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State/Territory Name: Colorado

State Plan Amendment (SPA) #: 20-0013

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) CMS 179 Form
- 3) Approved SPA Pages

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

August 7, 2020

Ms. Tracy Johnson
Medicaid Director
Colorado Department of Health Care Policy and Financing
1570 Grant St
Denver, CO 80203-1818

Dear Ms. Johnson:

We have reviewed Colorado State Plan Amendment (SPA) 20-0013 received in the Centers for Medicare & Medicaid Services (CMS) Division of Program Operations North Branch on June 11, 2020. This SPA proposes to update the pharmaceutical rate methodology by including National Average Drug Acquisition (NADAC) and Maximum Allowable Cost (MAC) into the lesser of logic methodology.

Based on the information provided and consistent with the regulations at 42 CFR 430.20, we are pleased to inform you that SPA 20-0013 is approved with an effective date of October 1, 2020. A copy of the signed CMS-179 form, as well as the pages approved for incorporation into Colorado's state plan will be forwarded by the Division of Program Operations North Branch.

If you have any questions regarding this request, please contact Justin Aplin at (410) 786-6901 or Justin.Aplin@cms.hhs.gov.


Sincerely,

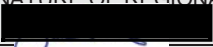
/s/

Cynthia R. Denemark, R.Ph.
Deputy Director
Division of Pharmacy
DEHPG/CMCS/CMS

cc: Lauren Reveley
Whitney McOwen
James G. Scott, Director
Curtis Volesky

Colorado DHCPF
Colorado DHCPF
Division of Program Operations
Division of Program Operations North Branch

<p align="center">TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL</p> <p>FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES</p>		1. TRANSMITTAL NUMBER: 20 - 0013	2. STATE: COLORADO
		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: October 1, 2020	
5. TYPE OF PLAN MATERIAL (<i>Check One</i>): <p>NEW STATE PLAN AMENDMENT TO BE CONSIDERED AS A NEW PLAN X AMENDMENT</p>			
COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (<i>Separate transmittal for each amendment</i>)			
6. FEDERAL STATUTE/REGULATION CITATION: SOCIAL SECURITY ACT Title XIX, Sections 1902(a)(54), 1903(a), 1905(a)(12), and 1927, and 42 CFR 447		7. FEDERAL BUDGET IMPACT: a. FFY 2020-21: (\$6,778,043) b. FFY 2021-22: (\$6,958,845)	
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Attachment 4.19-B – Methods and Standards for Establishing Payment Rates – 12.a. – Pharmaceutical Services – Pages 1-3 of 3		9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (<i>If Applicable</i>): Attachment 4.19-B – Methods and Standards for Establishing Payment Rates – 12.a. – Pharmaceutical Services – Pages 1 of 3 (TN 17-0004) Attachment 4.19-B – Methods and Standards for Establishing Payment Rates – 12.a. – Pharmaceutical Services – Pages 2 of 3 (TN 19-0033) Attachment 4.19-B – Methods and Standards for Establishing Payment Rates – 12.a. – Pharmaceutical Services – Pages 3 of 3 (TN 18-0039)	
10. SUBJECT OF AMENDMENT: This Amendment will update the pharmaceutical rate methodology by including National Average Drug Acquisition (NADAC) and Maximum Allowable Cost (MAC) into the lesser of logic methodology.			
11. GOVERNOR'S REVIEW (<i>Check One</i>): <p>GOVERNOR'S OFFICE REPORTED NO COMMENT X OTHER, AS SPECIFIED</p> <p>COMMENTS OF GOVERNOR'S OFFICE ENCLOSED Governor's letter dated 11 October, 2019</p> <p>NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL</p>			
12. SIGNATURE OF STATE AGENCY OFFICIAL: 		16. RETURN TO: Colorado Department of Health Care Policy and Financing 1570 Grant Street Denver, CO 80203-1818 Attn: Lauren Reveley	
13. TYPED NAME: Tracy Johnson			
14. TITLE: Medicaid Director			
15. DATE SUBMITTED: <u>Initial</u> : June 11, 2020 <u>1st Update</u> : July 24, 2020			
FOR REGIONAL OFFICE USE ONLY			
17. DATE RECEIVED June 11, 2020		18. DATE APPROVED August 7, 2020	
PLAN APPROVED – ONE COPY ATTACHED			

19. EFFECTIVE DATE OF APPROVED MATERIAL October 1, 2020	20. SIGNATURE OF REGIONAL OFFICIAL  Digitally signed by James G. Scott -S Date: 2020.08.26 17:04:02 -05'00'
21. TYPED NAME James G. Scott	22. TITLE Director, Division of Program Operations
23. REMARKS Corrected FFY to identify second FFY in 7.b. per state request. (cv)	

FORM CMS-179 (07/92)

