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State/Territory Name: Colorado

State Plan Amendment (SPA)#: CO-25-0038

This file contains the following documents in the order listed

- 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



Center for Medicaid and CHIP Services

Medical Benefits Health Programs Group

February 5, 2026

Adela Flores-Brennan
Medicaid Director
CO Dept of Health Care Policy and Financing
303 E. 17th Avenue, Suite 1100
Denver, CO 80203-1818

Dear Director Flores-Brennan,

The CMS Division of Pharmacy team has reviewed Colorado State Plan Amendment (SPA) 25-0038 received in the CMS Medicaid Services OneMAC application on December 11, 2025. This SPA proposes to revise the reimbursement rates on the state's Pharmacy State Plan pages. The change incorporates maximum allowable cost (MAC) into the lesser-of reimbursement methodology. Additionally, the reimbursement rate for the lowest two professional dispensing fee tiers (pharmacies with the highest annual prescription volume) will be adjusted from \$10.25 to \$9.93 and \$9.31 to \$8.72.

In keeping with the requirements of section 1902 (a)(30)(A) of the Social Security Act, we believe the state has demonstrated that their reimbursement is consistent with efficiency, economy, and quality of care, and are sufficient to ensure that care and services are available to Medicaid beneficiaries at least to the extent they are available to the general population in the geographic area. We believe that there is evidence regarding the sufficiency of Colorado's pharmacy provider network at this time to approve SPA 25-0038. Specifically, Colorado has reported to CMS that there are 1,214 active pharmacies in the state with 1,093 pharmacies enrolled in Colorado's Medicaid program. With a 90 percent participation rate, we can infer that Colorado's beneficiaries will have access to pharmacy services at least to the extent available to the general population since Medicaid requires that beneficiaries be provided access to all covered outpatient drugs of participating drug manufacturers with a rebate agreement through a broad pharmacy network. In contrast, commercial insurers often have more limited drug formularies and a more limited pharmacy network.

Based on the information provided and consistent with the regulations at 42 CFR 430.20, we are pleased to inform you that SPA 25-0038 is approved with an effective date of April 1, 2026. Our review was limited to the materials necessary to evaluate the SPA under applicable federal laws and regulations.

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Centers for Medicare & Medicaid Services
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We are attaching a copy of the signed CMS-179 form, as well as the pages approved for incorporation into Colorado's state plan. If you have any questions regarding this amendment, please contact Porscha Brink at (202) 260-4025 or Porscha.brink@cms.hhs.gov.

Sincerely,



Mickey Morgan
Deputy Director
Division of Pharmacy

cc: Erica Schaler, Compliance and Policy Advisor, CO Dept of Health Care Policy and Financing
Ronna Bach, CO State Lead, Medicaid and CHIP Operations Group, CMS

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

1. TRANSMITTAL NUMBER

2 5 — 0 0 3 8

2. STATE

CO3. PROGRAM IDENTIFICATION: TITLE OF THE SOCIAL
SECURITY ACT

XIX



XXI

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

4. PROPOSED EFFECTIVE DATE

4/1/26

5. FEDERAL STATUTE/REGULATION CITATION

Social Security Act, Section 1905(a)(2)(A) / 42 CFR 440.20

6. FEDERAL BUDGET IMPACT (Amounts in WHOLE dollars)

a. FFY 2025\$ 0b. FFY 2026\$ (4,070,678)

7. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT

Attachment 4.19-B – Methods and Standards for Establishing
Payment Rates – Other Types of Care - Item 12a. Pharmaceutical
Services - Pages 1 of 4 and 3 of 48. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION
OR ATTACHMENT (If Applicable)Attachment 4.19-B – Methods and Standards for
Establishing Payment Rates – Other Types of Care - Item
12a. Pharmaceutical Services - Pages 1 of 4 and 3 of 4
(TN CO-23-0043)

9. SUBJECT OF AMENDMENT

This Amendment would revise the reimbursement rate for pharmaceutical services. The change incorporates maximum allowable cost (MAC) into the lesser-of reimbursement methodology. Additionally, the reimbursement rate for the lowest two dispensing fee tiers (pharmacies with the highest annual prescription volume) will be adjusted from \$10.25 to \$9.93 and \$9.31 to \$8.72.

