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State/Territory Name: Tennessee

State Plan Amendment (SPA) #: 14-002

This file contains the following documents in the order listed:

- 1) RO Follow-Up Approval Letter
- 2) Pharmacy Approval Letter
- 3) CMS 179 Form
- 4) Approved SPA Pages

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
Atlanta Regional Office
61 Forsyth Street, Suite 4T20
Atlanta, Georgia 30303



DIVISION OF MEDICAID & CHILDREN'S HEALTH OPERATIONS

November 10, 2014

Mr. Darin Gordon, Director
Bureau of TennCare
310 Great Circle Road
Nashville, TN 37243

Re: Tennessee State Plan Amendment 14-002

Dear Mr. Gordon:

This is to affirm approval of the above referenced State Plan Amendment which was submitted to the Regional Office on August 22, 2014. The State's requested effective date of July 1, 2014 has been accepted.

Enclosed for your records are:

1. a copy of the approval letter dated November 7, 2014 that was submitted to the State by John M. Coster, Director, Division of Pharmacy;
2. the original signed 179; and
3. the approved plan page.

If you have any additional questions regarding this amendment, please contact Kenni Howard, State Coordinator for Tennessee, at 404-562-7413.

Sincerely,

//s//

Jackie Glaze
Associate Regional Administrator
Division of Medicaid & Children's Health Operations

Enclosure(s)

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



Disabled & Elderly Health Programs Group

November 7, 2014

Darin J. Gordon
Director
Bureau of TennCare
Tennessee Department of Finance and Administration
310 Great Circle Road
Nashville, TN 37243

Attention: Jonathan Reeve

Dear Mr. Gordon:

We have reviewed Tennessee State Plan Amendment (SPA) 14-002, Prescribed Drugs, received in the Atlanta Regional Office on August 22, 2014. This amendment proposes to revise the methodology for establishing payment rates for covered outpatient drugs by adding Average Wholesale Price (AWP) minus 15% as the reimbursement rate for brand-name drugs while maintaining the AWP minus 13% as the reimbursement rate for generic drugs.

Based on the information provided, we are pleased to inform you that SPA 14-002 is approved with an effective date of July 1, 2014. A copy of the signed CMS-179 form, as well as the pages approved for incorporation into the Tennessee state plan will be forwarded by the Atlanta Regional Office.

If you have any questions regarding this SPA, please contact Wendy Tuttle at (410) 786-8690.

Sincerely,

\s\

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

cc: Jackie Glaze, ARA, Atlanta Regional Office
Kenni Howard, Atlanta Regional Office
Jonathan Reeve, Bureau of TennCare

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL
FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES**

1. TRANSMITTAL NUMBER:
14-002

2. STATE
TENNESSEE

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, 2014

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, Part 447, Subpart I.

7. FEDERAL BUDGET IMPACT:

a. FFY 2014 (\$2,546,310)

b. FFY 2015 (\$10,138,440)

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Attachment 4.19B, Item 12.a., page 1 of 3.

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION
OR ATTACHMENT (If Applicable)

Attachment 4.19B, Item 12.a., page 1 of 3.

10. SUBJECT OF AMENDMENT:

Methods and Standards for Establishing Payment Rates – Other Types of Care – Prescribed 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:
//s//

13. TYPED NAME: Darin J. Gordon

14. TITLE: Director, Bureau of TennCare

15. DATE SUBMITTED:

16. RETURN TO:

Tennessee Department of Finance and Administration

Bureau of TennCare

310 Great Circle Road

Nashville, Tennessee 37243

Attention: Jonathan Reeve

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:
08/22/14

18. DATE APPROVED: 11/07/14

PLAN APPROVED – ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:
07/01/14

20. SIGNATURE OF REGIONAL OFFICIAL:
//s//

21. TYPED NAME:
Jackie Glaze

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

23. REMARKS:

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

STATE TENNESSEE

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

12. Prescribed drugs, dentures, and prosthetic devices, and eyeglasses prescribed by a physician skilled in diseases of the eye or by an optometrist.

12.a. Prescribed Drugs

(1) Payments for legend drugs authorized under the program may be made through a contract with one or more pharmacy benefits vendors or directly participating pharmacies. Payments shall include:

(a) Payments for the cost of legend drugs, and non-legend product authorized under the program, will be in conformity with 42 CFR 447.512 and will be the lesser of:

TennCare Pharmacy Network –Participation in this network will include pharmacies that sign network contracts with the PBM that are specific to TennCare. This will include both the ambulatory and specialty pharmacy contracts.

- i. Average Wholesale Price (AWP) minus 15% for brand-name drugs and AWP minus 13% for generic drugs, as described by an industry-recognized resource such as Medi-Span or First Data Bank (FOB), plus the dispensing fee; or
- ii. Maximum allowable cost (MAC) as published by TennCare or TennCare's Prescription Benefits Vendor, plus the dispensing fee; or
- iii. The federal upper limit of the drug, if any, plus the dispensing fee; or
- iv. The pharmacy providers' usual and customary charges to the cash-paying public; or
- v. The Specialty Pharmacy rates will be set by a survey of competitive rates in an open network environment. The survey can/will include both current bids sent to specialty pharmacies for new business and any publically available information.