

## **Table of Contents**

**State/Territory Name:**                      **NEW JERSEY**

**State Plan Amendment (SPA) #:**      **11-14**

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) CMS 179 Form/Summary Form
- 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**

NOV 21 2012

Ms. Jennifer Velez  
Commissioner  
Division of Medical Assistance and Health Services  
P.O. Box 712, Mail Code #1  
Trenton, NJ 08625-0712  
Attn: Valerie Harr

Dear Ms. Velez:

We have reviewed New Jersey State Plan Amendment (SPA) 11-14, Reimbursement for Pharmaceutical Services, received in the Regional Office on September 30, 2011. This amendment proposed to change the drug ingredient cost reimbursement from Average Wholesale Price (AWP) minus 17.5% to Wholesale Acquisition Cost (WAC) minus 1%. This amendment is a straight line reimbursement adjustment as it equalizes the WAC metric to the current AWP metric. We are pleased to inform you that the amendment is approved, effective July 1, 2011.

A copy of the CMS-179 form, as well as the pages approved for incorporation into the New Jersey state plan, will be forwarded by the New York Regional Office. If you have any questions regarding this amendment, please contact Terry Simananda at (410) 786-8144.

Sincerely,

A large black rectangular redaction box covers the signature area of the letter.

Larry Reed  
Director  
Division of Pharmacy

cc: Michael Melendez, ARA, New York Regional Office  
Ana Balbuena, New York Regional Office  
Ivelisse Salce, New York Regional Office

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Department of Health & Human Services  
Centers for Medicare & Medicaid Services  
26 Federal Plaza, Room 37-100 North  
New York, NY 10278



November 21, 2012

Valerie Harr, Director  
Division of Medicaid Assistance and Health Services  
Department of Human Services  
P.O. Box 71, #26  
Trenton, New Jersey 08625

Dear Mrs. Harr:

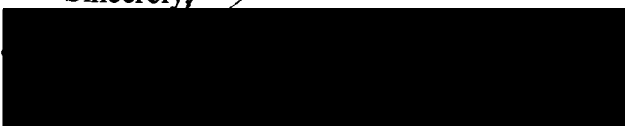
We have received a copy of Larry Reed's letter to you, in which he notified you of the approval of New Jersey's State Plan Amendment (SPA) 11-14. This amendment proposed to change the drug ingredient cost reimbursement from Average Wholesale Price (AWP) minus 17.5% to Wholesale Acquisition Cost (WAC) minus 1%. This amendment is a straight line reimbursement adjustment as it equalizes the WAC metric to the current AWP metric.

Mr. Reed advised you that the New York Regional Office would forward you the signed CMS-179 form as well as copies of the approved pages. These documents are enclosed. The revised pages of Attachment 4.19-B submitted to our office on October 24, 2012 have replaced the corresponding pages that were originally submitted.

Please note the approval date of the SPA is November 21, 2012 and the effective date is July 1, 2011.

If you have any questions, please contact Ivelisse M. Salce at (212) 616-2411.

Sincerely,



Michael Melendez  
Associate Regional Administrator  
Division of Medicaid and Children's Health

cc. Terry Simananda, CMS Division of Pharmacy  
Julie Hubbs, NJ Regulatory Officer

<b>TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL</b>	1. TRANSMITTAL NUMBER: <b>11-14-MA</b>	2. STATE <b>New Jersey</b>
	3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES		4. PROPOSED EFFECTIVE DATE <b>July 1, 2011</b>
TO: REGIONAL ADMINISTRATOR CENTERS FOR MEDICARE & MEDICAID SERVICES DEPARTMENT OF HEALTH AND HUMAN SERVICES		

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)

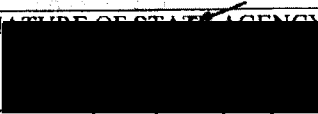
6. FEDERAL STATUTE/REGULATION CITATION: <b>42 C.F.R. 447.518</b>	7. FEDERAL BUDGET IMPACT FFY 2011 0 fiscal impact FFY 2012 0 fiscal impact
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8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: <del>Attachment 4.19-B page 10, 10(a), 10(b), 10(c), 10(d), 10(e), 10(f), 10(g), 10(h),</del> <b>**SEE REMARKS BELOW</b> <b>10.1, 10(e) and 10(e).1</b>	9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable): <b>Attachment 4.19-B page 10, Attachment 4.19-B Page 10(e)</b>
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10. SUBJECT OF AMENDMENT:  
**Reimbursement for Pharmaceutical Services**

11. GOVERNOR'S REVIEW (Check One):

GOVERNOR'S OFFICE REPORTED NO COMMENT       OTHER, AS SPECIFIED:  
 COMMENTS OF GOVERNOR'S OFFICE ENCLOSED      **Not required, pursuant to 7.4 of the Plan**  
 NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

12. SIGNATURE OF STATE AGENCY OFFICIAL: 	16. RETURN TO: <b>Valerie J. Harr, Director Division of Medical Assistance and Health Services P.O. Box 712, Mail Code #1 Trenton, NJ 08625-0712</b>
13. TYPED NAME: <b>Jennifer Velez</b>	
14. TITLE: <b>Commissioner Department of Human Services</b>	
15. DATE SUBMITTED: <b>September 30, 2011</b>	

**FOR REGIONAL OFFICE USE ONLY**

17. DATE RECEIVED:	18. DATE APPROVED: <b>November 21, 2012</b>
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**PLAN APPROVED - ONE COPY ATTACHED**

