Table of Contents

State/Territory Name: Arizona

State Plan Amendment (SPA)#: 24-0012

This file contains the following documents in the order listed below:

1) Approval Letter
2) CMS 179 Form
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

Medicaid Benefits and Health Programs Group

December 19, 2024

Kyle Sawyer, Assistant Director
Public Policy and Strategic Planning
801 E. Jefferson St., MD #4200
Phoenix, AZ 85034

Dear Kyle Sawyer:

We have reviewed Arizona's State Plan Amendment (SPA) 24-0012 received in the Centers for Medicare and Medicaid Services (CMS) OneMAC application on September 27, 2024. This SPA amends the State plan to update Physician Administered Drug (PAD) reimbursement rates.

Based on the information provided and consistent with the regulations at 42 CFR 430.20, we are pleased to inform you that Arizona SPA 24-0012 is approved with an effective date of July 1, 2024.

We are attaching a copy of the signed CMS-179 form, as well as the page approved for incorporation into Arizona's state plan. If you have any questions regarding this amendment, please contact Whitney Swears at 410-786-6543 or via email at Whitney.Swears@cms.hhs.gov.

Sincerely,

[redacted]

Cynthia R. Denemark
Director
Division of Pharmacy

cc: Maxwell Seifer, Arizona Health Care Cost Containment System
Suzanne Berman, Arizona Health Care Cost Containment System
Ruben Soliz, Arizona Health Care Cost Containment System
Brian Zolynas, CMS, Medicaid and CHIP Operations Group

DEPARTMENT OF HEALTH ANDHUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

FORM APPROVED
OMB No. 0938-0193

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL

FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES

1. TRANSMITTAL NUMBER: 24 – 0012

2. STATE: AZ

3. PROGRAM IDENTIFICATION: TITLE 19 OF THE SOCIAL SECURITY ACT

TO: CENTER DIRECTOR
CENTERS FOR MEDICAID & CHIP SERVICES
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE
July 1, 2024

5. FEDERAL STATUTE/REGULATION CITATION
42 CFR Part 447

6. FEDERAL BUDGET IMPACT (Amounts in WHOLE dollars)
a. **FFY: 2025** **$ 129,600**
b. **FFY: 2026** **$ 129,600**

7. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT

Attachment 4.19-B, page 2(b)

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 PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)*

Attachment 4.19-B, page 2(b)

9. SUBJECT OF AMENDMENT

Updates the state plan Physician Administered Drugs (PAD) rates, effective July 1, 2024.

10. GOVERNOR'S REVIEW *(Check One)*

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

11. SIGNATURE OF STATE AGENCY OFFICIAL

[redacted]

15. RETURN TO

Kyle Sawyer
801 E. Jefferson St., MD #4200
Phoenix, AZ 85034

12. TYPED NAME
Kyle Sawyer

13. TITLE

Assistant Director, Public Policy and Strategic Planning

14. DATE SUBMITTED: September 27, 2024

FOR CMS USE ONLY

16. DATE RECEIVED
September 27, 2024

17. DATE APPROVED
December 19, 2024

PLAN APPROVED - ONE COPY ATTACHED

18. EFFECTIVE DATE OF APPROVED MATERIAL
July 1, 2024

19. [redacted]AL

20. TYPED NAME OF APPROVING OFFICIAL
Cynthia R. Denemark

21. TITLE OF APPROVING OFFICIAL
Director, Division of Pharmacy

22. REMARKS

State: ARIZONA
METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
OTHER TYPES OF CARE

Physician Administered Drugs will be reimbursed using the following methodology:

1. Physician billing:
Effective for claims with dates of service July 1, 2024, and after: Pricing for provider administered CMS covered outpatient drugs as listed on the AHCCCS Physician Administered Drug fee schedule shall be updated quarterly and following the methodology outlined below. At the discretion of AHCCCS, pricing may be updated outside of the quarterly updates in accordance with the below methodology. Medically necessary CMS covered outpatient drugs that are administered or provided by an AHCCCS registered provider shall be reimbursed as follows:
    a. CMS covered outpatient drugs on the Medicare Part B Average Sales Price (ASP) file, shall be reimbursed at 100% of the ASP file rate.
        i. Medicare Part B ASP correction files issued in the middle of a quarter shall be updated as appropriate and within the same quarter.
    b. For Multisource and Single source CMS covered outpatient drugs that are not listed on the Medicare Part B ASP file and the product has a corresponding HCPCS code, AHCCCS pricing methodology is as follows:
        i. For a HCPCS code containing only a Single Source drug, the HCPCS code price shall equal the lowest Wholesale Acquisition Cost (WAC) for the National Drug Code (NDC) corresponding to the description of the HCPCS code.
        ii. For a HCPCS code that includes the brand and Multi Source drugs, the HCPCS code pricing shall be equal to the lesser of the median WAC of all the generic forms of the drug or the lowest Average Wholesale Price (AWP) of the NDC of the brand name product corresponding to the description of the drug code.
        iii. For a HCPCS code that includes only Multi Source drugs, the HCPCS code pricing shall be equal to the median WAC of all the generic forms of the drug.
    c. For Radiopharmaceuticals that are not priced at either of the methodologies above, AHCCCS will pay 100% of the rate listed by the CMS Medicare Administrator Contractor.
    d. Only drugs that are safe to be administered and are not beyond their expiration date are covered.
    e. Only drugs with an NDC by a rebate participating labeler are covered.

    High-cost provider and self-administered medications, eligible under the reinsurance program, shall be reimbursed at the actual acquisition cost of the product in accordance with the reinsurance reimbursement guidelines.

    For medications that do not fall into one of the above reimbursement methodologies, for example, a compounded drug that does not have an assigned NDC code, AWP, or a WAC, AHCCCS shall reimburse the product based on the WAC cost for the quantity and NDC of each ingredient. If there is not a corresponding price available, AHCCCS will provide reimbursement based on the invoice price. Rebateable NDCs used to compound a prescriptive product shall be submitted for rebate collection under the CMS Federal Rebate Program.

2. For Outpatient Hospital billing:
For all drugs that are priced on the Medicare Outpatient Prospective Payment System fee schedule, AHCCCS sets its FFS rates as 80% of the Medicare OPPS rate. For drugs that are not priced on the Medicare Outpatient Prospective Payment System fee schedule, AHCCCS sets its FFS rates equal to the FFS rates for physician billing.
3. For Ambulatory Surgery Center billing:
For all drugs that are priced on the Medicare Ambulatory Surgery Center Fee Schedule, AHCCCS sets its FFS rates as 95% of the Medicare ASC Fee Schedule rate.
4. Long Acting Reversible Contraceptives (LARCs):
Effective for claims with dates of service January 1, 2023, and after, the reimbursement of Food and Drug Administration (FDA)-approved Long-Acting Reversible Contraceptives (LARCs), including intrauterine devices (IUDs) and contraceptive implants, will be reimbursed at the Wholesale Acquisition Cost. LARC reimbursement rates will be updated on the first day of each quarter and remain unchanged throughout that respective quarter.
5. Investigational/Experimental drugs are not reimbursed by AHCCCS.
6. AHCCCS will meet the reimbursement requirements of the Federal Upper Payment Limit (FUL) defined drugs in the aggregate by reviewing that the NADAC does not exceed the FUL levels.
7. Select prescribed drugs that do not meet the definition of covered outpatient drugs will be reimbursed at the same rate as covered outpatient drugs.