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State/Territory Name: New Jersey

State Plan Amendment (SPA) #: 17-0002

This file contains the following documents in the order listed:

- 1) NY Regional Office Approval Letter
- 2) CO Approval Letter
- 3) CMS-179 form
- 4) Approved SPA Pages

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



DIVISION OF MEDICAID AND CHILDREN'S HEALTH OPERATIONS

August 31, 2017

Ms. Elizabeth Connolly
Acting Commissioner, Department of Human Services
Division of Medical Assistance and Health Services
P.O. Box 712, Mail Code #26
Trenton, NJ 08625-0712

Dear Ms. Connolly,

We have received a copy of Meagan T. Khau's letter to you, in which she notified you of the approval of New Jersey's State Plan Amendment (SPA) 17-0002, Medicaid Pharmacy Reimbursement, received in the New York Regional Office on June 5, 2017. This SPA proposes to bring New Jersey into compliance with the reimbursement requirements in the Covered Outpatient Drug final rule with comment period (CMS-2345-FC).


SPA 17-0002 establishes reimbursement for covered outpatient drugs using an actual acquisition cost methodology and implements a professional dispensing fee of \$10.92. This SPA also includes reimbursement for 340B drugs, physician-administered drugs, clotting factor, federal supply schedule, and drugs purchased at nominal price. The state provided data and studies to demonstrate that the acquisition cost methodology and pharmacy dispensing fees being paid are sufficient to assure that New Jersey's beneficiaries will have access to pharmacy services at least to the extent as the general population.

Based on the information provided and consistent with the regulations at 42 CFR 430.20, we are pleased to inform you that SPA 17-0002 is approved with an effective date of April 1, 2017.

Ms. Khau advised you that the New York Regional Office would forward you the signed CMS-179 form, as well as the pages approved for incorporation into New Jersey's state plan. These documents are enclosed.

If you have any questions regarding this amendment, please contact Ivelisse Salce at 212-616-2411 or Ivelisse.Salce@cms.hhs.gov.

Sincerely,


Ricardo Holligan
Acting Associate Regional Administrator
Division of Medicaid and Children's Health

Cc: Meghan Davey, Director, New Jersey Div. of Medical Assistance and Health Services
Terry Simananda, CMS Division of Pharmacy
Julie Hubbs, NJ Regulatory Officer



Center for Medicaid and CHIP Services

Disabled and Elderly Health Programs Group

August 31, 2017

Ms. Elizabeth Connolly
Acting Commissioner, Department of Human Services
Division of Medical Assistance and Health Services
P.O. Box 712, Mail Code #26
Trenton, NJ 08625-0712

Dear Ms. Connolly:

We have reviewed New Jersey's State Plan Amendment (SPA) 17-0002, Medicaid Pharmacy Reimbursement, received in the New York Regional Office on June 5, 2017. This SPA proposes to bring New Jersey into compliance with the reimbursement requirements in the Covered Outpatient Drug final rule with comment period (CMS-2345-FC).

SPA 17-0002 establishes reimbursement for covered outpatient drugs using an actual acquisition cost methodology and implements a professional dispensing fee of \$10.92. This SPA also includes reimbursement for 340B drugs, physician-administered drugs, clotting factor, federal supply schedule, and drugs purchased at nominal price. The state provided data and studies to demonstrate that the acquisition cost methodology and pharmacy dispensing fees being paid are sufficient to assure that New Jersey's beneficiaries will have access to pharmacy services at least to the extent as the general population.

Based on the information provided and consistent with the regulations at 42 CFR 430.20, we are pleased to inform you that SPA 17-0002 is approved with an effective date of April 1, 2017. A copy of the revised signed CMS-179 form, as well as the pages approved for incorporation into New Jersey's 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 or terry.simananda@cms.hhs.gov.

Sincerely,

/s/

Meagan T. Khau
Deputy Director
Division of Pharmacy

CC: Michael Melendez, ARA, CMS, New York Regional Office
Ivelisse Salce, CMS, New York Regional Office
Meghan Davey, Director, New Jersey Div. of Medical Assistance and Health Services

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES	1. TRANSMITTAL NUMBER: 17-0002 MA	2. STATE New Jersey
	3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
TO: REGIONAL ADMINISTRATOR CENTERS FOR MEDICARE & MEDICAID SERVICES DEPARTMENT OF HEALTH AND HUMAN SERVICES	4. PROPOSED EFFECTIVE DATE April 1, 2017	
5. TYPE OF PLAN MATERIAL (Check One):		

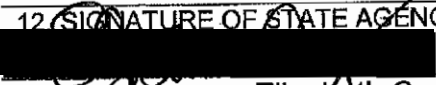
NEW STATE PLAN AMENDMENT TO BE CONSIDERED AS NEW PLAN AMENDMENT
COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)


