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State/Territory Name: Wisconsin

State Plan Amendment (SPA): 17-0001

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) CMS Form 179/Summary Form (with 179-like data)
- 3) Approved SPA Pages



Center for Medicaid and CHIP Services

Disabled and Elderly Health Programs Group

August 28, 2017

Mr. Michael G. Heifetz
State Medicaid Director
Department of Health Services
1 W. Wilson Street
P.O. Box 309
Madison, Wisconsin 53701-0309

Dear Mr. Heifetz:

We have reviewed Wisconsin's State Plan Amendment (SPA) 17-0001, Prescribed Drugs, received in the Chicago Regional Office on January 31, 2017. This SPA proposes changes to bring Wisconsin into compliance with the reimbursement requirements of the Covered Outpatient Drug final rule with comment period (CMS-2345-FC).

Wisconsin SPA 17-0001 includes reimbursement using a tiered professional dispensing fee of \$15.69 for less than 34,999 prescriptions per year or \$10.51 for 35,000 or more prescriptions per year plus the lowest of either the National Average Drug Acquisition Cost (NADAC), Wholesale Acquisition Cost (WAC), State Maximum Allowable Cost (SMAC), or the provider's usual and customary charge. The SPA also includes approved methodologies for how the state will reimburse for 340B drugs, physician administered drugs, clotting factor, federal supply schedule and drugs purchased at nominal price.

Based on the information provided and consistent with the regulations at 42 CFR 430.20, we are pleased to inform you that SPA 17-0001 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 Wisconsin's state plan will be forwarded by the Chicago Regional Office.

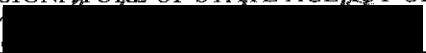
If you have any questions regarding this amendment, please contact Yolonda Williams at (410) 786-6618 or yolonda.williams@cms.hhs.gov.

Sincerely,

/s/

Meagan T. Khau
Deputy Director
Division of Pharmacy

CC: Ruth A. Hughes, ARA, CMS, Chicago Regional Office
Kimberly A. Smithers, Wisconsin Pharmacy and Quality Section Chief

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL		1. TRANSMITTAL NUMBER: 17-0001	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 04/01/2017	
5. TYPE OF PLAN MATERIAL (Check One): <input type="checkbox"/> NEW STATE PLAN <input type="checkbox"/> AMENDMENT TO BE CONSIDERED AS 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 447.512		7. FEDERAL BUDGET IMPACT: a. FFY 2017 \$9,360K b. FFY 2018 \$18,720K	
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Attachment 4.19-B Pages 5, 5a, and 5b.		9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable): Same.	
10. SUBJECT OF AMENDMENT: Medicaid Reimbursement for Covered Outpatient Drugs and Professional Dispensing Fees.			
11. GOVERNOR'S REVIEW (Check One): <input type="checkbox"/> GOVERNOR'S OFFICE REPORTED NO COMMENT <input type="checkbox"/> OTHER, AS SPECIFIED: <input type="checkbox"/> COMMENTS OF GOVERNOR'S OFFICE ENCLOSED <input type="checkbox"/> NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL			
12. SIGNATURE OF STATE AGENCY OFFICIAL: 		16. RETURN TO: Michael G. Heifetz State Medicaid Director Department of Health Services 1 W. Wilson St. P.O. Box 309 Madison, WI 53701-0309	
13. TYPED NAME: Michael G. Heifetz			
14. TITLE: State Medicaid Director			
15. DATE SUBMITTED: 01/31/2017			
FOR REGIONAL OFFICE USE ONLY			
17. DATE RECEIVED: 1/31/17		18. DATE APPROVED: 8/28/17	
PLAN APPROVED - ONE COPY ATTACHED			
19. EFFECTIVE DATE OF APPROVED MATERIAL: 4/1/17		20. SIGNATURE OF REGIONAL OFFICIAL: /s/	
21. TYPED NAME: Ruth A. Hughes		22. TITLE: Associate Regional Administrator	
23. REMARKS:			

