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## Table of Contents

**State/Territory Name:** Montana

**State Plan Amendment (SPA) #:** MT-11-041

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) CMS 179 Form/Summary Form (with 179-like data)
- 3) Approved SPA Pages

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



**Center for Medicaid and CHIP Services**

**Disabled and Elderly Health Programs Group**

January 17, 2012

Mary E Dalton  
State Medicaid Director  
Montana Dept of Public Health and Human Services  
P O Box 4210  
Helena, MT 59604

Dear Ms Dalton

We have reviewed Montana State Plan Amendment (SPA) 11-041, Reimbursement for Drugs received in the Regional Office on August 4, 2011. This amendment proposes to decrease the dispensing fee reimbursement for pharmacy providers from \$5.04 to \$4.94. We are pleased to inform you that the amendment is approved, effective August 1, 2011.



A copy of the CMS-179 form, as well as the pages approved for incorporation into the Montana's state plan will be forwarded by the Denver Regional Office. If you have any questions regarding this request, please contact Steven Johnson at (410) 786-3332.

Sincerely,

/s/

Larry Reed  
Director  
Division of Pharmacy

cc Richard Allen, ARA, Denver Regional Office  
Diane Dunstan, Denver Regional Office

<b>TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL</b>		1 TRANSMITTAL NUMBER 11-041	2 STATE Montana
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 01, 2011	
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		7 FEDERAL BUDGET IMPACT FFY 2011 (\$11,859) FFY2012 (\$70,409)	
8 PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT Attachment 4 19B Service 12a Prescribed Drugs		9 PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable) Attachment 4 19B Service 12a Prescribed Drugs	
10 SUBJECT OF AMENDMENT Prescription Drug Outpatient Pharmacy Program Dispensing Fee decrease			
11 GOVERNOR'S REVIEW (Check One)			
<input type="checkbox"/> GOVERNOR'S OFFICE REPORTED NO COMMENT <input 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			
12 SIGNATURE OF STATE AGENCY OFFICIAL 		16 RETURN TO Montana Dept of Public Health and Human Services Mary E Dalton, State Medicaid Director Attn Jo Thompson PO Box 4210 Helena MT 59604	
13 TYPED NAME Mary E Dalton			
14 TITLE State Medicaid Director			
15 DATE SUBMITTED 8/5/2011			
<b>FOR REGIONAL OFFICE USE ONLY</b>			
17. DATE RECEIVED: 8/5/11		18. DATE APPROVED: 1/17/12	
PLAN APPROVED - ONE			
19. EFFECTIVE DATE OF APPROVED MATERIAL 8/1/11		20.  AL OFFICIAL.	
21. TYPED NAME. RICHARD C ALLEN		22. TITLE: ARA, DNKHO	
23. REMARKS:			

MONTANA

Reimbursement for drugs shall not exceed the lowest of

- 1 The Estimated Acquisition Cost (EAC) of the drug plus a dispensing fee, or,
- 2 Federal Upper Limit (FUL) of the drug plus a dispensing fee, or,
- 3 The State Maximum Allowable Cost (SMAC) of the drug, in the case of multi-source (generic), plus a dispensing fee, or,
- 4 The provider's usual and customary charge of the drug to the general public.

Exception The FUL limitation shall not apply in a case where a physician certifies in his/her own handwriting the specific brand is medically necessary for a particular recipient. An example of an acceptable certification is the handwritten notation "Brand Necessary" or "Brand Required." A check off box on a form or rubber stamp is not acceptable.

Exception: For outpatient drugs provided to Medicaid recipients in state institutions, reimbursement will conform to the state contract for pharmacy services, or for institutions not participating in the state contract for pharmacy services, reimbursement will be the actual cost of the drug and dispensing fee. In either case, reimbursement will not exceed, in the aggregate, the EAC or FUL or the SMAC plus the dispensing fee.

The EAC is established by the state agency using the Federal definition of EAC as a guideline that is, "Estimated Acquisition Cost" means the state agency's best estimate of what price providers generally pay for a particular drug.

The EAC, which includes single source, brand necessary and drugs other than multi-source, is established using the following methodology:

Drugs paid by their Average Wholesale Price (AWP) will be paid at AWP less 15 percent. If the state agency determines that acquisition cost is lower than AWP less 15 percent then the state agency may set an allowable acquisition cost based on data provided by the drug pricing file contractor.

The SMAC for multiple-source drugs shall be equal to the state average acquisition cost per drug determined by direct pharmacy survey, wholesale survey and other relevant cost information.

A variable dispensing fee will be established by the state agency. The dispensing fee is based on the pharmacy's average cost of filling a prescription. The average cost of filling a prescription will be based on the direct and indirect costs that can be allocated to the cost of the prescription department and that of filling a prescription, as determined from the Montana dispensing fee questionnaire. A provider's failure to submit, upon request, the dispensing fee questionnaire properly completed will result in the assignment of the minimum dispensing fee offered. A copy of the Montana dispensing fee questionnaire is available upon request from the department.

MONTANA

Dispensing fees shall be established as follows

- 1 The dispensing fees assigned shall range between a minimum of \$2 00 and a maximum of \$4 94
- 2 Out-of-state providers will be assigned a \$3 50 dispensing fee
- 3 If the individual provider's usual and customary average dispensing fee for filling prescription is less than the foregoing method of determining the dispensing fee, then the lesser dispensing fee shall be applied in the computation of the payment to the pharmacy provider

In-state pharmacy providers that are new to the Montana Medicaid program will be assigned an interim \$4 94 dispensing fee until a dispensing fee questionnaire can be completed for six months of operation. At that time, a new dispensing fee will be assigned which will be the lower of the dispensing fee calculated for the pharmacy or the \$4 94 dispensing fee. Failure to comply with the six months dispensing fee questionnaire requirement will result in assignment of dispensing fee of \$2 00.

An additional dispensing fee of \$0 75 will be paid for "unit dose" prescriptions. This "unit dose" dispensing fee will offset the additional cost of packaging supplies and materials which are directly related to filling "unit dose" prescriptions by the individual pharmacy and is in addition to the regular dispensing fee allowed. Only one unit dose dispensing fee will be allowed each month for each prescribed medication. A dispensing fee will not be paid for a unit dose prescription packaged by the drug manufacturer.

An additional compounding fee based on level of effort will be paid for compounded prescriptions. Montana Medicaid shall reimburse pharmacies for compounding drugs only if the client's drug therapy needs cannot be met by commercially available dosage strengths and/or forms of the therapy. Reimbursement for each drug component shall be determined in accordance with "lower of pricing methodology". The compounding fee for each compounded drug shall be based on the level of effort required by the pharmacist. The levels of effort compounding fees payable are level 1 \$12 50, level 2 \$17 50, and level 3 \$22 50.

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TN 11-041  
Supersedes 10-003

Approved 1/17/12

Effective 08/01/2011