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State/Territory Name: Pennsylvania

State Plan Amendment (SPA) #: PA-17-0010

This file contains the following documents in the order listed:

- 1) ARA Approval Letter
- 2) CMS 179 Form/Summary Form (with 179-like data)
- 3) Approved SPA Pages
- 4) CMS Pharmacy Team approval

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
150 S. Independence Mall West
Suite 216, The Public Ledger Building
Philadelphia, Pennsylvania 19106-3499



Region III/Division of Medicaid and Children's Health Operations

SWIFT # 070620174040

August 7, 2018

Teresa Miller, Secretary
Pennsylvania Department of Human Services
625 Forster Street, Room 333
Harrisburg, PA 17105

Dear Ms. Miller:

We are pleased to inform you of the approval of Pennsylvania State Plan Amendment (SPA) 17-0010. This amendment proposed to bring Pennsylvania into compliance with the reimbursement requirements in the Covered Outpatient Drug final rule with comment period (CMS-2345-FC).

This SPA was approved by the CMS Pharmacy Team on July 30, 2018. Enclosed are a copies of the approved SPA pages, the CMS Pharmacy Team approval letter signed by John Coster, Director of the Division of Pharmacy and the signed CMS-179 form. The effective date of this SPA is April 1, 2017.

If you have any questions, you may contact Mary McKeon at (215) 861-4181.

Sincerely,
Francis T.

Mccullough -S
Francis T. McCullough

Associate Regional Administrator

Digitally signed by Francis T.
Mccullough -S
Date: 2018.08.07 15:27:13 -04'00'

Enclosures

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL**

1. TRANSMITTAL NUMBER:
17-0010

2. STATE
Pennsylvania

FOR: HEALTH CARE FINANCING ADMINISTRATION

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE
SOCIAL SECURITY ACT (MEDICAID)

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:
Section 1927 of the Social Security Act

7. FEDERAL BUDGET IMPACT:

a. FFY 2017 \$175,750

b. FFY 2018 \$527,000

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Pages 1, 2, and 2a of Attachment 4.19-B

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION
OR ATTACHMENT (If Applicable):

Pages 1, 2, and 2a of Attachment 4.19-B

10. SUBJECT OF AMENDMENT:

Covered Outpatient Drug Final Rule – Payment Methodology

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: Review and
approval authority has been delegated
to the Department of Human Services

12. SIGNATURE OF STATE AGENCY OFFICIAL:

/s/

13. TYPED NAME:
Theodore Dallas

14. TITLE:
Secretary of Human Services

15. DATE SUBMITTED:

16. RETURN TO:

Commonwealth of Pennsylvania
Department of Human Services
Office of Medical Assistance Programs
Bureau of Policy, Analysis and Planning
P.O. Box 8046
Harrisburg, Pa. 17105

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:

18. DATE APPROVED:

July 30, 2018

PLAN APPROVED – ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:
April 1, 2017

20. SIGNATURE OF REGIONAL OFFICIAL:

/s/

21. TYPED NAME:
Francis McCullough

22. TITLE:
Associate Regional Administrator

23. REMARKS:

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

1. Individual Practitioners, i.e., Physicians, Dentists, Chiropractors, Optometrists, Podiatrists

Except as otherwise noted in the plan, state-developed fee schedule rates are the same for both governmental and private providers of physician, dentist, chiropractor, optometrist, and podiatrist services. The agency's fee schedule rate was set as of July 1, 2016, and is effective for services provided on or after that date. All rates are published on the Department of Human Services' website at: <http://www.dhs.pa.gov/publications/forproviders/schedules/mafeeschedules/index.htm>

2. Prescribed Drugs

A. Method of Payment - The Department's payment for a compensable brand name drug or generic drug is based on Actual Acquisition Cost (AAC), as defined in 42 CFR 447.502, plus a professional dispensing fee.

1. For brand name drugs, payment is the lower of
 - The provider's usual and customary charge to the general public,
 - The National Average Drug Acquisition Cost (NADAC) plus a professional dispensing fee, or
 - In the absence of a NADAC, Wholesale Acquisition Cost (WAC) minus 3.3%, plus a professional dispensing fee.
2. For generic drugs, payment is the lower of
 - The provider's usual and customary charge to the general public,
 - The NADAC plus a professional dispensing fee, or
 - In the absence of a NADAC, WAC minus 50.5%, plus a professional dispensing fee.
 - The CMS established Federal Upper Limit (FUL) plus a professional dispensing fee, or
 - The Department's State Maximum Allowable Cost (State MAC), plus a professional dispensing fee.
3. Professional Dispensing Fee – The professional dispensing fee is \$10.00, based on a State-conducted survey of enrolled pharmacies. For Medical Assistance beneficiaries with a pharmacy benefit resource which is a primary third-party payer to Medical Assistance, the Department will pay a \$0.50 claim transmission fee.

