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State/Territory Name: Washington

State Plan Amendment (SPA) #: 14-0038

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) Additional Companion Letter
- 3) CMS 179 Form/Summary Form (with 179-like data)
- 4) Approved SPA Pages

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
Seattle Regional Office
701 Fifth Avenue, Suite 1600, MS/RX-200
Seattle, Washington 98104



Division of Medicaid & Children's Health Operations

Dorothy Frost Teeter, Director
MaryAnne Lindeblad, Medicaid Director
Health Care Authority
Post Office Box 45502
Olympia, Washington 98504-5010

MAR 04 2015

RE: Washington State Plan Amendment (SPA) Transmittal Number 14-0038

Dear Ms. Teeter and Ms. Lindeblad:

The Centers for Medicare & Medicaid Services (CMS) Seattle Regional Office has completed its review of State Plan Amendment (SPA) Transmittal Number WA 14-0038. This SPA updated the effective dates of rates paid for Physician services.

This SPA is approved with an effective date of October 2, 2014.

If you have any additional questions or require any further assistance, please contact me, or have your staff contact James Moreth at (360) 943-0469 or James.Moreth@cms.hhs.gov.

Sincerely,

A black rectangular redaction box covering the signature of Frank A. Schneider.

Frank A. Schneider
Acting Associate Regional Administrator
Division of Medicaid and Children's Health
Operations

Ann Myers, SPA Coordinator



Division of Medicaid & Children's Health Operations

Dorothy Frost Teeter, Director
MaryAnne Lindeblad, Medicaid Director
Health Care Authority
Post Office Box 45502
Olympia, Washington 98504-5010

MAR 04 2015

RE: Washington State Plan Amendment (SPA) Transmittal Number WA 14-0038

Dear Ms. Teeter and Ms. Lindeblad:

This letter is being sent as a companion to the Centers for Medicare & Medicaid (CMS) approval of Washington State Plan Amendment (SPA) Transmittal Number 14-0038, which updates the effective date of the rates paid for physician –related services. This amendment was submitted on December 28, 2014, with an effective date of October 1, 2014.

Regulations at 42 Code of Federal Regulations (CFR) 430.10 require that the State plan be a comprehensive written statement describing the nature and scope of the State's Medicaid program and that it contain all information necessary for CMS to determine whether the plan can be approved to serve as the basis for Federal Financial Participation (FFP) in the State program. The CMS' analysis determined that additional changes are needed in the Washington Medicaid State plan related to the coverage and reimbursement of the pharmacy benefits as specified below.

Attachment 4.19-B, page 6, III, C.



1. The plan page indicates that the reimbursement methodology for drugs administered in the provider's office is based on a percentage of Average Wholesale Price (AWP) as determined by Medicare. Provided that the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (MMA) replaced Medicare's AWP reimbursement methodology with Average Sales Price (ASP), please explain the current reimbursement methodology for drugs administered in the provider's office. We note that under the pharmacy services section, the 4th bullet on Supplement A to Attachment 4.19-B, Page 2, III, B indicates that the current EAC percentage is 100% of certified AWP for infusion, injectable and inhalation drugs with certified AWP, please explain if there is any correlation between the reimbursement methodology referenced in the pharmacy services section and the reimbursement methodology referenced in the physician services section. Please also explain the meaning of the terms "certified AWP". Additionally, please explain whether the state pays an administrative fee to providers for drugs administered in the provider's office.

2. As covered outpatient drugs administered in the provider's office are eligible for Medicaid coverage under the Medicaid Drug Rebate program in accordance with Section 1927(k) of the Social Security Act, please move the sentence regarding the reimbursement methodology for drugs administered in physician's offices from the physician services section to the pharmacy services section of Attachment 4.19-B or advise if the reimbursement methodology for drugs administered in physician's offices is already specified in pharmacy services. Additionally, please explain whether the state is currently collecting Medicaid rebates for covered outpatient drugs administered in physician's offices.

