Table of Contents

State/Territory Name: New Mexico

State Plan Amendment (SPA)#: NM-26-0003

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

August 13, 2026

Alanna Dancis, Acting Medicaid Director
Medical Assistance Division
New Mexico Human Services Department
2025 South Pacheco Drive
Santa Fe, New Mexico 87504-2348

Dear Acting Director Dancis,

The CMS Division of Pharmacy team has reviewed New Mexico's State Plan Amendment (SPA) 26-0003 received in the CMS Medicaid Services OneMAC application on May 27, 2026. This SPA proposes to allow the state to enter into Supplemental Rebate Agreements, implement a unified/single Preferred Drug List (PDL) for Medicaid, and update the reimbursement methodology for prescribed drugs.

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 New Mexico's pharmacy provider network at this time to approve SPA 26-0003. Specifically, New Mexico has reported to CMS that there are 333 active pharmacies in the state with 329 pharmacies enrolled in New Mexico's Medicaid program. With a 98 percent participation rate, we can infer that New Mexico'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 the SPA is approved with an effective date of July 1, 2026. Our review was limited to the materials necessary to evaluate the SPA under applicable federal laws and regulations.

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S2-14-26
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We are attaching a copy of the signed CMS-179 form, as well as the pages approved for incorporation into New Mexico'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,

[redacted]

Mickey Morgan
Director
Division of Pharmacy

cc: Valerie Tapia, Federal Relations Manager/Policy Advisor, NM Health Care Authority
Matthew Burriss, State Lead, Medicaid and CHIP Operations Group, CMS

DEPARTMENT OF HEALTH AND HUMAN 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: 26-0003

2. STATE: NM

3. 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
7/1/2026

5. FEDERAL STATUTE/REGULATION CITATION
42 CFR Part 447 Subpart I

6. FEDERAL BUDGET IMPACT (Amounts in WHOLE dollars)
a. FFY _____ $ _____
b. FFY _____ $ _____

7. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT
Attachment 3.1A1 Page 2-3
Attachment 4.19-B pages 4-5
Attachment 4.19-B pages 5a (New)

8. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)*
Attachment 3.1A1 Page 2-3
Attachment 4.19-B pages 4-5

9. SUBJECT OF AMENDMENT
The NM HCA plans to implement a unified, single Preferred Drug List (PDL) for Medicaid and update reimbursement methodology effective 7/1/2026.

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. STATE AGENCY OFFICIAL
[redacted]

12. TYPED NAME
Alanna Dancis

13. TITLE
Acting Medicaid Director, Medical Assistance Division

14. DATE SUBMITTED
05/27/2026

15. RETURN TO
Alanna Dancis
Medical Assistance Division
P.O. Box 2348
Santa Fe, NM 87504-2348

FOR CMS USE ONLY

16. DATE RECEIVED
05/27/2026

17. DATE APPROVED
08/13/2026

PLAN APPROVED - ONE COPY ATTACHED

18. EFFECTIVE DATE OF APPROVED MATERIAL
07/01/2026

[redacted]

20. TYPED NAME OF APPROVING OFFICIAL
Mickey Morgan

21. Director, Division of Pharmacy

22. REMARKS

Instructions on Back

12.a. Prescribed Drugs: Description of Service Limitation

Citation(s)	Provision(s)
☒	(d) prescription vitamins and mineral products.
☒	(e) nonprescription drugs. Selective non-prescription (over the counter) medications will be covered as listed on the state's website.
☒	(f) covered outpatient drugs which the manufacturer seeks to require as a condition of sale that associated tests or monitoring services be purchased exclusively from the manufacturer, or its designee.

Supplemental Rebates

- Beginning July 1, 2026, New Mexico became part of The Optimal Preferred Drug List (PDL) $olution (TOP$). TOP$ negotiates supplemental rebates for New Mexico. The State retains all options to accept or reject offers. Drugs from manufacturers who do not participate in the supplemental rebate program will continue to be available to Medicaid beneficiaries.

- The State may enter into a single, state-specific Supplemental Rebate Agreement (SRA) with a drug manufacturer to be utilized by fee-for-service providers and Managed Care Organizations (MCOs) contracted with the Medicaid program as authorized by CMS beginning July 1, 2026.

- The State may enter into value-based contracts with a drug manufacturer. These contracts will be executed based on the model agreement entitled "Value-Based Supplemental Rebate Agreement" authorized for use beginning January 1, 2025.

- Supplemental rebates received by the State for the Medicaid population in excess of those required under the National Drug Rebate Agreement (NDRA) will be shared with the federal government. The State will remit the federal portion of any supplemental rebates collected on the same percentage basis as applied under the NDRA.

12.a. Prescribed Drugs: Description of Service Limitation

- All drugs covered by the Medicaid program, irrespective of a prior authorization agreement, will comply with the provisions of the NDRA.

- The prescribed drugs benefit will remain consistent with all other requirements and service limitations as described under "Item 12.a Prescribed Drugs" in State Supplement A to Attachment 3.1-A.

Single State-Managed Preferred Drug List

- Effective July 1, 2026, New Mexico shall implement a state-managed, unified PDL to be utilized by fee-for-service providers and MCOs contracted with the Medicaid program.

Drug Shortages

- Prescribed drugs that are not covered outpatient drugs (including drugs authorized for import by the Food and Drug Administration) are covered when medically necessary during drug shortages identified by the Food and Drug Administration.