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

2. Prescribed Drugs (continued)

4. Payment for the following is:
 - a. Drugs purchased by a 340B covered entity will be paid at AAC, up to the 340B ceiling price, plus a professional dispensing fee;
 - b. Drugs purchased by 340B covered entities outside of the 340B program will be paid according to the same methodology as A.1., A.2., and A.3. above;
 - c. Drugs dispensed by 340B contract pharmacies will be paid according to the same methodology as A.1., A.2., and A.3. above;
 - d. Physician administered drugs acquired through the federal 340B drug pricing program will be paid at AAC up to the 340B ceiling price.
 - e. Drugs acquired through the Federal Supply Schedule (FSS) will be paid at AAC plus a professional dispensing fee;
 - f. Drugs acquired at a nominal price (outside of 340B or FSS) will be paid at AAC plus a professional dispensing fee;
 - g. Drugs dispensed by long term care pharmacies will be paid according to the same methodology as A.1., A.2., and A.3. above.
5. Payment for specialty drugs, including hemophilia clotting factor, is covered under the Section 1915 (b) Waiver for FFS Selective Contracting Programs (Specialty Pharmacy Drug Program).
6. Payment for prescriber administered drugs is limited to ingredient cost (no dispensing fee) based on the following amounts:
 - a. For brand name drugs, the lower of
 - The provider's usual and customary charge, or
 - WAC + 3.2%.
 - b. For generic drugs, the lower of
 - The provider's usual and customary charge,
 - WAC + 0%,
 - FUL, or
 - State MAC.
7. Investigational drugs are not a covered service under Pennsylvania's Medicaid pharmacy program.

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

RESERVED

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 30, 2018

Ms. Teresa Miller, Secretary
Pennsylvania Department of Human Services
625 Forster Street, Room 333
Harrisburg, PA 17105

Dear Ms. Miller:

We have reviewed the Pennsylvania State Plan Amendment (SPA) 17-0010, received in the Centers for Medicare & Medicaid Services (CMS) Philadelphia Regional Office on June 30, 2017. This SPA proposes to bring Pennsylvania into compliance with the reimbursement requirements of the Covered Outpatient Drug final rule with comment period (CMS-2345-FC) (81 FR 5170).

Specifically, SPA 17-0010 establishes reimbursement for covered outpatient drugs using an Actual Acquisition Cost (AAC) by using the National Average Drug Acquisition Cost (NADAC) and implements a professional dispensing fee of \$10.00. This SPA also includes reimbursement for 340B drugs, clotting factor, federal supply schedule and drugs purchased at nominal price. In considering the proposed pharmacy reimbursement methodology, Pennsylvania was required to provide adequate data, such as national or state survey or studies, or other reliable data to demonstrate that the acquisition cost methodology and professional dispensing fees being paid are sufficient to ensure that Pennsylvania beneficiaries will have access to pharmacy services. In keeping with the requirements of 1902(a)(30)(A) of the Social Security Act, we believe the state demonstrated that their reimbursement is consistent with efficiency, economy, and quality of care, and are sufficient to ensure that care and services are available at least to the extent they are available to the general population in the geographic area.

We believe that there is evidence regarding the sufficiency of Pennsylvania's pharmacy provider network at this time to approve SPA 17-0010. Specifically, Pennsylvania has reported to CMS that there are 3,519 community pharmacies enrolled in Pennsylvania Medicaid, 3,049 are in-state pharmacies and 470 are out-of state retail community pharmacies. With an 89 percent participation rate, we can infer that Pennsylvania's beneficiaries will have access to pharmacy services at least to the extent available to the general population since Medicaid requires that beneficiaries be provided access to all covered outpatient drugs of participating drug manufacturers with a rebate agreement through a broad pharmacy network. In contrast, commercial insurers often have more limited drug formularies and more limited pharmacy networks.

Page 2 –Teresa Miller

Based on the information provided, we are pleased to inform you that, consistent with the regulations at 42 CFR 430.20, SPA 17-0010 is approved with an effective date of April 1, 2017. A copy of the signed CMS-179 form, as well as the pages approved for incorporation into Pennsylvania's state plan will be forwarded by the Philadelphia 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/

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

CC: Francis T. McCullough, ARA, CMS, Philadelphia Regional Office
Sabrina Tillman-Boyd, CMS, Philadelphia Regional Office
Mary McKeon, CMS, Philadelphia Regional Office