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## **Table of Contents**

**State/Territory Name: Hawaii**

**State Plan Amendment (SPA) #: 19-0003**

This file contains the following documents in the order listed:

- 1) Approval letter
- 2) CMS 179
- 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**

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September 19, 2019

Dr. Judy Mohr Peterson  
Med-Quest Division Administrator  
P.O. Box 700190  
Kapolei, HI 96709-0190

Dear Dr. Judy Mohr Peterson:

We have reviewed Hawaii's State Plan Amendment (SPA) 19-0003 received in the San Francisco Regional Office on July 1, 2019. This SPA proposes to bring Hawaii into compliance with the pharmacy reimbursement requirements in the Covered Outpatient Drugs final rule with comment period (COD final rule) (CMS-2345-FC) (81 FR 5170) published on February 1, 2016.

Hawaii SPA 19-0003 establishes reimbursement for covered outpatient drugs using an actual acquisition cost methodology and a professional dispensing fee (PDF) reimbursement of \$10.76 for pharmacies. This SPA also includes reimbursement methods for 340B drugs, clotting factor, physician administered drugs, federal supply schedule, and drugs purchased at nominal price.

In keeping with the requirements of section 1902 (a)(30)(A) of the Social Security Act, we believe the state has demonstrated that their reimbursement rates are consistent with efficiency, economy, and quality of care, and are sufficient to ensure that care and services are available at least to the extent they are available to the general population in the geographic area. Therefore, we approve SPA 19-0003 with an effective date of June 1, 2019.

Specifically, Hawaii has reported to CMS that there are 278 actively licensed pharmacies in Hawaii and 260 of these are enrolled in Hawaii Medicaid. With a 93.5 percent participation rate, we can infer that Hawaii beneficiaries will have access to pharmacy services at least to the extent available to the general population since Medicaid requires that beneficiaries be provided access to all covered outpatient drugs of participating drug manufacturers through broad networks. Whereas commercial insurers often have more limited formularies and a more limited network of pharmacies.

A copy of the signed CMS-179 form, as well as the pages approved for incorporation into Hawaii's state plan, will be forwarded by the San Francisco Regional Office.

If you have any questions regarding this amendment, please contact Whitney Swears at (410) 786-6543 or [Whitney.Swears@cms.hhs.gov](mailto:Whitney.Swears@cms.hhs.gov).

Sincerely,

/s/

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

cc:

Edie Mayeshiro, Med-QUEST Program and Policy Development Office

Aileen Befitel, Med-QUEST Program and Policy Development Office

Jodeen Wai, Eligibility Program Specialist

Jeri Kiddo, Executive Assistant

Richard C. Allen, CMS, Director Western Regional Operations Group

Shante Shaw, CMS, Western Regional Office Representative

<b>TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL</b> <b>FOR: CENTERS FOR MEDICARE &amp; MEDICAID SERVICES</b>	1. TRANSMITTAL NUMBER 1 9 — 0003	2. STATE <b>Hawaii</b>
	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 <b>June 1, 2019</b>
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5. TYPE OF PLAN MATERIAL (Check One)

NEW STATE PLAN       AMENDMENT TO BE CONSIDERED AS NEW PLAN       AMENDMENT

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

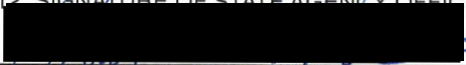
6. FEDERAL STATUTE/REGULATION CITATION <b>42 CFR 447.205</b>	7. FEDERAL BUDGET IMPACT a. FFY 2019 \$21,082.12 b. FFY 2020 \$21,082.12
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8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT <b>Attachment 4.19-B pages 6-8</b>	9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable) <b>Attachment 4.19-B 6-8</b>
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10. SUBJECT OF AMENDMENT  
**New payment methodology for outpatient drugs.**

11. GOVERNOR'S REVIEW (Check One)


GOVERNOR'S OFFICE REPORTED NO COMMENT       OTHER, AS SPECIFIED  
 COMMENTS OF GOVERNOR'S OFFICE ENCLOSED  
 NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

12. SIGNATURE OF STATE AGENCY OFFICIAL 	16. RETURN TO State of Hawaii Department of Human Services Office of the Director P.O. Box 339 Honolulu, Hawaii 96809-0339
13. TYPED NAME Judy Mohr Peterson, PhD	
14. TITLE Med-QUEST Administrator	
15. DATE SUBMITTED JUL - 1 2019	

**FOR REGIONAL OFFICE USE ONLY**

17. DATE RECEIVED July 01 2019	18. DATE APPROVED September 19, 2019
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**PLAN APPROVED - ONE COPY ATTACHED**

19. EFFECTIVE DATE OF APPROVED MATERIAL 1 June 2019	20. SIGNATURE 
21. TYPED NAME Richard C. Allen	22. TITLE Director, Western Regional Operations Group Center for Medicaid & CHIP Services Centers for Medicare & Medicaid Services

23. REMARKS

The payment to emergency room physician for the screening and assessment of a patient who receives non-emergency care in the emergency room shall not exceed the payment for a problem focused history, examination, and straight forward medical decision making.

