

June 20, 2012

Brett Davis, Administrator and Medicaid Director
Division of Health Care Access and Accountability
Wisconsin Department of Health & Family Services
1 West Wilson Street
P.O. Box 309
Madison, Wisconsin 53701-0309

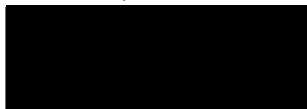
Subject: State Plan Amendment #11-004

Dear Mr. Davis:

Enclosed for your records are documents related to State Plan Amendment number 11-004, which was approved in an May 24, 2012 letter to you from Larry Reed, Director of Pharmacy. The enclosure includes a signed copy of the CMS-179 and copies of the approved pages.

If you have any questions, please contact Charles Friedrich by telephone at (608) 442-9125 or by e-mail at Charles.Friedrich@cms.hhs.gov.

Sincerely,



Alan Freund
Acting Associate Regional Administrator
Division of Medicaid and Children's Health Operations

cc: Al Matano
Todd McMillion
Charles Friedrich

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

1. TRANSMITTAL NUMBER:
11-004

2. STATE
Wisconsin

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
10/01/2011

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 447.512

7. FEDERAL BUDGET IMPACT:
a. FFY 2012 ~~\$4,000K~~ ^(\$6,200K)
b. FFY 2013 ~~\$4,000K~~ ^(\$6,200K)

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Attachment 4.19-B Page 5
Attachment 4.19-B Supplement 1 Page 1

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 PAGE NUMBER OF THE SUPERSEDED PLAN SECTION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

10. SUBJECT OF AMENDMENT:

Pharmacy reimbursement.

11. GOVERNOR'S REVIEW (Check One):

- GOVERNOR'S OFFICE REPORTED NO COMMENT *CD*
 COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
 NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

OTHER, AS SPECIFIED:

12. SIGNATURE OF REGIONAL ADMINISTRATOR:

13. TYPED NAME:

Brett Davis

14. TITLE:

State Medicaid Director

15. DATE SUBMITTED:

September 30, 2011

16. RETURN TO:

Brett Davis

State Medicaid Director

Division of Health Care Access and Accountability

1 W. Wilson St.

P.O. Box 309

Madison, WI 53701-0309

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:

September 30, 2011

18. DATE APPROVED:

MAY 24 2012

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:

October 1, 2011

20. SIGNATURE OF REGIONAL ADMINISTRATOR:

21. TYPED NAME:

Alan Freund

22. TITLE:

Associate Regional Administrator

23. REMARKS:

3. Drugs (Pharmacy)

The Department will establish maximum allowable fees for all covered outpatient drugs provided to Wisconsin Medicaid recipients eligible on the date of service. Maximum allowable fees may be adjusted to reflect reimbursement limits or limits on the availability of federal funding as specified in federal law (42 CFR 447.512).

All covered legend and over-the-counter drugs will be reimbursed at the lower of the Estimated Acquisition Cost (EAC) of the drug, plus a dispensing fee, or the provider's usual and customary charge.

EAC of legend and over-the-counter drugs will be determined based on the following:

The Department of Health Services' best estimate of prices currently and generally paid for pharmaceuticals. Individual drug cost estimates will be based on either State Maximum Allowed Cost (SMAC) or Expanded Maximum Allowed Cost (EMAC), both of which are established by Wisconsin Medicaid using marketplace research; or on published wholesale acquisition cost (WAC). Additional information about rates and dispensing fees are found in page 1 of Supplement 1 to Attachment 4.19-B.

State maximum allowed cost (SMAC) rates are established through market research when there is sufficient market penetration by a generic alternative or alternatives to the brand innovator product to obtain meaningful discounts from the price of the brand innovator product. The Department establishes market-based SMAC rates for products with the same ingredient, strength, and dosage form. Prices are based on acquisition cost and subject to change based on market factors. The Department will ensure compliance, at the aggregate level, of SMAC rates to not exceed the Federal Upper Limits.

Expanded maximum allowed cost rates are established through market research for brand and generic products without a WAC rate reported by the manufacturer and, for generic products, before sufficient market penetration has occurred to establish a SMAC rate. To establish an EMAC rate, the Department uses the weighted average of pricing for rebateable National Drug Codes (NDCs) for products with the same ingredient, strength, and dosage form, using the following hierarchy of sources: First Databank WAC, Medispan WAC, and Medispan AWP. This pricing may be validated against other state Medicaid pricing information (MAC or AAC).

NDCs with more than one rate on file that are not billed as the innovator will be paid the lowest rate on file plus a dispensing fee. EAC will be calculated based on the package size from which the prescription was dispensed, as indicated by the NDC. The only exceptions are for those drugs for which quantity minimums are specified by federal regulations and for drugs listed on the Wisconsin SMAC list.

The maximum allowable dispensing fee shall be based on allowed pharmacy overhead costs and determined by various factors, including data from previous cost of dispensing surveys and other relevant economic limitations.

