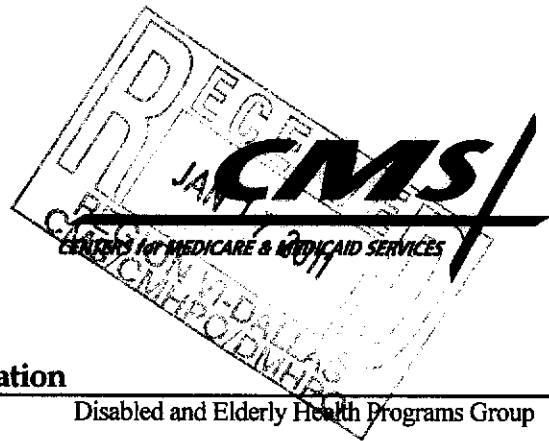


DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
7500 Security Boulevard, Mail Stop S2-14-26  
Baltimore, Maryland 21244-1850



**Center for Medicaid, CHIP and Survey & Certification**

Disabled and Elderly Health Programs Group

JAN 10 2011


Billy R. Millwee  
State Medicaid Director  
PO Box 13247, MC: H-100  
Austin, TX 78711-5200

Dear Mr. Millwee:


We have reviewed Texas State Plan Amendment (SPA) 10-033 received in the Dallas Regional Office on June 9, 2010. This amendment decreases the dispensing fee formula by decreasing the fixed component from \$7.50 to \$7.43 and by decreasing the variable component from 2 percent to 1.98 percent. We are pleased to inform you that the amendment is approved, effective September 1, 2010.

A copy of the pages approved for incorporation into the Texas' State Plan will be forwarded by the Dallas Regional Office. If you have any questions regarding this request, please contact Angel Davis at (410) 786-4693.

Sincerely,

  
Larry Reed  
Director  
Division of Pharmacy

cc: Bill Brooks, ARA DMCHO, Dallas Regional Office  
Scott Harper, Dallas Regional Office

<b>TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL</b> <b>FOR: CENTERS FOR MEDICARE &amp; MEDICAID SERVICES</b>		1. TRANSMITTAL NUMBER: <b>10-033</b>	2. STATE: <b>TEXAS</b>
		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: <b>September 1, 2010</b>	
5. TYPE OF PLAN MATERIAL (Circle One): <input type="checkbox"/> COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment) <input type="checkbox"/> AMENDMENT TO BE CONSIDERED AS NEW PLAN <input checked="" type="checkbox"/> AMENDMENT			
6. FEDERAL STATUTE/REGULATION CITATION: <b>Section 1927 (e) of the Social Security Act, as amended; 42 CFR §§ 440.120 and 447.500 et seq.</b>		7. FEDERAL BUDGET IMPACT: SEE ATTACHMENT  a. FFY 2010 \$( 203,858) b. FFY 2011 \$(2,177,839) c. FFY 2012 \$(2,142,296)	
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: <b>SEE ATTACHMENT TO BLOCKS 8 AND 9</b>		9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable): <b>SEE ATTACHMENT TO BLOCKS 8 AND 9</b>	
10. SUBJECT OF AMENDMENT: <b>The proposed amendment implements the one percent rate reduction applied to the fixed and variable components of the dispensing fee paid to Medicaid pharmacy providers.</b>			
11. GOVERNOR'S REVIEW (Check One): <input type="checkbox"/> GOVERNOR'S OFFICE REPORTED NO COMMENT <input type="checkbox"/> COMMENTS OF GOVERNOR'S OFFICE ENCLOSED <input type="checkbox"/> NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL <input checked="" type="checkbox"/> OTHER, AS SPECIFIED: <b>Sent to Governor's Office this date. Comments, if any, will be forwarded upon receipt.</b>			
12. SIGNATURE OF STATE AGENCY OFFICIAL: 		16. RETURN TO: <b>Billy R. Millwee State Medicaid Director Post Office Box 13247 MC: H-100 Austin, Texas 78711-5200</b>	
13. TYPED NAME: <b>Billy R. Millwee</b>			
14. TITLE: <b>State Medicaid Director</b>			
15. DATE SUBMITTED <b>June 9, 2010</b>			
<b>FOR REGIONAL OFFICE USE ONLY</b>			
17. DATE RECEIVED: <b>9 June, 2010</b>		18. DATE APPROVED: <b>10 January, 2011</b>	
<b>PLAN APPROVED - ONE COPY ATTACHED</b>			
19. EFFECTIVE DATE OF APPROVED MATERIAL: <b>1 September, 2010</b>		20. SIGNATURE: 	
21. TYPED NAME: <b>Bill Brooks</b>		22. TITLE: <b>Associate Regional Administrator Division of Medicaid &amp; Children's Health</b>	
23. REMARKS:			

**Attachment to Blocks 8 and 9 of CMS Form 179**

**TX Transmittal No. 10-033, Amendment 926**

**Number of the  
Plan Section or Attachment**

Attachment 4.19-B  
Page 2b

**Number of the Superseded  
Plan Section or Attachment**

Attachment 4.19-B  
Page 2b (TN 07-008)

STATE	<u>Texas</u>	A
DATE REC'D	<u>6-9-10</u>	
DATE APPV'D	<u>1-10-11</u>	
DATE EFF	<u>9-1-10</u>	
HCSA 179	<u>10-33</u>	

**Item 5. Reimbursement Methodology for the Pharmacy Dispensing Fee**

I. General

The upper limit for payment for prescribed drugs, whether legend or nonlegend items, will be based on the lower of cost as defined by the Texas Health and Human Services Commission (HHSC) or its designee plus a dispensing fee as defined and determined by HHSC or its designee or the usual and customary charge. Where a public agency makes bulk purchases of drugs, payment will be made in accordance with the governmental statutes and regulations governing such purchases in accordance with the agreement between such public agency and HHSC or its designee. These provisions do not apply to payment for drugs in hospitals and other institutions where drugs are included in the reimbursement formula and vendor payment to the institution.

HHSC or its designee will advise the Centers for Medicare and Medicaid Services (CMS) in writing of the uniform, reasonable dispensing fee which will be used to establish how the State is in compliance with the upper limit as specified in the regulations and as determined by the methodology described in this Plan. Such notice will specify the time period for which it is effective.

II. Reimbursement Methodology

HHSC or its designee reimburses contracted Medicaid pharmacy providers according to the dispensing fee formula defined in this section. The dispensing fee is determined by the following formula:  $\text{Dispensing Fee} = \frac{((\text{Estimated Drug Ingredient Cost} + \text{Fixed Component}) \div (1 - \text{Variable Component})) - \text{Estimated Drug Ingredient Cost} + \text{Delivery Incentive} + \text{Preferred Generic Incentive}}$ .

A. Drug Ingredient Cost

The estimated drug costs are defined in Section IIC (Legend and Nonlegend Medications) and IID (Texas Maximum Allowable Cost).

B. Dispensing Fee Determination

- (1) The fixed component is \$7.43.
- (2) The variable component is 1.98%.
- (3) The total dispensing fee shall not exceed \$200 per prescription.

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TN No. 10-33      Approval Date 1-10-11      Effective Date 9-1-10  
Supersedes TN No. 07-08