Instructions on Back

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
MEDICAL ASSISTANCE PROGRAM

STATE OF COLORADO

Attachment 4.19-B
Page 1 of 3

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

12.a. Pharmaceutical Services:

- A. Reimbursement for covered outpatient drugs dispensed by retail community pharmacies, rural pharmacies, mail order pharmacies, specialty pharmacies, government pharmacies, institutional and long-term care pharmacies, shall be based upon the lower of:
1. The usual and customary charge to the public; or
 2. The allowed ingredient cost as defined in B plus a professional dispensing fee.
- B. The allowed ingredient cost shall be the lesser of Colorado Actual Acquisition Cost (AAC) as defined in C, National Average Drug Acquisition Cost (NADAC) or submitted ingredient cost. If AAC and NADAC are not available, the allowed ingredient cost shall be the lesser of Maximum Allowable Cost (MAC) or submitted ingredient cost.
- C. AAC is the established maximum allowable reimbursement rate for covered drugs using the actual acquisition cost for like drugs grouped by Generic Code Number (GCN) or Generic Sequence Number (GSN).
- The Department shall update AAC on a regular basis based on changes in pharmacies' acquisition costs and national pricing benchmarks such as WAC. The AAC price list is available through the Department's website (colorado.gov/hcpf).
- D. Drugs acquired through the Federal Supply Schedule (FSS) shall be reimbursed at their actual acquisition cost, plus a professional dispensing fee.
- E. Drugs acquired at Nominal Price (as defined in 42 CFR §447.502) outside of FSS or the 340B Pricing Program shall be reimbursed at their actual acquisition cost plus a professional dispensing fee.
- F. Drugs dispensed by Indian Health Service/Tribal pharmacies shall be reimbursed at an encounter rate.

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
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METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES-
OTHER TYPES OF CARE

- G. Drugs dispensed by 340B Covered Entities purchasing drugs through the 340B Pricing Program will be reimbursed at their actual acquisition cost, plus a professional dispensing fee.
- H. Drugs dispensed by Covered Entities (as defined in the Social Security Act, Section 1927(a)(5)(B)) not purchased through the 340B Pricing Program shall be reimbursed as defined in A
- I. Drugs acquired through the federal 340B drug pricing program and dispensed by 340B contract pharmacies are not covered.
- J. Physician-administered drugs are reimbursed at the published Medicare Average Sales Price (ASP) Drug Pricing File minus 3.3 percent for drugs included in that file. Physician administered drugs that are not included in the Medicare ASP Drug Pricing File will be reimbursed at Wholesale Acquisition Cost (WAC). Covered entities using drugs purchased at the prices authorized under Section 340B of the Public Health Services Act for Medicaid members must bill Medicaid the 340B purchase price. No professional dispensing fee is applied.
 - 1. Effective November 26, 2019, injectable opioid antagonists are reimbursed at the published Medicare ASP Drug Pricing File plus 2.2%.
- K. Clotting factor dispensed by specialty pharmacies or Hemophilia Treatment Centers shall be reimbursed the lesser of the provider's usual and customary charge to the general-public, or the submitted ingredient cost plus the professional dispensing fee, or the wholesale acquisition cost plus the professional dispensing fee.
- L. Experimental or investigational drugs will not be allowed for reimbursement.

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
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METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES-
OTHER TYPES OF CARE

- M. Any pharmacy, except a mail order pharmacy, that is the only pharmacy enrolled with the Medical Assistance Program within a twenty-mile radius, may submit a written request to the Department requesting the designation of a rural pharmacy.
- N. In the aggregate, the Medical Assistance Program expenditures for outpatient drugs shall be in compliance with the federal upper limits as set forth in 42 CFR §§447.512 and 447.514.
- O. Dispensing fees shall be established based upon reported dispensing costs provided through the Cost of Dispensing (**COD**) survey completed every two state fiscal years. The professional dispensing fees for all pharmacies except government and rural pharmacies shall be tiered based upon annual total prescription volume. The dispensing fees shall be tiered at:
- Less than 60,000 total prescriptions filled per year= \$13.40
 - Between 60,000 and 90,000 total prescriptions filled per year= \$11.49
 - Between 90,000 and 110,000 total prescriptions filled per year= \$10.25
 - Greater than 110,000 total prescriptions filled per year= \$9.31

The determination of total prescription volume shall be completed by surveying pharmacies on an annual basis. Pharmacies failing to respond to the survey shall be reimbursed the \$9.31 dispensing fee.

The tiered dispensing fee shall not apply to government pharmacies which shall instead be reimbursed a \$0.00 dispensing fee.

The tiered dispensing fee shall not apply to rural pharmacies, as defined in M, which shall instead be reimbursed a \$14.14 dispensing fee.