**Wisconsin Medicaid
Pharmacy Fee Schedule**

- A. Wisconsin will reimburse the following prescribed drugs with an Ingredient Cost methodology in accordance with Actual Acquisition Cost (AAC) as defined at 42 CFR 447.512 and Professional Dispensing Fee as defined at 42 CFR 447.502.
1. **Brand name and generic drugs** and other drugs/products meeting the definition of covered outpatient drug in 42 CFR 447.502 will receive an ingredient cost based on AAC plus professional dispensing fee.
 - a. AAC is defined as the lesser of:
 - National Average Drug Acquisition Cost (NADAC) plus a professional dispensing fee, or
 - The provider's usual and customary charge.
 - b. **If NADAC is unavailable**, AAC is the lesser of:
 - Wholesale Acquisition Cost (WAC +0%) plus a professional dispensing fee,
 - State Maximum Allowable Cost (SMAC) rate, if available, plus a professional dispensing fee, or
 - The provider's usual and customary charge.
 - c. **State MAC rates** use a two-step pricing factor calculation. SMAC rates are set based on the greater of 150% of the lowest-cost product in the most commonly used package size or 120% of the second lowest-cost product. All pricing is updated quarterly and ad hoc updates are made as needed to account for marketplace price increases, drug shortages or in response to provider inquiries.
 - d. **Professional Dispensing Fee** will be based on the annual prescription volume of the enrolled pharmacy. The professional dispensing fee tiers are as follows:
 - Less than 34,999 prescriptions per year = \$15.69
 - 35,000 or more prescriptions per year = \$10.51An annual attestation by each Medicaid-enrolled pharmacy provider documents prescription volume and determines the tier under which the pharmacy will be paid for the subsequent year.
 - e. **Compound Drug Allowance** is \$7.79 and reimbursed in addition to a provider's assigned professional dispensing fee.
 - f. **Repackaging Allowance** is \$0.015 per unit billed and reimbursed in addition to a provider's assigned professional dispensing fee when repackaging occurs.
 2. **340B covered entity** purchased drugs under 1927(a)(5)(B) of the Act including designated **340B Indian Health Service/Tribal/Urban (I/T/U) pharmacies** will receive an AAC Ingredient cost that is no more than the 340B ceiling price plus a professional dispensing fee as defined above in (A)(1)(d).

AAC is defined as:

 - The State calculated 340B ceiling price plus a professional dispensing fee, or
 - If the ceiling price is not available, WAC -50% plus a professional dispensing fee.

**Wisconsin Medicaid
Pharmacy Fee Schedule, continued**

3. **Drugs purchased outside of the 340B program by covered entities** will be reimbursed an ingredient cost based on the AAC plus professional dispensing fee as noted in (A)(1) above.
 4. **Drugs acquired through the federal 340B drug price program and dispensed by 340B contract pharmacies are not covered.**
 5. **Drugs acquired via the Federal Supply Schedule (FSS)** will be reimbursed ingredient cost based on AAC plus a professional dispensing fee as defined above in (A)(1)(d).
 6. **Drugs acquired at Nominal Price (outside of 340B or FSS)** will be reimbursed ingredient cost based on AAC plus a professional dispensing fee as defined above in (A)(1)(d).
- B. Wisconsin will reimburse the following drugs with the reimbursement methodology described as the drugs are not required to meet the AAC definition at 42 CFR 447.512.
1. **Drugs dispensed by IHS/Tribal facilities paid using encounter rates** will be reimbursed AAC for drug costs and reimbursed an FQHC-specific professional dispensing fee of \$24.92 and cost reconciled to their approved federal encounter rates. An IHS/Tribal facility is defined as an FQHC that receives funds under the Indian Self-Determination Act.
 2. **Non-tribal Federally Qualified Health Centers (FQHCs)** are those entities designated by the federal Department of Health and Human Services as FQHCs. Non-tribal FQHCs will be reimbursed AAC for drug costs. Professional dispensing fees will be included in the non-tribal FQHC encounter rates except for SeniorCare members. For SeniorCare members, non-tribal FQHCs will receive ingredient cost based on AAC plus the FQHC-specific professional dispensing fee of \$24.92.
 3. **Specialty drugs not dispensed by a retail community pharmacy including drugs dispensed primarily through the mail (but not in institutions or long term care)** will receive an ingredient cost plus a professional dispensing fee as defined above in (A)(1)(d).

