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State/Territory Name: North Carolina

State Plan Amendment (SPA) #: 14-047

This file contains the following documents in the order listed:

- 1) RO 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

January 11, 2016

Dr. Robin Cummings, Director
Division of Medical Assistance
North Carolina Department of Health and Human Services
2501 Mail Service Center
Raleigh, NC 27699-2501

Attention: Teresa Smith

RE: North Carolina State Plan Amendment, Transmittal #14-047

Dear Dr. Cummings:

This is to affirm approval of the above referenced State Plan Amendment which was submitted to the Regional Office on September 30, 2014. The State's requested effective date of January 1, 2016 has been accepted.

Enclosed for your records are:

1. a copy of the approval letter dated January 7, 2016 that was submitted to the State by John M. Coster, Ph.D., Director, Division of Pharmacy;
2. the original signed 179; and
3. the approved plan page.

If you have any additional questions regarding this amendment, please contact Elaine Elmore, State Coordinator for North Carolina, at 404-562-7408.

Sincerely,

//s//

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

Enclosure(s)

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

January 7, 2016

Dr. Robin Cummings, Director
Division of Medical Assistance
Department of Health and Human Services
2501 Mail Service Center
Raleigh, NC 27699-2501

Attention: Teresa Smith

RE: North Carolina State Plan Amendment (SPA) Transmittal Number 14-047

Dear Dr. Cummings:

The Centers for Medicare & Medicaid Services (CMS) have reviewed North Carolina's SPA submission Transmittal Number 14-047, received in the Atlanta Regional Office on September 30, 2014. This amendment proposes that the state use an average acquisition cost (AAC) reimbursement methodology to reimburse brand and generic drug ingredient costs. The National Average Drug Acquisition Cost (NADAC) will be used to determine the AAC when NADAC pricing is available. If NADAC pricing is not available, the state will calculate the AAC as the Wholesale Acquisition Cost (WAC) + 0%. This amendment also proposes that the state pay to pharmacies a tiered professional dispensing fee as follows: \$13.00 when 85% or more of claims per quarter are for generic or preferred brand drugs, \$7.88 when less than 85% of claims per quarter are for generic or preferred brand drugs and \$3.98 for non-preferred brand drugs.

Based on the information provided, we are pleased to inform you that consistent with the regulations at 42 CFR 430.20, SPA 14-047 is approved with an effective date of January 1, 2016. A copy of the signed CMS-179 form as well as the pages approved for incorporation into the North Carolina state plan will be forwarded by the Atlanta Regional Office.

If you have any questions regarding this SPA, please contact Renee Hilliard at (410) 786-2991.

Sincerely,

/s/

John M. Coster, Ph.D., R.Ph.
Director
Division of Pharmacy

cc: Jackie Glaze, Associate Regional Administrator, Atlanta Regional Office
Elaine Elmore, Atlanta Regional Office

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| TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL | 1. TRANSMITTAL NUMBER: 14-047 | 2. STATE NC |
|--|----------------------------------|----------------|

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| FOR: HEALTH CARE FINANCING ADMINISTRATION | 3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID) |
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| TO: REGIONAL ADMINISTRATOR HEALTH CARE FINANCING ADMINISTRATION DEPARTMENT OF HEALTH AND HUMAN SERVICES | 4. PROPOSED EFFECTIVE DATE January 1, 2015 |
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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 447.331 | 7. FEDERAL BUDGET IMPACT: a. FFY 2015 (\$2,823,782) b. FFY 2016 (\$3,765,042) |
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|--|---|
| 8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Attachment 4.19-B Section 12, Page 1a | 9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable): Attachment 4.19-B Section 12, Page 1a |
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10. SUBJECT OF AMENDMENT:

Prescribed Drugs

11. GOVERNOR'S REVIEW (Check One):

GOVERNOR'S OFFICE REPORTED NO COMMENT OTHER, AS SPECIFIED: Secretary
 COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
 NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

| | |
|--|---|
| 12. SIGNATURE OF STATE AGENCY OFFICIAL: //s// | 16. RETURN TO: Office of the Secretary Department of Health and Human Services 2001 Mail Service Center Raleigh, NC 27699-20014 |
| 13. TYPED NAME: Aldona Z. Wos, M.D. | |
| 14. TITLE: Secretary | |
| 15. DATE SUBMITTED: 09/22/14 | |