10. 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:

11. SIGNATURE OF STATE AGENCY OFFICIAL

12. TYPED NAME

Adela Flores-Brennan

13. TITLE

State Medicaid Director

14. DATE SUBMITTED

12/11/2025

15. RETURN TO

Colorado Department of Health Care Policy and Financing
303 E. 17th Avenue, Suite 1100
Denver, CO 80203

Attn: Jessica Farnen

FOR CMS USE ONLY

16. DATE RECEIVED

12/11/2025

17. DATE APPROVED

02/05/2026

PLAN APPROVED - ONE COPY ATTACHED

18. EFFECTIVE DATE OF APPROVED MATERIAL

04/01/2026

19. SIGNATURE OF APPROVING OFFICIAL

20. TYPED NAME OF APPROVING OFFICIAL

Mickey Morgan

21. T

Deputy Director, Division of Pharmacy

22. REMARKS

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
MEDICAL ASSISTANCE PROGRAM

STATE OF COLORADO

Attachment 4.19-B
Page 1 of 4

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

12.a. Pharmaceutical Services:

- A. Reimbursement for covered outpatient drugs dispensed by retail community pharmacies, rural pharmacies, mail order pharmacies, specialty pharmacies, government pharmacies, institutional and long-term care pharmacies, shall be based upon the lower of:
1. The usual and customary charge to the public; or
 2. The allowed ingredient cost as defined in B plus a professional dispensing fee.
- B. The allowed ingredient cost shall be the lesser of Colorado Actual Acquisition Cost (AAC) as defined in F, National Average Drug Acquisition Cost (NADAC) or submitted ingredient cost, Maximum Allowable Cost (MAC), or submitted ingredient cost.
- C. Reimbursement for clotting factor drugs dispensed by specialty pharmacies, Hemophilia Treatment Centers, or any other pharmacy provider, shall be based upon the lower of:
1. The usual and customary charge to the general public; or
 2. The allowed ingredient cost as defined in D plus a professional dispensing fee.
- D. The allowed ingredient cost for clotting factor drugs shall be the lesser of the Colorado Average Acquisition Cost (AAC) as defined in E or submitted ingredient cost. If AAC is not available, the allowed ingredient cost shall be the lesser of the Clotting Factor Maximum Allowable Cost (CFMAC) or submitted ingredient cost.
- E. AAC for clotting factor drugs is the established allowable reimbursement rate using the actual acquisition cost rates specific to each clotting factor drug.
- The Department shall update the AAC rate on a regular basis based on changes in the pharmacies' acquisition costs. Clotting factor drugs that are reimbursed at AAC or submitted ingredient cost shall receive an enhanced per unit professional dispensing fee as defined in R, in addition to the usual professional dispensing fee as defined in Q.
- F. AAC is the established maximum allowable reimbursement rate for covered drugs using the actual acquisition cost for like drugs grouped by Generic Code Number (GCN) or Generic Sequence Number (GSN).

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
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METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES-
OTHER TYPES OF CARE

