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State/Territory Name: Texas

State Plan Amendment (SPA) #: 11-27 Pharm

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) CMS 179 Form
- 3) Superseding Page Listing
- 4) Approved SPA Page

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S2-26-12
Baltimore, Maryland 21244-1850



Center for Medicaid and CHIP Services

Disabled and Elderly Health Programs Group

January 20, 2012

Billy R. Millwee
State Medicaid Director
PO Box 13247, MC: H-100
Austin, TX 78711-5200

RECEIVED

FEB 20 2012

**OFFICE OF THE STATE
MEDICAID DIRECTOR**

Dear Mr. Millwee:

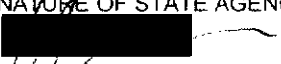
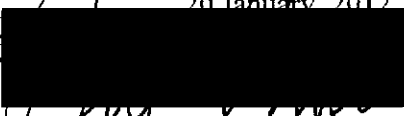
We have reviewed Texas State Plan Amendment (SPA) 11-027 received in the Dallas Regional Office on July 15, 2011. This amendment implements a rate reduction to the fixed component of the dispensing fee paid to Medicaid pharmacy providers. It reduces the dispensing fee from \$7.35 to \$6.50. We are pleased to inform you that the amendment is approved, effective September 1, 2011.

A copy of the pages approved for incorporation into the Texas' State Plan will be forwarded by the Dallas Regional Office. If you have any questions regarding this request, please contact Angel Davis at (410) 786-4693.

Sincerely,

Larry Reed
Director
Division of Pharmacy

cc: Bill Brooks, ARA DMCHO, Dallas Regional Office
Billy Bob Farrell, Dallas Regional Office
Cheryl Rupley, Dallas Regional Office

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES		1. TRANSMITTAL NUMBER: 11-027	2. STATE: TEXAS
		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: September 1, 2011	
5. TYPE OF PLAN MATERIAL (Circle One): <input type="checkbox"/> COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment) <input type="checkbox"/> AMENDMENT TO BE CONSIDERED AS NEW PLAN <input checked="" type="checkbox"/> AMENDMENT			
6. FEDERAL STATUTE/REGULATION CITATION: Title XIX, Section 1927 (e), of the Social Security Act, as amended; 42 CFR §§ 440.120 and 447.500 et seq.		7. FEDERAL BUDGET IMPACT: SEE ATTACHMENT a. FFY 2011 \$ (1,501,626) b. FFY 2012 \$(16,580,952) c. FFY 2013 \$(17,011,733)	
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: SEE ATTACHMENT TO BLOCKS 8 & 9		9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable): SEE ATTACHMENT TO BLOCKS 8 & 9	
10. SUBJECT OF AMENDMENT: The proposed amendment implements a rate reduction applied to the fixed component of the dispensing fee paid to Medicaid pharmacy providers.			
11. GOVERNOR'S REVIEW (Check One): <input type="checkbox"/> GOVERNOR'S OFFICE REPORTED NO COMMENT <input type="checkbox"/> COMMENTS OF GOVERNOR'S OFFICE ENCLOSED <input type="checkbox"/> NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL <input checked="" type="checkbox"/> OTHER, AS SPECIFIED: Sent to Governor's Office this date. Comments, if any, will be forwarded upon receipt.			
12. SIGNATURE OF STATE AGENCY OFFICIAL: 		16. RETURN TO: Billy R. Millwee State Medicaid Director Post Office Box 13247 MC: H-100 Austin, Texas 78711-5200	
13. TYPED NAME: Billy R. Millwee			
14. TITLE: State Medicaid Director			
15. DATE SUBMITTED July 15, 2011			
FOR REGIONAL OFFICE USE ONLY			
17. DATE RECEIVED: 15 July, 2011		18. DATE APPROVED: 20 January, 2012	
PLAN APPROVED - ONE COPY			
19. EFFECTIVE DATE OF APPROVED MATERIAL: 1 September, 2011		20. SIGNATURE: 	
21. TYPED NAME: Bill Brooks		22. TITLE: Associate Regional Administrator Division of Medicaid & Children's Health	
23. REMARKS:			

Attachment to Blocks 8 & 9 of CMS Form 179

Transmittal Number 11-027

**Number of the
Plan Section or Attachment**

Attachment 4.19-B
Page 2b

**Number of the Superseded
Plan Section or Attachment**

Attachment 4.19-B
Page 2b (TN 10-078)

Reimbursement Methodology for the Pharmacy Dispensing Fee

I. General

The upper limit for payment for prescribed drugs, whether legend or nonlegend items, will be based on the lower of cost, as defined by the Texas Health and Human Services Commission (HHSC) or its designee, plus a dispensing fee, as defined and determined by HHSC or its designee, or the usual and customary charge. Where a public agency makes bulk purchases of drugs, payment will be made in accordance with the governmental statutes and regulations governing such purchases in accordance with the agreement between such public agency and HHSC or its designee. These provisions do not apply to payment for drugs in hospitals and other institutions where drugs are included in the reimbursement formula and vendor payment to the institution.

HHSC or its designee will advise the Centers for Medicare & Medicaid Services (CMS) in writing of the uniform, reasonable dispensing fee, which will be used to establish how the state is in compliance with the upper limit, as specified in the regulations and as determined by the methodology described in this plan. Such notice will specify the time period for which it is effective.

II. Reimbursement Methodology

HHSC or its designee reimburses contracted Medicaid pharmacy providers according to the dispensing fee formula defined in this section. The dispensing fee is determined by the following formula: Dispensing Fee = ((Estimated Acquisition Cost + Fixed Component) divided by (1 - the percentage used to calculate the Variable Component)) - Estimated Acquisition Cost) + Delivery Incentive + Preferred Generic Incentive.

A. Drug Ingredient Cost

The estimated acquisition costs are defined in Section IIC (Legend and Nonlegend Medications) and IID (Texas Maximum Allowable Cost).

B. Dispensing Fee Determination

- (1) The fixed component is \$6.50.
- (2) The variable component is 1.96%.
- (3) The total dispensing fee shall not exceed \$200 per prescription.

STATE	<u>Texas</u>	A
DATE RECD	<u>7-15-2011</u>	
DATE APPVD	<u>1-20-2012</u>	
DATE EFF	<u>9-1-2011</u>	
HCFA 179	<u>11-27</u>	