6. FEDERAL STATUTE/REGULATION CITATION: 42 CFR 447.500 et al.	7. FEDERAL BUDGET IMPACT: a. FFY 2017 \$ 13,035 b. FFY 2018 \$ 26,070
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Attachment 4.19-B Pages 10, 10(a), 10(a).1, 10(b), 10(b).1, 10(b).2, 10(c), 10(d), 10(e), 10(f), 10(f).1, 10(g), 10(h), 10(i), 10(j), 10(k), 10(l)	9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable): Attachment 4.19-B Pages 10, 10.1, 10(a), 10(b), 10(c), 10(c).1, 10(d), 10(e), 10(e).1, 10(f), 10(g), 10(h)

10. SUBJECT OF AMENDMENT:

Medicaid Pharmacy Reimbursement

11. GOVERNOR'S REVIEW (Check One):
 GOVERNOR'S OFFICE REPORTED NO COMMENT
 COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
 NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL
 OTHER, AS SPECIFIED:
Not required, pursuant to 7.4 of the Plan

12. SIGNATURE OF STATE AGENCY OFFICIAL: 	16. RETURN TO: Meghan Davey, Director Division of Medical Assistance and Health Services P.O. Box 712, Mail Code #26 Trenton, NJ 08625-0712
13. TYPED NAME: Elizabeth Connolly	
14. TITLE: Acting Commissioner, Department of Human Services	
15. DATE SUBMITTED: 6/5/17	

FOR REGIONAL OFFICE USE ONLY	
17. DATE RECEIVED:	18. DATE APPROVED: AUGUST 31, 2017
PLAN APPROVED - ONE COPY ATTACHED	
19. EFFECTIVE DATE OF APPROVED MATERIAL: APRIL 01, 2017	20. SIGNATURE OF REGIONAL OFFICIAL: 
21. TYPED NAME: RICARDO HOLLIGAN	22. TITLE: ACTING ASSOCIATE REGIONAL ADMINISTRATOR DIVISION OF MEDICAID & CHILDREN'S HEALTH
23. REMARKS: 8/8/17 - state authorize Pen + Ink change to Block 6	

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

1.16 Covered Outpatient Drug – 340B Payment Methodologies

(a) The Department shall reimburse 340B purchased drugs at no more than the ceiling price, plus a professional dispensing fee. In the absence of a ceiling price, the Department shall reimburse 340B purchased drugs at Wholesale Acquisition Cost (WAC) less twenty-five (25) percent for the NDC of the drug.

(b) Drugs acquired through the federal 340B drug pricing program and dispensed by 340B-contract pharmacies are not covered.

(c) Reimbursement to covered entities for drugs purchased outside of the 340B drug pricing program shall be the Actual Acquisition Cost (AAC) plus a professional dispensing fee.

17-0002 MA (NJ)

TN: 17-0002

Approval Date: **08/31/2017**

Supersedes: 11-14

Effective Date: **04/01/2017**

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

1.17 Covered Outpatient Drug – Single-Source Brand-Name Drug Ingredient Cost

(a) The Maximum Allowable Cost for covered outpatient brand-name drugs shall not exceed the Actual Acquisition Cost (AAC).

1. The AAC for covered outpatient single-source brand-name drugs is supplied by weekly National Average Drug Acquisition Cost (NADAC) updates.

2. The AAC for covered outpatient single-source brand-name drugs in which a NADAC price is not available shall be determined by referencing a back-up ingredient cost benchmark defined as the Wholesale Acquisition Cost (WAC) less two (2) percent.

i. For drugs that are identified by NDC but have not been assigned a published WAC the alternative benchmark for WAC less two (2) percent shall be the equivalent of the Suggested Wholesale Price (SWP) less 19 percent.

17-0002 MA (NJ)

TN: 17-0002

Approval Date: **08/31/2017**

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Effective Date: **04/01/2017**

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

**1.18 Covered Outpatient Drug – Multi-Source Brand-Name and Multi-Source Drug Ingredient
Cost**

The Maximum Allowable Cost for covered outpatient multi-source brand-name and multi-source drugs shall not exceed the lowest of Actual Acquisition Cost (AAC), the Federal Upper Limit (FUL), the State Upper Limit (SUL) or the provider's usual and customary charge.

1. The AAC for covered outpatient multi-source brand-name and multi-source drugs is supplied by weekly National Average Drug Acquisition Cost (NADAC) updates.
2. The AAC for covered outpatient multi-source brand-name and multi-source drugs in which a NADAC price is not available shall be determined by referencing a back-up ingredient cost benchmark defined as the Wholesale Acquisition Cost (WAC) less two (2) percent.
 - i. For drugs that are identified by NDC but have not been assigned a published WAC, the alternative benchmark for WAC less two (2) percent shall be the equivalent of the Suggested Wholesale Price (SWP) less 19 percent.

