

Table of Contents

State/Territory Name: North Carolina

State Plan Amendment (SPA) #: 17-0003

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

July 26, 2017

Mr. Dave Richard, Director
Division of Medical Assistance
North Carolina Health and Human Services
2501 mail Service Center
Raleigh, NC 27699-2501

Attention: Teresa Smith

Re: North Carolina State Plan Amendment, Transmittal # 17-0003

Dear Mr. Richard:

This is to affirm approval of the above referenced State Plan Amendment which was submitted to the Regional Office on May 22, 2017. The state's requested effective date of April 1, 2017 has been accepted.

Enclosed for your records are:

1. A copy of the approval letter dated July 21, 2017 that was submitted to the State by John M. Coster, Director, Director of Pharmacy;
2. The original signed 179, and;
3. The approved plan pages.

If you have any additional questions regarding this amendment, please contact Kenni Howard, State Coordinator for North Carolina, at 404-562-7413.

Sincerely,

//s//

Jackie Glaze
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



Center for Medicaid and CHIP Services

Disabled and Elderly Health Programs Group

July 21, 2017

Dr. Mandy Cohen, Secretary
Office of the Secretary
Department of Health and Human Services
2001 Mail Service Center
Raleigh, NC 27699-20014

Dear Dr. Cohen:

We have reviewed the North Carolina's State Plan Amendment (SPA) TN# 17-0003 received in the Atlanta Regional Office on May 22, 2017, and we are pleased to inform you that it is approved, effective April 1, 2017. The purpose of the proposed changes is to align the State Plan Amendment with changes to CFR 447.512 and 447.518 enacted in the covered outpatient drugs final rule. This SPA implements changes to the pharmacy reimbursement methodology for ingredient costs and the professional dispensing fees for clotting factor based on a survey of costs for Hemophilia Treatment Centers (HTCs) and non-HTCs. The clotting factor ingredient costs are based on actual acquisition costs and the professional dispensing fees for clotting factor is \$0.04 per unit for HTCs and \$0.025 per unit for non-HTCs. Moreover, the SPA specifies that drugs purchased through 340B covered entities, Federal Supply Schedule, nominal price, and specialty drugs will be reimbursed at their actual acquisition costs.

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 North Carolina Medicaid state plan. If you have any questions regarding this amendment, please contact Renee Hilliard at (410) 786-2991 or Renee.Hilliard@cms.hhs.gov.

Sincerely,

/s/

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

cc: Jackie Glaze, ARA, Atlanta Regional Office

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL	1. TRANSMITTAL NUMBER: 17-003	2. STATE NC
	3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
FOR: HEALTH CARE FINANCING ADMINISTRATION		
TO: REGIONAL ADMINISTRATOR HEALTH CARE FINANCING ADMINISTRATION DEPARTMENT OF HEALTH AND HUMAN SERVICES		4. PROPOSED EFFECTIVE DATE April 1, 2017

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: Social Security Act, section 1927 - 42 U.S.C. CFR Part 477 § 447.512(b), § 447.518(a), and § 447.518(d) [CMS 2345-F]	7. FEDERAL BUDGET IMPACT: a. FFY 2017 (\$3,495,409) b. FFY 2018 (\$7,067,124)
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Attachment 4.19-B, Section, 12 Page1, Attachment 4.19-B, Section, 12 Page1a, Attachment 4.19-B, Section, 12 Page1a.1, Attachment 4.19-B, Section, 12 Page1a.2, and Attachment 4.19-B, Section, 12 Page1b	9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (<i>If Applicable</i>): Attachment 4.19-B, Section, 12 Page1, and Attachment 4.19-B, Section, 12 Page1b

10. SUBJECT OF AMENDMENT:

Pharmacy Program

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: Mandy Cohen, MD, MPH	
14. TITLE: Secretary	
15. DATE SUBMITTED:	

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED: 05/22/17	18. DATE APPROVED: 07/21/17
PLAN APPROVED – ONE COPY ATTACHED	
19. EFFECTIVE DATE OF APPROVED MATERIAL: 04/01/17	20. SIGNATURE OF REGIONAL OFFICIAL: //s//
21. TYPED NAME: Jackie Glaze	22. TITLE: Associate Regional Administrator Division of Medicaid & Children Health Opns

23. REMARKS:

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.

