

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

March 14, 2011

Mary E. Dalton
State Medicaid Director
Montana Dept. of Public Health and Human Services
PO Box 4210
Helena, MT 59604

Dear Ms. Dalton:

We have reviewed Montana State Plan Amendment (SPA) 10-003, Reimbursement for Drugs received in the Regional Office on February 9, 2010. This amendment proposes to implement a State Maximum Allowable Cost (SMAC) for prescription drugs. In addition, per an email sent by your staff dated August 26, 2010, we made the requested change to block ten on the CMS 179. We are pleased to inform you that the amendment is approved, effective March 1, 2010.

A copy of the CMS-179 form, as well as the pages approved for incorporation into the Montana's state plan will be forwarded by the Denver Regional Office. If you have any questions regarding this request, please contact Steven Johnson at (410) 786-3332.

Sincerely,

/s/

Larry Reed
Director
Division of Pharmacy

cc: Richard Allen, ARA, Denver Regional Office
Diane Dunstan, Denver Regional Office

MONTANA

Reimbursement for drugs shall not exceed the lowest of:

1. The Estimated Acquisition Cost (EAC) of the drug plus a dispensing fee, or;
2. The State Maximum Allowable Cost (SMAC) of the drug, in the case of multi-source (generic), plus a dispensing fee, or,
3. The provider's usual and customary charge of the drug to the general public.

Exception The SMAC limitation shall not apply in a case where a physician certifies in his/her own handwriting the specific brand is medically necessary for a particular recipient. An example of an acceptable certification is the handwritten notation "Brand Necessary" or "Brand Required." A check off box on a form or rubber stamp is not acceptable.

Exception: For outpatient drugs provided to Medicaid recipients in state institutions, reimbursement will conform to the state contract for pharmacy services; or for institutions not participating in the state contract for pharmacy services, reimbursement will be the actual cost of the drug and dispensing fee. In either case, reimbursement will not exceed, in the aggregate, the EAC or the SMAC plus the dispensing fee.

The EAC is established by the state agency using the Federal definition of EAC as a guideline: that is, "Estimated Acquisition Cost" means the state agency's best estimate of what price providers generally pay for a particular drug.

The EAC, which includes single source, brand necessary and drugs other than multi-source, is established using the following methodology:

Drugs paid by their Average Wholesale Price (AWP) will be paid at AWP less 15 percent. If the state agency determines that acquisition cost is lower than AWP less 15 percent then the state agency may set an allowable acquisition cost based on data provided by the drug pricing file contractor.

The SMAC for multiple-source drugs shall be equal to the state average acquisition cost per drug determined by direct pharmacy survey, wholesale survey and other relevant cost information.

A variable dispensing fee will be established by the state agency. The dispensing fee is based on the pharmacy's average cost of filling a prescription. The average cost of filling a prescription will be based on the direct and indirect costs that can be allocated to the cost of the prescription department and that of filling a prescription, as determined from the Montana dispensing fee questionnaire. A provider's failure to submit, upon request, the dispensing fee questionnaire properly completed will result in the assignment of the minimum dispensing fee offered. A copy of the Montana dispensing fee questionnaire is available upon request from the department.

MONTANA

Dispensing fees shall be established as follows:

1. The dispensing fees assigned shall range between a minimum of \$2.00 and a maximum of \$5.04.
2. Out-of-state providers will be assigned a \$3.50 dispensing fee.
3. If the individual provider's usual and customary average dispensing fee for filling prescription is less than the foregoing method of determining the dispensing fee, then the lesser dispensing fee shall be applied in the computation of the payment to the pharmacy provider.

In-state pharmacy providers that are new to the Montana Medicaid program will be assigned an interim \$5.04 dispensing fee until a dispensing fee questionnaire can be completed for six months of operation. At that time, a new dispensing fee will be assigned which will be the lower of the dispensing fee calculated for the pharmacy or the \$5.04 dispensing fee. Failure to comply with the six months dispensing fee questionnaire requirement will result in assignment of dispensing fee of \$2.00.

An additional dispensing fee of \$0.75 will be paid for "unit dose" prescriptions. This "unit dose" dispensing fee will offset the additional cost of packaging supplies and materials which are directly related to filling "unit dose" prescriptions by the individual pharmacy and is in addition to the regular dispensing fee allowed. Only one unit dose dispensing fee will be allowed each month for each prescribed medication. A dispensing fee will not be paid for a unit dose prescription packaged by the drug manufacturer.

An additional compounding fee based on level of effort will be paid for compounded prescriptions. Montana Medicaid shall reimburse pharmacies for compounding drugs only if the client's drug therapy needs cannot be met by commercially available dosage strengths and/or forms of the therapy. Reimbursement for each drug component shall be determined in accordance with "lower of" pricing methodology. The compounding fee for each compounded drug shall be based on the level of effort required by the pharmacist. The levels of effort compounding fees payable are level 1: \$12.50, level 2: \$17.50, and level 3: \$22.50.

TN 10-003
Supersedes TN 09-012

Approved 3/14/11

Effective 03/01/10