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State/Territory Name: Idaho

State Plan Amendment (SPA) #: 11-013

This file contains the following documents in the order listed:

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S2-14-26
Baltimore, Maryland 21244-1850

CMS
CENTERS for MEDICARE & MEDICAID SERVICES

Center for Medicaid and CHIP Services
Disabled and Elderly Health Programs Group

MAR 1 9 2012

Mr. Paul J. Leary
Administrator
Idaho Department of Health and Welfare
P.O. Box 83720
Boise, Idaho 83720-0036

Dear Mr. Leary:

We have reviewed Idaho State Plan Amendment (SPA) 11-013, Prescribed Drugs, received in the Regional Office on September 26, 2011. This amendment proposes to change pharmacy reimbursement to the Average Actual Acquisition Cost (AAAC) by obtaining cost information through a pharmacy survey process. This SPA also proposes to change the dispensing fee by using a tiered dispensing fee structure. We are pleased to inform you that the amendment is approved, effective September 28, 2011.

A copy of the pages approved for incorporation into the Idaho State Plan will be forwarded by the Seattle Regional Office. If you have any questions regarding this request, please contact Lisa Ferrandi at (410) 786-5445.

Sincerely,

[redacted]

Larry Reed
Director
Division of Pharmacy

cc: Leslie M. Clement, Deputy Director, Idaho Department of Health and Welfare
Carol Peverly, ARA, Seattle Regional Office
Maria Garza, Seattle Regional Office

DEPARTMENT OF HEALTH AND HUMAN SERVICES
HEALTH CARE FINANCING ADMINISTRATION

FORM APPROVED
OMB NO. 0938-0193

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL

FOR: HEALTH CARE FINANCING ADMINISTRATION

1. TRANSMITTAL NUMBER: **11-013**

2. STATE: **IDAHO**

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)

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

4. PROPOSED EFFECTIVE DATE
September 28, 2011

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:
42 CFR 447.201

7. FEDERAL BUDGET IMPACT:
Total ($) Federal Funds
FFY 2011 ($1,248,971)
FFY 2012 ($14,987,655)

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:
Attachment 4.19-B. page 22a.

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)*:
Attachment 4.9-B. page 22a.

10. SUBJECT OF AMENDMENT:
Idaho Medicaid is changing Pharmacy reimbursement to the Average Actual Acquisition Cost (AAAC), by obtaining cost information through a pharmacy survey process. Idaho Medicaid is also changing the dispensing fee by using a tiered dispensing fee. (P&I)

11. GOVERNOR'S REVIEW *(Check One)*:
☒ GOVERNOR'S OFFICE REPORTED NO COMMENT
☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL
☐ OTHER, AS SPECIFIED:

12. SIGNATURE OF STATE AGENCY OFFICIAL:
[redacted]

13. TYPED NAME:
Leslie M. Clement

14. TITLE:
Deputy Director

15. DATE SUBMITTED: 9/26/11

16. RETURN TO:
Paul Leary, Administrator
Idaho Department of Health and Welfare
Division of Medicaid
PO Box 83720
Boise ID 83720-0036

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED: September 26, 2011

18. DATE APPROVED: MAR 19 2012

PLAN APPROVED – ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL: SEP 28 2011

20. SIGNATURE OF REGIONAL OFFICIAL:
[redacted]

21. TYPED NAME: Carol J.C. Peverly

22. TITLE:
Associate Regional Administrator
Division of Medicaid &
Children's Health

23. REMARKS:

10/3/11 State authorizes P&I change to Box 10.

FORM HCFA-179 (07-92)

12. a. Prescription Drugs:

i. Reimbursement is restricted to those drugs supplied from labelers that are participating in the CMS Medicaid Drug Rebate Program.

ii. Reimbursement for all covered drugs shall be limited to the lowest of the following:
   a) Federal Upper Limit (FUL) as established by CMS, plus the dispensing fee assigned by the Department
   b) State Maximum Allowable Cost (SMAC) as established by the Department, plus the assigned dispensing fee.
   c) Estimated Acquisition cost (EAC)
      i) Defined as the Average Actual Acquisition Cost (AAAC) plus the assigned dispensing fee.
      ii) In cases where no AAAC is available, EAC will be Wholesale Acquisition Cost (WAC). WAC shall mean the price, paid by a wholesaler for the drugs purchased from the wholesaler's supplier typically the manufacturer of the drug as published by a recognized compendium of drug pricing on the last day of the calendar quarter that corresponds to the calendar quarter.
   d) The provider's usual and customary charge to the general public.

iii. Dispensing Fee:

The dispensing fee shall be established by the results of surveys of pharmacies and dispensing rates paid to other payers. The dispensing fee structure will be tiered, with the tiers based on total annual claims volume. The claims volume surveys are due to the Department no later than May 31. Pharmacy providers who do not complete the survey will be assigned the lowest dispensing fee until the next annual survey starting on July 1. Based upon the annual volume of the enrolled pharmacy, the dispensing fee will be as follows:

- Less then 39,999 claims a year = $15.11
- Between 40,000 and 69,999 claims per year = $12.35
- 70,000 or more claims per year = $11.51

iv. Supplemental Rebate Agreement:

Based on the requirements in Section 1927 of the Act, the state has the following policies for the supplemental drug rebate program for Medicaid participants.

   a) The model rebate agreement between the state and drug manufacturers for drugs provided to Medicaid participants, submitted to CMS on April 23, 2004 and entitled "Supplemental Rebate Agreement "has been authorized by CMS.
   b) The model rebate agreement between the state and drug manufacturers for drugs provided to Medicaid participants, submitted to CMS on February 27, 2004 and entitled "Merck Agreement" has been authorized by CMS.
   c) Supplemental drug rebates received by the state in excess of those required under the national drug rebate agreement will be shared with the Federal government on the same percentage basis as applied under the national drug rebate agreement.
   d) Manufacturers are allowed to audit utilization rates.
   e) The unit rebate amount is confidential and cannot be disclosed for purposes other than rebate invoicing and verification, in accordance with 1927 (b)(3)(D).
   f) Payment of a supplemental rebate may not exempt a drug from prior authorization. It is one factor but is secondary to considerations of the safety, effectiveness, and clinical outcomes of the drug in comparison with other therapeutically interchangeable alternative drugs, and the net