Rates for specialty drugs will be based on a State Specialty Maximum Allowable Cost. Specialty drug rates will be updated monthly based on a review of product availability and specialty pricing in the marketplace. The specialty drug list is comprised of drug therapy classes where the majority of drugs within the therapy class do not have an available NADAC rate.

State Specialty Maximum Allowable Cost rates for generic specialty products are developed using the SMAC methodology described above in (A)(1)(c). For select single-source brand specialty products, Wisconsin or its contractor will use benchmark provider reimbursement discounts (e.g., commercial and/or Medicaid Managed Care) to develop State Specialty Maximum Allowable Cost reimbursement rates.

Reimbursement is the lower of:

- The State determined State Specialty Maximum Allowable Cost rate plus a professional dispensing fee as defined above in (A)(1)(d) or
- The provider's usual and customary charge.

**Wisconsin Medicaid
Pharmacy Fee Schedule, continued**

4. **Hemophilia clotting factor and other blood products used to treat hemophilia and other blood disorders** will receive an ingredient cost plus a professional dispensing fee as defined above in (A)(1)(d).

Rates for hemophilia clotting factor and other blood products will be based on a State Specialty Maximum Allowable Cost. State Specialty Maximum Allowable Cost rates will be updated monthly based on a review of product availability and specialty pricing in the marketplace. For hemophilia clotting factor and other blood products, Wisconsin or its contractor will use benchmark provider reimbursement discounts (e.g., commercial and/or Medicaid Managed Care) to develop hemophilia clotting factor and other blood products reimbursement rates.

State Specialty Maximum Allowable Cost rates for hemophilia clotting factor and other blood products will not exceed WAC +0%.

Reimbursement is the lower of:

- The State determined State Specialty Maximum Allowable Cost plus a professional dispensing fee as defined above in (A)(1)(d) or
 - The provider's usual and customary charge.
5. **Covered outpatient drugs not dispensed by a community retail pharmacy, but dispensed through institutions or long term care when not included as part of an inpatient stay** will receive an ingredient cost plus professional dispensing fee as defined above in (A)(1)(d).
- a. Ingredient cost is paid as the lesser of:
- NADAC plus a professional dispensing fee or
 - The provider's usual and customary charge.
- b. If NADAC is unavailable, ingredient cost is the lesser of:
- WAC +0% plus a professional dispensing fee,
 - SMAC rate, if available, plus a professional dispensing fee, or
 - The provider's usual and customary charge.
6. **Physician Administered Drugs (PAD) –**
- Drug ingredient costs are reimbursed at the Average Sale Price (ASP) Drug Price plus 6%.
 - If there is no ASP, then the drug ingredient costs are reimbursed at NADAC.
 - If there is no ASP or NADAC, then drug ingredient costs are WAC +0%.
 - No professional dispensing fee is reimbursed.
7. **Investigational Drugs** are not covered under the Medicaid State Plan.

- C. Wisconsin will comply with the updated Federal Upper Limits requirements.
1. Overall agency payment will not exceed the federal upper limit based on the ACA FUL for ingredient reimbursement in the aggregate for multiple source drugs and other drugs, except prescription drugs which the prescriber certifies as being medically necessary for a beneficiary.
 2. The State will ensure compliance, at the aggregate level, of MAC rates to not exceed the Federal Upper Limits on an annual basis.