- Legend and Non-legend drugs
- Drugs not Dispensed by a Retail Community Pharmacy, Long Term Care Pharmacy
- Specialty Drugs not Dispensed by a Retail Community Pharmacy and Dispensed Primarily through the Mail
- Payment for Drug Purchased Outside of the 340B Program by Covered Entities

Reimbursement for the above drugs dispensed to covered beneficiaries shall not exceed the federal upper limit defined as the lowest of:

1. The Actual Acquisition Cost (AAC) plus a 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 professional dispensing fee; or

In compliance with 42 Code of Federal Regulations 447.512 and 447.514, reimbursement for drugs subject to Federal Upper Limits (FULs) may not exceed FULs in the aggregate.

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”.

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 Actual Acquisition Cost (AAC) For Prescribed Drugs:**

Effective January 1, 2016, North Carolina will base brand and generic drug ingredient pricing on the actual acquisition cost (AAC). 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).

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

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.**

d. Payment for Clotting Factor from Specialty Pharmacies, Hemophilia Treatment Centers (HTC), Centers of Excellence or any other pharmacy provider:

Reimbursement for clotting factor purchased through the 340B program and dispensed by specialty pharmacies, hemophilia treatment centers (HTC), Centers of Excellence or any other pharmacy provider will be reimbursed at the lesser of the following:

- 1) The 340B state maximum allowable cost plus a per unit professional dispensing fee; or
- 2) The provider's usual and customary charge to the general public or their submitted charge.

Reimbursement for clotting factor purchased outside of the 340B program and dispensed by specialty pharmacies, hemophilia treatment centers (HTC), Centers of Excellence or any other pharmacy provider will be reimbursed at the lesser of the following:

- 1) The state maximum allowable cost plus a per unit professional dispensing fee; or
- 2) The provider's usual and customary charge to the general public or their submitted charge.

This reimbursement is applicable to both pharmacy and procedure coded professional claims.

The per unit professional dispensing fee will be \$.04/unit for HTC pharmacies and \$.025/unit for all other pharmacies.

Clotting factor per unit professional dispensing fees shall be established by a clotting factor dispensing fee survey.

e. Payment for 340B Purchased Drugs Dispensed by a Covered Entity, a Contract Pharmacy Under Contract with a 340B Covered Entity, or an Indian Health Service, Tribal or Urban Indian Pharmacy:

Reimbursement for 340B purchased drugs dispensed by 340B covered entities, contract pharmacies under contract with a 340B covered entity, and Indian health service, tribal, or urban Indian pharmacies will be reimbursed at no more than their 340B acquisition cost plus the professional dispensing fee as defined on Attachment 4.19-B, Section 12, Page 1a, Section c.

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.**
- f. Reimbursement for drugs purchased through the Federal Supply Schedule will be reimbursed no more than the Federal Supply Schedule acquisition cost plus a professional dispensing fee.
 - g. Reimbursement for drugs purchased at Nominal Price (outside of 340B or FSS) will be reimbursed no more than the Nominal Price acquisition cost plus a professional dispensing fee.
 - h. Drugs dispensed by Indian Health Services/Tribal Facilities are not included in encounter rates. Payment for these drugs will be no more than AAC plus a professional dispensing fee.
 - i. Investigational drugs are not covered.

TN No.: 17-003
Supersedes
TN No.: NEW

Approval Date: 07/21/17

Effective Date: 04/01/2017

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.**

Physician Drug Program:

Physician administered drugs are reimbursed at the Average Sales Price plus 6% to follow Medicare pricing. If there is no ASP value available from Medicare, fees shall be established based on the lower of vendor specific National Drug Code (NDC) Average Wholesale Price (AWP) less 10% pricing as determined using lowest generic product NDC, lowest brand product NDC or a reasonable value compared to other physician drugs currently on North Carolina's physician drug program list.

Physician administered contraceptive drugs are reimbursed at the Wholesale Acquisition Cost (WAC) plus 6%.

Effective October 1, 2014, the rate for Botox when prescribed for medical use is equal to the rate established for, which is set in accordance with Attachment 4.19-B, Section 12, Page 1a.

Notwithstanding any other provision, if specified, these rates will be adjusted as shown on Attachment 4.19-B, Supplement 3, Page 2 of the State Plan.

Except as otherwise noted in the plan, State developed fee schedule rates are the same for both governmental and private providers of the physician drug program and the fee schedule and any annual/periodic adjustments to the fee schedules are published on the NC Division of Medical Assistance Web site <https://dma.ncdhhs.gov/providers/fee-schedules>.