- (r) The upper limits on payment for all non-institutional items and services shall be established by the department in accordance with section 346-59, HRS, and other applicable state statutes.

3. PAYMENT FOR COVERED OUTPATIENT DRUGS AND PROFESSIONAL DISPENSING FEES

a. Payment for covered outpatient drugs:

1. Payment for ingredient cost of prescription and covered outpatient drugs:

- A. For single source drugs, reimbursement shall be the lowest of:
- i. The submitted ingredient cost, plus a professional dispensing fee;
  - ii. The provider's usual and customary charge to the general public;
  - iii. The Wholesale Acquisition Cost (WAC), plus a professional dispensing fee; or
  - iv. The National Average Drug Acquisition Cost (NADAC), plus a professional dispensing fee.
- B. For multiple source drugs, reimbursement shall be the lowest of:
- i. The submitted ingredient cost, plus a professional dispensing fee;
  - ii. The provider's usual and customary charge to the general public;
  - iii. WAC, plus a professional dispensing fee;
  - iv. Federal Upper Limit (FUL) price, plus a professional dispensing fee;
  - v. The State Maximum Allowable Cost (SMAC), plus a professional dispensing fee; or
  - vi. The NADAC, plus a professional dispensing fee.
- C. 340B-purchased drugs shall be reimbursed at the 340B submitted ingredient cost but no more than the 340B Ceiling Price, plus a professional dispensing fee.
- i. Drugs acquired through the federal 340B drug pricing program and dispensed by 340B contract pharmacies are not covered unless the 340B contract pharmacy requests in writing and receives approval from the state to use these drugs for Medicaid beneficiaries.
- D. For clotting factor, reimbursement shall be the lowest of:
- i. The submitted ingredient cost, plus a professional dispensing fee;
  - ii. The provider's usual and customary charge to the general public;
  - iii. WAC, plus a professional dispensing fee;
  - iv. FUL price, plus a professional dispensing fee;
  - v. SMAC, plus a professional dispensing fee; or
  - vi. The NADAC, plus a professional dispensing fee.

TN No.	<u>19-0003</u>	Approval Date:	<u>9/19/19</u>	Effective Date:	<u>06/01/19</u>
Supersedes	<u>11-008</u>				
TN No.	<u>11-008</u>		<u>6</u>		

- E. For physician administered drugs, reimbursement shall be the lowest of:
  - i. The submitted ingredient cost;
  - ii. The provider's usual and customary charge to the general public;
  - iii. WAC;
  - iv. FUL price;
  - v. SMAC; or
  - vi. The NADAC.
  
- F. For drugs not dispensed by a retail community pharmacy (Such as specialty drugs, primarily through the mail, or in a long-term care facility), reimbursement shall be the lowest of:
  - i. The submitted ingredient cost, plus a professional dispensing fee;
  - ii. The provider's usual and customary charge to the general public;
  - iii. WAC, plus a professional dispensing fee;
  - iv. FUL price, plus a professional dispensing fee;
  - v. SMAC, plus a professional dispensing fee; or
  - vi. The NADAC, plus a professional dispensing fee.
  
- G. Federal Supply Schedule (FSS) purchased drugs will be reimbursed at their actual acquisition cost, plus a professional dispensing fee.
  
- H. Drugs acquired at nominal price (outside of 340B or FSS) will be reimbursed at their actual acquisition cost, plus a professional dispensing fee.
  
- I. Experimental drugs and drugs not approved by the United States Food and Drug Administration are not covered.

2. Payment of professional dispensing fees for prescription drugs dispensed by a licensed pharmacy:
  - A. \$10.76 per prescription;
  - B. The dispensing fee for any maintenance or chronic medication shall be extended only once per thirty days without medical authorization from the medical assistance program. Other appropriate limits regarding the number of dispensing fees paid per interval of time shall be determined as necessary by the medical assistance program.