II. Payment for Prescribed Drugs

For the New Mexico Medicaid Fee-for-Service program:

A. Payment

Reimbursement for the drug ingredient cost shall be the lowest of:

1. The Affordable Care Act Federal Upper Limit (FUL) plus the Professional Dispensing Fee (PDF);
2. The National Average Drug Acquisition Cost (NADAC) plus the PDF;
3. The Wholesaler's Average Cost (WAC) plus the PDF;
4. The pharmacy's reported ingredient cost plus the PDF; or
5. The Usual and Customary charge (U&C).

The PDF is $10.30.

When the drug item is for a brand name drug that is also a multi-source drug, the Actual Acquisition Cost (AAC) will be calculated using the generic equivalent of the brand name drug unless the prescriber has written in his or her own hand "brand medically necessary" on the prescription, in which case reimbursement will be at the AAC of the NADAC for the brand name drug item plus a $10.30 PDF, not to exceed the pharmacy's U&C.

B. Allowed Fees in Addition to the Professional Dispensing Fee (PDF)

Reimbursement for compounding fees is limited to the provider's usual additional charge for compounding not to exceed $12.00.

C. Payment Provisions for Blood Clotting Factors

Reimbursement for clotting factors will be at the lower of the submitted ingredient cost or WAC plus a $10.30 PDF, not to exceed the pharmacy's U&C.

D. Payment Provisions for 340B Drugs

Payment to 340B covered entities for drugs purchased at 340B prices authorized under Section 340B of the Public Health Services Act will be at the 340B actual acquisition cost plus a $10.30 PDF, not to exceed the pharmacy's U&C.

E. Payment Provisions for Drugs Acquired Under Federal Supply Schedule (FSS) Pricing

Payment for drugs purchased at FSS prices will be at the FSS actual acquisition cost of the drug plus a $10.30 PDF, not to exceed the pharmacy's U&C.

F. Payment to Indian Health Service Pharmacies and Tribal 638 Healthcare Pharmacies

1. Payment to all Indian Health Service and Tribal 638 pharmacies shall be at the All-Inclusive Rate (AIR), published annually in the Federal Register. One AIR reimbursement shall be made for each pharmacy claim and is not limited to a certain number of prescriptions per day. Submission of a pharmacy claim means that the Medicaid beneficiary received at least one drug item dispensed from the pharmacy, whether a new item or a refill.
2. The applicable AIR shall be determined by the date of service submitted on the pharmacy claim. Pharmacies reimbursed using the AIR will not be eligible for a PDF.
3. The AIR for pharmacy services may be billed in addition to the AIR for other outpatient facility medical or behavioral health services that are provided on the same day.

When the drug item is for a brand name drug that is also a multi-source drug, the AAC will be calculated using the generic equivalent of the brand name drug unless the prescriber has written in his or her own hand "brand medically necessary" on the prescription, in which case reimbursement will be at the AAC of the NADAC for the brand name drug item plus a $10.30 PDF, not to exceed the pharmacy's U&C.

G. Payment for Drugs Not Distributed by a Retail Community Pharmacy and Distributed Through the Mail (Such as Specialty Drugs)

Reimbursement for the drug ingredient cost shall be the lowest of:

1. The Affordable Care Act Federal Upper Limit (FUL) plus the Professional Dispensing Fee (PDF);
2. The National Average Drug Acquisition Cost (NADAC) plus the PDF;
3. The Wholesaler's Average Cost (WAC) plus the PDF;
4. The pharmacy's reported ingredient cost plus the PDF; or
5. The Usual and Customary charge (U&C).

The PDF is $10.30.

When the drug item is for a brand name drug that is also a multi-source drug, the AAC will be calculated using the generic equivalent of the brand name drug unless the prescriber has written in his or her own hand "brand medically necessary" on the prescription, in which case reimbursement will be at the AAC of the NADAC for the brand name drug item plus a $10.30 PDF, not to exceed the pharmacy's U&C.

H. Payment for Drugs Not Distributed by a Retail Community Pharmacy (Such as a Long-Term Care Facility)

Reimbursement for the drug ingredient cost shall be the lowest of:

1. The Affordable Care Act Federal Upper Limit (FUL) plus the Professional Dispensing Fee (PDF);
2. The National Average Drug Acquisition Cost (NADAC) plus the PDF;
3. The Wholesaler's Average Cost (WAC) plus the PDF;
4. The pharmacy's reported ingredient cost plus the PDF; or
5. The Usual and Customary charge (U&C).

The PDF is $10.30.

When the drug item is for a brand name drug that is also a multi-source drug, the AAC will be calculated using the generic equivalent of the brand name drug unless the prescriber has written in his or her own hand "brand medically necessary" on the prescription, in which case reimbursement will be at the AAC of the NADAC for the brand name drug item plus a $10.30 PDF, not to exceed the pharmacy's U&C.

I. Investigational Drugs

The New Mexico Medicaid program does not cover investigational drugs.

J. Physician Administered Drugs

Physician administered drugs are reimbursed at the Average Sales Price (ASP) determined by CMS and posted on the federal "ASP Drug Pricing Files" webpage, which is updated quarterly. A PDF is not paid. An administration fee, set at the Medicare rate, is paid only when the drug item is a vaccine covered under the Vaccines for Children program.