State/Territory name: Alabama

State Plan Amendment (SPA): 20-0001

This file contains the following documents in order listed:

1) Approval Letter
2) CMS 179 Form
3) Approved SPA page(s)
March 23, 2020

Ms. Stephanie McGee Azar
Commissioner
Alabama Medicaid Agency
501 Dexter Avenue
PO Box 5624
Montgomery, AL 36103-5624

Dear Ms. Azar:

We have reviewed Alabama State Plan Amendment (SPA) 20-0001 received in the Centers for Medicare & Medicaid Services (CMS) Division of Program Operations South Branch on January 6, 2020. This SPA proposes to change the default pharmacy ingredient cost reimbursement methodology when no Average Acquisition Cost (AAC) is available from Wholesale Acquisition Cost (WAC) +0% to WAC -4% for brand drugs and WAC +0% for generic drugs.

Based on the information provided and consistent with the regulations at 42 CFR 430.20, we are pleased to inform you that SPA 20-0001 is approved with an effective date of June 1, 2020. A copy of the signed CMS-179 form, as well as the pages approved for incorporation into Alabama’s state plan will be forwarded by the Division of Program Operations South 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:  Hether Vega   Alabama Medicaid Agency
     James G. Scott, Director   Division of Program Operations
     Alice Hogan   Division of HCBS Operations West Branch
     Charles Friedrich   Division of Program Operations South Branch
TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL

FOR: HEALTH CARE FINANCING ADMINISTRATION

TO: REGIONAL ADMINISTRATOR
HEALTH CARE FINANCING ADMINISTRATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES

5. TYPE OF PLAN MATERIAL (Check One):

- [ ] NEW STATE PLAN
- [ ] AMENDMENT TO BE CONSIDERED AS NEW PLAN
- [X] AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:
42 CFR 447 Subpart I, 447.518

7. FEDERAL BUDGET IMPACT:
   a. FY 2020 1.7 million savings
   b. FY 2021 5.2 million savings

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:
   Attachment 4.19-B, Page 3, Prescribed Drugs

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable):
   Attachment 4.19-B, Page 3, Prescribed Drugs

10. SUBJECT OF AMENDMENT:
    This amendment will change the current default pharmacy ingredient cost reimbursement methodology when no AAC is available from Wholesale Acquisition Cost (WAC) + 0% to WAC - 4% for brand drugs and WAC + 0% for generic drugs.

11. GOVERNOR’S REVIEW (Check One):
    - [ ] GOVERNOR’S OFFICE REPORTED NO COMMENT
    - [ ] COMMENTS OF GOVERNOR’S OFFICE ENCLOSED
    - [X] NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

13. TYPED NAME:
    Stephanie McGee Azar

14. TITLE:
    Commissioner

15. DATE SUBMITTED:
    1/06/2020

16. RETURN TO:
    Stephanie McGee Azar
    Commissioner
    Alabama Medicaid Agency
    501 Dexter Avenue
    Post Office Box 5624
    Montgomery, Alabama 36103-5624

17. DATE RECEIVED:
    01/06/2020

18. DATE APPROVED:
    3/23/2020

19. EFFECTIVE DATE OF APPROVED MATERIAL:
    06/01/2020

21. TYPED NAME:
    James Scott

22. TITLE:
    Division Director
    Division of Program Operations

23. REMARKS:
4. **Prescribed Drugs**

Medicaid pays for covered outpatient legend and non-legend, brand and generic drugs prescribed by individuals legally licensed to prescribe the drugs authorized under the program and dispensed by a licensed pharmacist or licensed authorized physician in accordance with state and federal laws.

No payments made pursuant to methods and standards described in this Attachment 4.19-B will exceed upper limits established in 42 CFR Section 447, Subpart D.

A. Notwithstanding specific reimbursement described in this section, payment for covered outpatient drugs (both brand and generic) dispensed by a:
1. Retail community pharmacy
2. Specialty pharmacy
3. Long-term care or institutional pharmacy (when not included as an inpatient stay)
4. 340B eligible entities (including 340B contract pharmacies) not listed on the U.S. Department of Health and Human Services Health Resources & Service Administration (HRSA) 340B Drug Pricing Program Database
5. Indian Health Service, Tribal and Urban Indian pharmacy

   Shall not exceed the lowest of:
   a. The Alabama Average Acquisition Cost (AAC) of the drug; when no AAC is available, the Wholesale Acquisition Cost (WAC) -4% for brand drugs and WAC + 0% for generic drugs, plus a reasonable professional dispensing fee of $10.64,
   b. The Federal Upper Limit (FUL), plus a professional dispensing fee of $10.64, or
   c. The provider’s Usual and Customary (U&C) charge to the general public regardless of program fees.

B. Payment for blood clotting factor products will be the Average Sales Price (ASP) + 6% plus a professional dispensing fee of $10.64.

C. For eligible 340B entities listed on the U.S. Department of Health and Human Services Health Resources & Service Administration (HRSA) 340B Drug Pricing Program Database, payment shall not exceed the entity’s actual acquisition cost for the drug, as charged by the manufacturer at a price consistent with the Veterans Health Care Act of 1992, plus a professional dispensing fee of $10.64.

D. For facilities purchasing drugs through the Federal Supply Schedule (FSS), payment shall not exceed the entity’s actual acquisition cost for the drug, plus a professional dispensing fee of $10.64.

E. For facilities purchasing drugs at Nominal Price, payment shall not exceed the entity’s actual acquisition cost for the drug, plus a professional dispensing fee of $10.64.

F. Physician Administered Drugs (PADs) are reimbursed at a rate of ASP + 6%. For PADs that do not have a published ASP, the reimbursement is calculated based on published compendia pricing such as Wholesale Acquisition Cost (WAC). For PADs administered by 340 entities, payment shall not exceed the entity’s actual acquisition cost for the drug.

G. Investigational drugs not approved by the FDA are not covered.