

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES	1. TRANSMITTAL NUMBER 1 0 - 0 7	2. STATE Oklahoma
	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, 2010	
5. TYPE OF PLAN MATERIAL (Check One)		
<input type="checkbox"/> NEW STATE PLAN <input type="checkbox"/> AMENDMENT TO BE CONSIDERED AS A 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 42 CFR 440.120 42 CFR 447.331 42 CFR 447.332	7. FEDERAL BUDGET IMPACT	
	a. FFY <u>2010</u> (\$1,061,064) savings	
	b. FFY <u>2011</u> (\$2,138,927) savings	
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT Attachment 4.19-B Page 7 Attachment 4.19-B Page 7a	9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable) Same Page, Revised 10-01-03, TN # 03-15 Same Page, Revised 02-12-02, TN # 02-03	

10. SUBJECT OF AMENDMENT

Changes to State Maximum Allowable Cost calculation and reimbursement for injectable drugs.

11. GOVERNOR'S REVIEW (Check One)

GOVERNOR'S OFFICE REPORTED NO COMMENT
 OTHER, AS SPECIFIED
 COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
 The Governor does not review State Plan material.
 NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

12. SIGNATURE OF STATE AGENCY OFFICIAL	16. RETURN TO Oklahoma Health Care Authority Attn: Cindy Roberts 4545 N. Lincoln Blvd., Suite 124 Oklahoma City, OK 73105
13. TYPED NAME Mike Fogarty	
14. TITLE Chief Executive Officer	
15. DATE SUBMITTED March 25, 2010	

FOR REGIONAL OFFICE USE ONLY	
17. DATE RECEIVED 25 March, 2010	18. DATE APPROVED 22 December, 2010
PLAN APPROVED - ONE COPY ATTACHED	
19. EFFECTIVE DATE OF APPROVED MATERIAL 1 April, 2010	20. SIGNATURE OF REGIONAL OFFICIAL
21. TYPED NAME Bill Brooks	22. TITLE Associate Regional Administrator Div of Medicaid & Children's Health
23. REMARKS c. Mike Fogarty Cindy Roberts Tywanda Cox Traylor Rains Rodney Ikard	

**METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
OTHER TYPES OF CARE**

6. Payment for prescribed drugs (cont.)

Programming has been developed to review the CMS upper limit products to assure in the aggregate Medicaid expenditures for multiple source drugs do not exceed the federal upper limits. Such reports and all other relevant statistical data are maintained by the Agency and are available on request.

Brand Name Certification

(a) When a product is available in both a brand and generic form, a prior authorization is required before the branded product may be dispensed. The prescribing provider must certify the brand name drug product is medically necessary for the well being of the patient, otherwise a generic must be substituted.

(1) The certification must be written in the physician's or other prescribing provider's handwriting.

(2) It is unacceptable to use a printed box on the prescription blank that could be checked by the physician to indicate brand necessary, or to use a hand-written statement that is transferred to a rubber stamp and then stamped onto the prescription blank.

(b) The Brand Necessary Certification applies to CMS Federal Upper Limit and State Maximum Allowable Cost (SMAC) products.

STATE <u>Oklahoma</u>	A
DATE REC'D. <u>3-25-10</u>	
DATE APPV'D <u>12-22-10</u>	
DATE EFF <u>4-1-10</u>	
HCFA 179 <u>10-07</u>	

Revised 04-01-10

TN# 10-07
Supersedes
TN# 02-03

Approval Date 12-22-10

Effective Date 4-1-10

SUPERSEDES: TN- 02-03

State OKLAHOMA

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DATE REC'D. <u>3-25-10</u>	
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Attachment 4.19-B
Page 7

**METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
OTHER TYPES OF CARE**

6. Payment for prescribed drugs

(a) **Reimbursement.** Reimbursement for pharmacy claims is based on the sum of an estimate of the ingredient cost, plus a dispensing fee.

(b) **Ingredient Cost.** Ingredient cost is estimated by one of the following methods:

(1) **Maximum Allowable Cost.**

(A) The State Maximum Allowable Cost (SMAC) is established for certain products which have a Food and Drug Administration (FDA) approved generic equivalent. The SMAC is calculated using prices from pharmaceutical wholesalers who supply these products to pharmacy providers in Oklahoma. Pharmacies may challenge a specific product's SMAC price by providing a current invoice that reflects a net cost higher than the calculated SMAC price and by certifying that there is not another product available to them which is generically equivalent to the higher priced product.

(B) The Federal Upper Limit (FUL) is established by CMS in accordance with applicable federal laws and regulations.

(C) **Injectable drugs which are dispensed by a pharmacy through the Vendor Drug Program.** Injectable drugs shall be priced based on a formula equivalent to the Medicare Part B allowed charge whether they are furnished through the pharmacy program or through the medical program. Medicare Part B pricing is calculated using Average Sale Price (ASP) plus 6%. When no ASP is available, the Wholesaler Acquisition Cost (WAC) methodology is used. Pricing is updated on a quarterly basis in correspondence with the updates to Medicare Part B pricing.

(2) **The Estimated Acquisition Cost.** The Estimated Acquisition Cost (EAC) means the agency's best estimate of the price generally and currently paid by providers for a drug marketed or sold by a particular manufacturer or labeler. EAC is calculated as AWP minus 12%.

(c) **Maximum allowable dispensing fee.** The maximum allowable dispensing fee for prescribed medication is established by review of surveys. A recommendation is made by the State Plan Amendment Rate Committee and presented to the Oklahoma Health Care Authority Board for their approval. The maximum allowable dispensing fee is \$4.02.

(d) **Reimbursement for prescription claims.** Prescription claims will be reimbursed using the lower of the following calculation methods:

(1) the lower of estimated acquisition cost, Federal Upper Limit (FUL), or State Maximum Allowable Cost (SMAC) plus a dispensing fee, or

(2) usual and customary charge to the general public.

Revised 04-01-10

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