEALTH AND HUMAN SERVICES		3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
5. TYPE OF PLAN MATERIAL (Check One):		4. PROPOSED EFFECTIVE DATE	
NEW STATE PLAN AMENDMENT TO BE CONSIDERED AS A NEW PLAN <input checked="" type="checkbox"/> AMENDMENT		January 1, 2012 February 1, 2013 <i>wct</i>	
COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate transmittal for each amendment)			
6. FEDERAL STATUTE/REGULATION CITATION		7. FEDERAL BUDGET IMPACT	
42 U.S.C. § 1396a (a)(30)		a. FFY 2013 \$ 6,250,000 (\$5 million) b. FFY 2014 \$ 7,500,000 c. FFY 2015 \$ 7,500,000 <i>wct</i>	
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT		9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable)	
Attachment 4.19-B		Attachment 4.19-B	
10. SUBJECT OF AMENDMENT			
Change to reimbursement for pharmaceutical products and services.			
11. GOVERNOR'S REVIEW (Check One)			
GOVERNOR'S OFFICE REPORTED NO COMMENT		<input checked="" type="checkbox"/> OTHER, AS SPECIFIED	
COMMENTS OF GOVERNOR'S OFFICE ENCLOSED NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL		Governor's letter dated 01 September 2011	
12. SIGNATURE OF STATE AGENCY OFFICIAL		16. RETURN TO	
<i>John Bartholomew</i>		Colorado Department of Health Care Policy and Financing 1570 Grant Street Denver, CO 80203-1818	
13. TYPED NAME		Attn: Barbara Prehmus	
John Bartholomew			
14. TITLE			
Chief Financial Officer			
15. DATE SUBMITTED			
September 7, 2012			
FOR REGIONAL OFFICE USE ONLY			
17. DATE RECEIVED		18. DATE APPROVED	
9/7/12		12/20/12	
PLAN APPROVED - ONE COPY ATTACHED			
19. EFFECTIVE DATE OF APPROVED MATERIAL		20. SIGNATURE OF REGIONAL OFFICIAL	
2/1/13		<i>Richard C. Allen</i>	
21. TYPED NAME		22. TITLE	
RICHARD C. ALLEN		ARA, DMCHS	
23. REMARKS			

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

December 20, 2012

John Bartholomew
Chief Financial Officer
Colorado Department of Health Care Policy and Financing
1570 Grant Street
Denver, CO 80203

Attn: Barbara Prehmus

Dear Mr. Bartholomew:

We have reviewed Colorado State Plan Amendment (SPA) 12-025, Prescribed Drugs, received in the Denver Regional Office on September 25, 2012. This amendment proposes to implement an average acquisition cost (AAC) reimbursement methodology and a tiered dispensing fee for pharmaceutical products and services. With the transition to the AAC reimbursement methodology, the state indicated that rural pharmacies will witness a greater decrease in annual reimbursement compared to traditional pharmacies. Therefore, the amendment also proposes to include a percent increase to both AAC and Wholesale Acquisition Cost (WAC) rates for rural pharmacy reimbursement which will be phased out over a one year period. In addition, the state provides within the state plan how it expects 340B entities that purchase drugs through the 340B program to submit ingredient cost.

We are pleased to inform you that the amendment is approved, effective February 1, 2013. Per your approval, we made the requested changes to blocks four and seven 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,

/s/

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 drugs for retail pharmacies, 340B pharmacies, institutional pharmacies, government pharmacies, and mail order pharmacies shall be based upon the lower of:

1. The usual and customary charge to the public minus the client's copayment; or
2. The allowed ingredient cost, as defined in B, plus a designated dispensing fee minus the client's copayment.

B. The allowed ingredient cost shall be the lesser of Average Acquisition Cost (AAC), as defined in C, or submitted ingredient cost. If AAC is not available, the allowed ingredient cost shall be the lesser of Wholesale Acquisition Cost (WAC), or submitted ingredient cost.

Submitted Ingredient Cost means a pharmacy's calculated ingredient cost. For drugs purchased through the Federal Public Health Service's 340B Drug Pricing Program, the submitted ingredient cost means the 340B purchase price.

C. AAC is the established maximum allowable reimbursement rate for covered drugs using the average acquisition cost for like drugs grouped by Generic Code Number (GCN).

The Department shall update AAC on a regular basis, based on changes in covered drug prices vendor, and post an updated AAC Price List on the Department's web site (www.colorado.gov/hcpf).

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 allowed ingredient cost shall be AAC. If AAC is not available, the allowed ingredient cost shall be WAC.

To reduce the burden of transitioning to an AAC reimbursement methodology for rural pharmacies, and to ensure guaranteed Medicaid access in rural communities,

TN No. 12-025

Supersedes TN No. 11-038

Approval Date: 12/20/12

Effective Date: February 1, 2013

TITLE XIX OF SOCIAL SECURITY ACT
DIVISION OF MEDICAL ASSISTANCE

Attachment 4.19-B

State of Colorado

the Department shall include a percent increase to AAC and phase the percent increase out over a one year period. The effective dates and corresponding percent increases are:

- February 1, 2013 to May 31, 2013 – AAC+60%
- June 1, 2013 to September 30, 2013 – AAC+40%
- October 1, 2013 to January 31, 2014 – AAC+20%
- February 1, 2014 forward – AAC+0%

Similar to AAC, the Department shall also include a percent increase to WAC and phase the percent increase out over a one year period. The effective dates and corresponding percent increases are:

- February 1, 2013 to May 31, 2013 – WAC+60%
- June 1, 2013 to September 30, 2013 – WAC+40%
- October 1, 2013 to January 31, 2014 – WAC+20%
- February 1, 2014 forward – WAC+0%

E. Dispensing fees shall be established based upon reported dispensing costs provided through the Cost of Dispensing (COD) survey completed every two fiscal years. The designated dispensing fees for retail pharmacies, 340B pharmacies, institutional pharmacies, and mail order pharmacies shall be tiered based upon annual total prescription volume. The dispensing fees shall be tiered at:

- Less than 60,000 total prescriptions filled per year = \$13.40
- Between 60,000 and 90,000 total prescriptions filled per year = \$11.49
- Between 90,000 and 110,000 total prescriptions filled per year = \$10.25
- Greater than 110,000 total prescriptions filled per year = \$9.31

The determination of total prescription volume shall be completed by surveying pharmacies on an annual basis. Pharmacies failing to respond to the survey shall be reimbursed the \$9.31 dispensing fee.

The tiered dispensing fee shall not apply to government pharmacies which shall instead be reimbursed a \$0.00 dispensing fee.

The tiered dispensing fee shall not apply to rural pharmacies, as defined in D, which shall instead be reimbursed a \$14.14 dispensing fee.

TN No. 12-025
Supersedes TN No. 11-038

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