- G. The Department shall update AAC on a regular basis based on changes in pharmacies' acquisition costs and national pricing benchmarks such as WAC. The AAC price list is available through the Department's website (colorado.gov/hcpf). Drugs acquired through the Federal Supply Schedule (FSS) shall be reimbursed at their actual acquisition cost, plus a professional dispensing fee.
- H. Drugs acquired at Nominal Price (as defined in 42 CFR §447.502) outside of FSS or the 340B Pricing Program shall be reimbursed at their actual acquisition cost plus a professional dispensing fee.
- I. Drugs dispensed by Indian Health Service/Tribal pharmacies shall be reimbursed at the all-inclusive rate published annually in the Federal Register.
- J. Drugs dispensed by 340B Covered Entities purchasing drugs through the 340B Pricing Program will be reimbursed at their actual acquisition cost, plus a professional dispensing fee.
- K. Drugs dispensed by Covered Entities (as defined in the Social Security Act, Section 1927(a)(5)(B)) not purchased through the 340B Pricing Program shall be reimbursed as defined in A.
- L. Drugs acquired through the federal 340B drug pricing program and dispensed by 340B contract pharmacies are not covered.
- M. Physician-administered drugs are reimbursed at the published Medicare Average Sales Price (ASP) Drug Pricing File minus 3.3 percent for drugs included in that file. Physician administered drugs that are not included in the Medicare ASP Drug Pricing File will be reimbursed at Wholesale Acquisition Cost (WAC). Covered entities using drugs purchased at the prices authorized under Section 340B of the Public Health Services Act for Medicaid members must bill Medicaid the 340B purchase price. No professional dispensing fee is applied.
 - 1. Effective November 26, 2019, injectable opioid antagonists are reimbursed at the published Medicare ASP Drug Pricing File plus 2.2%.
 - 2. Selected Inpatient Hospital Physician Administered Drugs, as defined by the list of drugs included in the Colorado Department of Health Care Policy and Financing's billing manual accessed through

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
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STATE OF COLORADO

Attachment 4.19-B

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

the Department's web site, will pay the provider 97% of the net invoice cost. The net invoice is the AAC. If a pediatric drug or therapy requires a treatment center to be certified or qualified by a drug manufacturer in order to administer the specialty drug and there is only one certified or qualified pediatric treatment center in Colorado, then the Department will pay the hospital 100% of net invoice cost.

3. Selected Outpatient Hospital Physician Administered Drugs, as defined by the list of drugs included in the Colorado Department of Health Care Policy and Financing's billing manual accessed through the Department's web site, will pay the provider 97% of the net invoice cost. The net invoice is the AAC. If a pediatric drug or therapy requires a treatment center to be certified or qualified by a drug manufacturer in order to administer the specialty drug and there is only one certified or qualified pediatric treatment center in Colorado, then the Department will pay the hospital 100% of net invoice cost.

- N. Experimental or investigational drugs will not be allowed for reimbursement.
- O. Any pharmacy, except a mail order pharmacy, that is the only pharmacy enrolled with the Medical Assistance Program within a twenty-mile radius, may submit a written request to the Department requesting the designation of a rural pharmacy.
- P. In the aggregate, the Medical Assistance Program expenditures for outpatient drugs shall be in compliance with the federal upper limits as set forth in 42 CFR §§447.512 and 447.514.
- Q. Professional dispensing fees shall be established based upon reported dispensing costs provided through the Medical Assistance Program's Cost of Dispensing (COD) survey. The professional dispensing fees for all pharmacies except government and rural pharmacies shall be tiered based upon annual total prescription volume. The professional dispensing fees shall be tiered at:
 - Less than 60,000 total prescriptions filled per year = \$13.40
 - Between 60,000 and 90,000 total prescriptions filled per year = \$11.49
 - Between 90,000 and 110,000 total prescriptions filled per year = \$9.93
 - Greater than 110,000 total prescriptions filled per year = \$8.72

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
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METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES-
OTHER TYPES OF CARE

The determination of total prescription volume shall be completed by surveying pharmacies on an annual basis. Pharmacies failing to respond to the survey shall be reimbursed the \$8.72 professional dispensing fee.

The tiered professional dispensing fee shall not apply to government pharmacies which shall instead be reimbursed a \$0.00 professional dispensing fee.

The tiered professional dispensing fee shall not apply to rural pharmacies, as defined in O, which shall instead be reimbursed a \$14.14 professional dispensing fee.

- R. The enhanced professional dispensing fee for clotting factor drugs shall be \$0.03 per unit.