FOR REGIONAL OFFICE USE ONLY

| | |
|--------------------------------|-----------------------------|
| 17. DATE RECEIVED: 09/30/14 | 18. DATE APPROVED: 01/07/16 |
|--------------------------------|-----------------------------|

PLAN APPROVED - ONE COPY ATTACHED

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|--|--|
| 19. EFFECTIVE DATE OF APPROVED MATERIAL: 01/01/16 | 20. SIGNATURE OF REGIONAL OFFICIAL: //s// |
| 21. TYPED NAME: Jackie Glaze | 22. TITLE: Associate Regional Administrator Division of Medicaid & Children Health Opns |

23. REMARKS: Approved with following changes to Block 4 and Block 7 as authorized by state agency on RAI Response dated 12/17/15 and email dated 01/05/16.

Block # 4 changed to read: January 1, 2016.

Block #7 changed to read: FFY 2016 (43,180,552) and FFY 2017 (58,130,340).

MEDICAL ASSISTANCE
State: NORTH CAROLINA

PAYMENTS FOR MEDICAL AND REMEDIAL CARE AND SERVICE

12. Prescribed drugs, dentures, and prosthetic devices; and eyeglasses prescribed by a physician skilled in diseases of the eye or by an optometrist.

a. Prescribed Drugs:

Reimbursement for legend and non-legend drugs shall not exceed the federal upper limit defined as the lowest of:

1. The Estimated Acquisition Cost (EAC) defined as the Average Acquisition Cost (AAC) plus a reasonable professional dispensing fee;
2. The provider's usual and customary charge to the general public;
3. The amount established by the North Carolina State determined upper payment limit plus a reasonable professional dispensing fee (this provision does not apply when there is only one enrolled pharmacy provider in the county); or
4. The North Carolina calculated aggregate FUL. This will be submitted to CMS on an annual basis.

A professional dispensing fee will not be paid for prescriptions refilled in the same month, whether it is the same drug or generic equivalent drug.

Multiple Source Drugs – North Carolina has implemented a State determined list of multiple source drugs. All drugs on this list are reimbursed at limits set by-the State unless the provider writes in their own handwriting, brand name drug is “medically necessary”.

The rate for Specialty Pharmacy products is the maximum allowable cost set by the State Agency. The rate used is dependent upon the actual acquisition cost for the drug. Specialty drugs are those used for beneficiaries with complex and chronic diseases that require expensive and challenging drug regimens.

MEDICAL ASSISTANCE
State: NORTH CAROLINA

PAYMENTS FOR MEDICAL AND REMEDIAL CARE AND SERVICE

12. Prescribed drugs, dentures, and prosthetic devices; and eyeglasses prescribed by a physician skilled in disease of the eye or by an optometrist.

b. North Carolina Average Acquisition Cost (AAC) For Prescribed Drugs:

As determined by the North Carolina General Assembly, effective January 1, 2016, North Carolina will base brand and generic drug ingredient pricing on an average acquisition cost (AAC). The AAC is defined as the price paid by pharmacies based on an average of actual acquisition costs determined by a survey of retail pharmacy providers. The National Average Drug Acquisition Cost (NADAC) pricing will be used for AAC when available. If NADAC is unavailable, then the AAC will be defined as Wholesale Acquisition Cost (WAC). For the WAC information, the Division uses the First Databank Price Update Service, manufacturer's price list, or other nationally published sources. Telephone contact with manufacturer or distributors may be utilized when a published source is not available. 340B providers must submit the actual purchased drug price as the usual and customary price if they dispense a 340B purchased drug.

c. Professional Dispensing Fee:

The professional dispensing fee is paid to all providers for the initial dispensing and excludes refills within the same month for the same drug or generic equivalent. The professional dispensing fee is \$3.98 for non-preferred brand drugs.

The generic and preferred brand professional dispensing fee will be based on an enrolled pharmacy's preferred brand and generic drugs during the previous quarter, as documented in the Medicaid Management Information System (MMIS). Based on the previous quarterly volume of an enrolled pharmacy, as documented in MMIS, the total number of generics and preferred brands is divided by the total number of prescriptions billed. Preferred brand drugs are brand drugs whose net cost to the State after consideration of all rebates is less than the cost of the generic equivalent.

The generic and preferred brand professional dispensing fee will be as follows:

- 85% or more claims per quarter - \$13.00
- Less than 85% claims per quarter - \$7.88

TN No.: 14-047
Supersedes
TN No.: 14-008

Approval Date: 01-07-16

Effective Date: 01/01/2016