19. EFFECTIVE DATE OF APPROVED MATERIAL: <b>July 01, 2011</b>	20. TYPED NAME: <b>Michael Melendez</b>	21. TITLE: <b>Associate Regional Administrator Division of Medicaid and State Operations</b>
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23. REMARKS:  
**\*\*Changes the ingredient cost reimbursement from AWP minus 17.5% to WAC minus 1%. Also, adds reimbursement methodology for drugs with no published WAC will be SWP minus 16.6667%. This amendment is a straight line reimbursement adjustment as it equalizes the WAC metric to the current AWP metric.**

**STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT  
STATE OF NEW JERSEY  
REIMBURSEMENT FOR PHARMACEUTICAL SERVICES**

Payment for drugs shall be as follows:

**1.16 Maximum Allowable Cost (Ingredient Cost) – legend drugs**

- (a) The Maximum Allowable Cost for legend drugs shall not exceed the lowest of the Estimated Acquisition Cost (EAC); the Federal Upper Limit (FUL), as developed by CMS and supplied by the reference drug file contractor; the State Upper Limit (SUL) rate, as supplied by the SUL Contractor; or the pharmacy's usual and customary charge.
1. The FUL or Maximum Allowable Cost (MAC) price for listed multi-source drugs is developed by CMS and supplied by the reference drug file contractor.
  2. The SUL or State Maximum Allowable cost price for multi-source brand-name and multi-source drugs is developed by DMAHS and supplied by a SUL contractor.
    - i. The SUL includes only multi-source drugs that have been classified as therapeutically equivalent (A-rated) by the Food and Drug Administration (FDA).
    - ii. Drugs selected for assignment of a SUL must be available for at least one other drug product which is accessible for possible purchase by pharmacies practicing in New Jersey.
    - iii. The SUL is a State-determined upper payment limit that is 150% of the lowest pharmacy acquisition cost with the same generic name, strength and route of administration.
    - iv. Pharmacy acquisition cost based on data collected from providers of pharmaceutical services which includes drug acquisition costs and related information as required by the Department of Human Services.
  3. For legend single-source, brand-name multi-source and multi-source drugs the EAC is defined as the Wholesale Acquisition Cost (WAC) for NDC of the drug indicated in current national price compendia or other appropriate sources (such as the First Data Bank (FDB) reference drug file), and their supplements, less a volume discount of one (1) percent.

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**11-14-MA (NJ)**

**TN: 11-14**

**Approval Date: NOV 21 2012**

**Supersedes: 11-03**

**Effective Date: July 1, 2011**

**OFFICIAL**

**STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT  
STATE OF NEW JERSEY  
REIMBURSEMENT FOR PHARMACEUTICAL SERVICES**

4. Drugs identified by NDC not assigned a published WAC identified in the current national price compendia or other appropriate sources (such as the FDB reference drug file) and their supplements, the WAC shall be calculated as the Suggested Wholesale Price (SWP) indicated in the FDB reference drug file less 16.667%.

(b) The volume discount shall be automatically deducted by the fiscal agent, from the cost of each covered drug or device during claim processing by the New Jersey Medicaid Management Information System (NJMMIS)[.] with the exception of drugs paid at SUL or FUL rates.

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11-14-MA (NJ)

TN: 11-14

**New**

Approval Date: NOV 21 2012

Supersedes: NEW

Effective Date: July 1, 2011

**OFFICIAL**

**STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT  
STATE OF NEW JERSEY  
REIMBURSEMENT FOR PHARMACEUTICAL SERVICES**

**1.22 Maximum Allowable Cost (Ingredient Cost) – non-legend drugs**

(a) The Maximum Allowable Cost for non-legend drugs shall not exceed the lowest of the Estimated Acquisition Cost (EAC), as supplied by the reference drug file contractor; the State Upper Limit (SUL) cost, as supplied by a SUL contractor; or the pharmacy's usual and customary charge.

1. The SUL or State Maximum Allowable cost price for multi-source brand-name and multi-source non-legend drugs is developed by DMAHS and supplied by a SUL contractor.

- i. The SUL includes only multi-source drugs that have been classified as therapeutically equivalent (A-rated) by the Food and Drug Administration (FDA).
- ii. Drugs selected for assignment of a SUL must be available for at least one other drug product which is accessible for possible purchase by pharmacies practicing in New Jersey.
- iii. The SUL is a State-determined upper payment limit that is 150% of the lowest pharmacy acquisition cost with the same generic name, strength and route of administration.
- iv. Pharmacy acquisition cost based on data collected from providers of pharmaceutical services which includes drug acquisition costs and related information as required by the Department of Human Services.

2. For non-legend, the EAC is defined as the Wholesale Acquisition Cost (WAC) for the National Drug Code (NDC) of the drug indicated in current national price compendia or other appropriate sources (such as the First Data Bank (FDB) reference drug file), and their supplements, less a volume discount of one (1) percent. The EAC shall be established by State regulations.

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**11-14-MA (NJ)**

**TN: 11-14**

**Approval Date: NOV 2 1 2012**

**Supersedes: 11-03**

**Effective Date: July 1, 2011**

**OFFICIAL**

**STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT  
STATE OF NEW JERSEY  
REIMBURSEMENT FOR PHARMACEUTICAL SERVICES**

3. For Drugs that are identified by NDC but have not been assigned a published WAC identified in the current national price compendia or other appropriate sources (such as the FDB reference drug file) and their supplements, the WAC shall be calculated as the Suggested Wholesale Price (SWP) indicated in the FDB reference drug file less 16.667%.
- (b) The volume discount shall be automatically deducted, regardless of prescription cost, by the fiscal agent, from the cost of each covered drug or device during claim processing by the New Jersey Medicaid Management Information System (NJMMIS)[.] with the exception of drugs paid at SUL or FUL rates.

11-14-MA (NJ)

TN: 11-14

**New**

Approval Date: NOV 21 2012

Supersedes: NEW

Effective Date: July 1, 2011