The State has 90 days from the date of this letter to respond to the issues described above. Within that period the State may submit a SPA to address the inconsistencies and/or submit a corrective action plan describing in detail how the State will resolve the issues identified above in a timely manner. Failure to respond will result in the initiation of a formal compliance process. During the 90 days, CMS will provide technical assistance, as needed or required.

If you have questions concerning this letter, please contact me, or have your staff contact James Moreth at (360) 943-0469 or James.Moreth@cms.hhs.gov.

Sincerely,



Frank A. Schneider
Acting Associate Regional Administrator
Division of Medicaid and Children's Health
Operations

cc:

Charles Agte, Fee-for-Service Pharmacy Administrator, charles.agte@hca.wa.gov

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL**

1. TRANSMITTAL NUMBER:
14-0038

2. STATE
Washington

FOR: HEALTH CARE FINANCING ADMINISTRATION

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
~~October 1, 2014~~ Oct. 2, 2014 P&I

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:
1905a of the Social Security Act

7. FEDERAL BUDGET IMPACT:
a. FFY 2014 \$0
b. FFY 2015 \$0

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Att. 4.19-B page 6

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

Att. 4.19-B page 6

10. SUBJECT OF AMENDMENT:

Effective Date for Rates for Physicians' Services

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: Exempt

12. SIGNATURE OF STATE AGENCY OFFICIAL:

13. TYPED NAME:
MARYANNE LINDEBLAD

14. TITLE:
MEDICAID DIRECTOR

15. DATE SUBMITTED: 12/08/14

16. RETURN TO:

Ann Myers
Office of Rules and Publications
Legal and Administrative Services
Health Care Authority
626 8th Ave SE MS: 42716
Olympia, WA 98504-2716

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED: 12/08/14

18. DATE APPROVED: 03/04/2015

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:
10/02/2014

20. SIGNATURE OF REGIONAL OFFICIAL:

21. TYPED NAME:
Frank Schneider

22. TITLE: Acting Associate Regional Administrator
Division of Medicaid and Children's Health Operations

23. REMARKS:

12/31/14: State authorizes P&I change to box 4

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
STATE: WASHINGTON

III. Physician Services

- A. For physician services, the agency pays the lesser of the usual and customary charge or a fee based on a published agency fee schedule. The usual and customary charge is the fee charged by a physician to his/her patients.

The agency's rates were set as of October 2, 2014, and are effective for dates of services on or after that date. All rates are published on the agency's website.

Except as otherwise noted in the plan, state-developed fee schedule rates are the same for both governmental and private providers of physician services and the fee schedule is published on the agency's website at <http://www.hca.wa.gov/medicaid/rbrvs/Pages/index.aspx>.

- B. Maximum allowable fees are established and updated using the Resource Based Relative Value Scale (RBRVS) methodology as adopted in the Medicare Fee Schedule Data Base (MFSDB).

The MFSDB relative value units (RVU) are geographically adjusted each year by the statewide average Geographic Practice Cost Indices (GPCI) for Washington State as published annually in the Federal Register. The adjusted RVU are multiplied by a service-specific conversion factor to derive a fee for each procedure.

The agency currently has unique conversion factors for Children's primary health care services, including office visits and EPSDT screens; Adult primary health care, including office visits; Maternity services, including antepartum care, deliveries, and postpartum care; Anesthesia services; Laboratory services; Radiological services; Surgical services; Consultations; etc. The agency establishes budget neutrality each year when determining its conversion factors, then updates the conversion factors by any increase or decrease mandated by the Legislature.

- C. When no MFSDB RVU exists, the agency may apply a set fee to the procedure or determine payment based on documentation by the provider. The agency determines a set fee for drugs administered in the provider's office based on a percentage of the Average Wholesale Price (AWP) as determined by Medicare. The agency determines a set fee for those professional procedures without an assigned RVU by either assigning a proxy RVU based on similar procedures, or by reviewing the medical documentation of the procedure and paying a percentage of the provider's usual and customary charge. Those procedures without RVU's are updated annually with publication of the MFSDB RVU in the Federal Register.