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**State/Territory Name:** Colorado

**State Plan Amendment (SPA) #:** CO-17-0004

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) CMS 179 Form/Summary Form (with 179-like data)
- 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**

November 13, 2017

Ms. Gretchen Hammer  
State Medicaid Director  
Department of Health Care Policy and Financing  
1570 Grant Street  
Denver, CO 80203-1818

Dear Ms. Hammer:

We have reviewed Colorado's State Plan Amendment (SPA) 17-0004 received in the Denver Regional Office on August 17, 2017. This SPA proposes to bring Colorado into compliance with the reimbursement requirements in the Covered Outpatient Drug final rule with comment period (CMS-2345-FC), such as provisions in 42 CFR 447.518(a).

Colorado SPA 17-0004 includes reimbursement 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 17-0004 is approved with an effective date of July 1, 2017. 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 Denver Regional Office.



If you have any questions regarding this amendment, please contact Terry Simananda at (410) 786-8144 or [Terry.Simananda@cms.hhs.gov](mailto:Terry.Simananda@cms.hhs.gov).

Sincerely,

/s/

John M. Coster, Ph.D., R.Ph.  
Director  
Division of Pharmacy

CC: Richard C. Allen, ARA, CMS, Denver Regional Office  
Curtis Volesky, CMS, Denver Regional Office

<b>TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL</b>  <b>FOR: CENTERS FOR MEDICARE &amp; MEDICAID SERVICES</b>		1. TRANSMITTAL NUMBER:  17-0004	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:  July 1, 2017	
5. TYPE OF PLAN MATERIAL (Check One):  NEW STATE PLAN                      AMENDMENT TO BE CONSIDERED AS A 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: Social Security Act Title XIX, Sections 1902(a)(54), 1903(a), 1905(a)(12), 1927, 42 CFR 447		7. FEDERAL BUDGET IMPACT: a. FFY 2016-17: \$15,246 b. FFY 2017-18: \$446,540	
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:  Attachment 4.19-B -- Methods and Standard for Establishing Payment Rates -- Other Types of Care -- 12.a. Pharmaceutical Services (Pages 1-3 of 3)		9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable):  Attachment 4.19-B -- Methods and Standard for Establishing Payment Rates -- Other Types of Care -- Pharmaceutical Services (Pages 1-2 of 2) (TN 12-025)	
10. SUBJECT OF AMENDMENT: This Amendment reorganizes and revises the methods and standards for establishing payment rates for pharmaceutical services. The proposed State Plan Amendment modifies Attachment 4.19-B Methods and Standard for Establishing Payment Rates -- Other Types of Care: Pharmaceutical Services.			
11. GOVERNOR'S REVIEW (Check One):  GOVERNOR'S OFFICE REPORTED NO COMMENT <input checked="" type="checkbox"/> OTHER, AS SPECIFIED  COMMENTS OF GOVERNOR'S OFFICE ENCLOSED                      Governor's letter dated 15 January, 2015  NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL			
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: David DeNovellis	
13. TYPED NAME:  Gretchen Hammer			
14. TITLE:  Medicaid Director			
15. DATE SUBMITTED: <u>Initial: August 17, 2017</u> <u>Update #1: November 14, 2017</u>			
FOR REGIONAL OFFICE USE ONLY			
17. DATE RECEIVED  August 17, 2017		18. DATE APPROVED  November 13, 2017	
PLAN APPROVED -- ONE COPY ATTACHED			
19. EFFECTIVE DATE OF APPROVED MATERIAL  July 1, 2017		20. SIGNATURE OF REGIONAL OFFICIAL 	
21. TYPED NAME  Richard C. Allen		22. TITLE  ARA, DMCHO	
23. REMARKS			

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

STATE OF COLORADO

Attachment 4.19-B

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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 or submitted ingredient cost. If AAC is not available the allowed ingredient cost shall be the lesser of Wholesale Acquisition Cost (WAC) 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](http://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.
- 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.

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

STATE OF COLORADO

Attachment 4.19-B

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

- 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.
- 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 payment, with the exception of stiripentol for children if the coverage has been ordered by the child's physician, determined medically necessary by the Department of Human Services, and has been authorized for the specific child's use by the U.S. Food & Drug Administration. Investigational drugs are paid at invoice pricing which includes the cost of the drug, the international regulatory, shipping and handling fee.
- 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.

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

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Attachment 4.19-B

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

- 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.