17-0002 MA (NJ)

TN: 17-0002

Approval Date: **08/31/2017**

Supersedes: 11-14

Effective Date: **04/01/2017**

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

1.19 Professional dispensing fee

(a) The professional dispensing fee for all drugs dispensed by providers having retail pharmacy permits are established by State regulations.

(b) The professional dispensing fee is \$10.92 for all retail prescriptions, including compounds, hemophilia drugs, specialty drugs and long-term-care prescriptions.

(c) Payment of the professional dispensing fee is limited to those pharmacy claims in which Medicaid is the primary payer. When Medicaid is other than the primary payer, the professional fee is included in the calculation used to determine the “lower of” claim payment.

(d) The professional dispensing fee shall be paid to 340B covered entities for 340B purchased drugs, as well as drugs purchased by 340B covered entities outside of the 340B program.

17-0002 MA (NJ)

TN: 17-0002

Approval Date: **08/31/2017**

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

1.20 Covered Outpatient Drug – Long-Term-Care Ingredient Cost

(a) The Maximum Allowable Cost for covered outpatient single-source brand-name drugs dispensed to long-term-care beneficiaries shall not exceed the Actual Acquisition Cost (AAC), as described in 1.17 above.

(b) The Maximum Allowable Cost for covered outpatient multi-source brand-name and multi-source drugs dispensed to long-term-care beneficiaries shall not exceed the lowest of AAC, the Federal Upper Limit (FUL), the State Upper Limit (SUL) or the provider's usual and customary charge, as described in 1.18 above.

(c) Long-term-care facilities are responsible for the purchase of all non-legend drugs and their costs are included in the facility's per diem rate.

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

1.21 Professional Dispensing Fee – Long-Term-Care Drugs

- (a) The professional dispensing fee for long-term-care drugs is described in 1.19.**

- (b) Pharmacies using more than one drug delivery or packaging system in the same facility shall receive the same professional dispensing fee.**

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

1.22 Compounded Prescriptions – Ingredient Cost

(a) Any prescription containing two or more ingredients that is combined by a pharmacist prior to dispensing is a compounded prescription.

(b) The maximum allowable cost for any ingredient in a compound shall not exceed the Actual Acquisition Cost (AAC).

17-0002 MA (NJ)

TN: 17-0002

Approval Date: **08/31/2017**

Supersedes: 09-05

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

1.23 Physician-Administered Drugs – Ingredient Cost

(a) The Maximum Allowable Cost for a covered outpatient shall not exceed Wholesale Acquisition Cost (WAC) less one (1) percent.

17-0002 MA (NJ)

TN: 17-0002

Approval Date: **08/31/2017**

Supersedes: 13-14

Effective Date: **04/01/2017**

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

1.24 Specialty Drugs – Ingredient Cost

(a) The Maximum Allowable Cost for specialty drugs shall not exceed Wholesale Acquisition Cost (WAC) less two (2) percent.

17-0002 MA (NJ)

TN: 17-0002

Approval Date: **08/31/2017**

Supersedes: 13-14

Effective Date: **04/01/2017**

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

1.25 Hemophilia Drugs – Reimbursement

(a) Reimbursement for clotting factor drugs shall not exceed Wholesale Acquisition Cost (WAC) less two (2) percent plus a professional dispensing fee of \$10.92.

(b) Reimbursement for clotting factor drugs supplied by Hemophilia Centers of Excellence or Hemophilia Treatment Centers shall not exceed the lesser of a provider's usual and customary charge; or WAC less two (2) percent plus a professional dispensing fee of \$10.92.

17-0002 MA (NJ)

TN: 17-0002

Approval Date: **08/31/2017**

Supersedes: 13-14

Effective Date: **04/01/2017**

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

1.26 Federal Supply Schedule (FSS) - Reimbursement

(a) Drugs purchased through FSS shall be reimbursed at no more than the Actual Acquisition Cost (AAC), plus a professional dispensing fee.

17-0002 MA (NJ)

TN: 17-0002

Approval Date: **08/31/2017**

Supersedes: New

Effective Date: **04/01/2017**

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

1.27 Investigational Drugs – Reimbursement

(a) Investigational drugs are not covered by the Department.



17-0002 MA (NJ)

TN: 17-0002

Supersedes: New

Approval Date: **08/31/2017**

Effective Date: **04/01/2017**

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

1.28 Drugs Acquired at a Nominal Price – Reimbursement

(a) Drugs purchased as a Nominal Price (outside of 340B or the FSS) shall be reimbursed at no more than the AAC, plus a professional dispensing fee.

17-0002 MA (NJ)

TN: 17-0002

Supersedes: New

Approval Date: **08/31/2017**

Effective Date: **04/01/2017**