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State/Territory Name: Arkansas

State Plan Amendment (SPA) #: 16-003

This file contains the following documents in the order listed:

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

DEPARTMENT OF HEALTH & HUMAN SERVICES Centers for Medicare & Medicaid Services 7500 Security Boulevard, Mail Stop S2-14-26 Baltimore, Maryland 21244-1850



Disabled & Elderly Health Programs Group

March 16, 2017

Dawn Stehle Director, Division of Medical Services PO Box 1437, Slot S295 Little Rock, AR 72203-1437

Attention: Seth Blomeley

Dear Ms. Stehle,

We have reviewed Arkansas' State Plan Amendment (SPA) 16-003 received in the Dallas Regional Office on August 25, 2016. This SPA proposes changes to the basis for ingredient cost reimbursement to comply with requirements of the Covered Outpatient Drug Final Rule with comment (CMS-2345-FC) (81 FR 5170) pertaining to drug reimbursement in the Medicaid program. Specifically, in the SPA, AR proposes shifting from Estimated Acquisition Cost (EAC) to Actual Acquisition Cost (AAC) by using the National Average Drug Acquisition Cost (NADAC) plus a professional dispensing fee of \$9.00 for non-preferred brand drugs, or \$10.50 for generic and preferred brand drugs. When the NADAC is not available, reimbursement shall be the lesser of the Wholesale Acquisition Cost (WAC), the State Upper Limit which is established at the State Actual Acquisition Cost (SAAC), or the Federal Upper Limit. Other reimbursement methodologies proposed in the SPA include paying the Medicare Average Sale Price (ASP) plus 6 percent for physician administered drugs, the lesser of the WAC or SAAC for clotting factor, and the lesser of WAC or SAAC for specialty drugs if a NADAC is not available. Additionally, drugs purchased through the 340B pricing program, or the Federal Supply Schedule (FSS) will be reimbursed no more than the 340B ceiling price or FSS price accordingly. Lastly, the SPA proposes to preclude the reimbursement for drugs purchased through the 340B pricing program and dispensed by 340B contract pharmacies. The SPA's proposed effective date is April 1, 2017.

We are pleased to inform you that AR SPA 16-003 is approved with an effective date of April 1, 2017. A copy of the CMS-179 form as well as the pages approved for incorporation into the Arkansas state plan will be forwarded to you by the Dallas Regional Office. If you have any questions regarding this SPA approval please contact LT Emeka Egwim, PharmD, at (410) 786-1092.

Sincerely,

/s/

Meagan Khau Deputy Director Division of Pharmacy cc: Suzanne Bierman, Assistant Director, Division of Medical Services, Arkansas
Jason Derden, Pharmacy Administrator, Arkansas Medicaid Pharmacy Program
Bill Brooks, Associate Regional Administrator, Dallas Regional Office
Becky Murphy, Dallas Regional Office
Marsha Marks, Dallas Regional Office
Stacey Shuman, Dallas Regional Office
Billy Farrell, Dallas Regional Office

TRANSMITTAL AND NOTICE OF APPROVAL OF	1. TRANSMITTAL NUMBER:	2. STATE
STATE PLAN MATERIAL		
	2016-003	ARKANSAS
FOR: HEALTH CARE FINANCING ADMINISTRATION	3. PROGRAM IDENTIFICATION: TIT	
	SOCIAL SECURITY ACT (MEDICAID)	
TO: REGIONAL ADMINISTRATOR	4. PROPOSED EFFECTIVE DATE	
HEALTH CARE FINANCING ADMINISTRATION		
DEPARTMENT OF HEALTH AND HUMAN SERVICES	April 1, 2017	
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:	7. FEDERAL BUDGET IMPACT:	
42 CFR 447.512 Medicaid Covered Outpatient Drug Final Rule with	a. FFY 2017 \$(3,613,952)	
comment (CMS-2345-FC) (81 FR 5170)	b. FFY 2018 \$(14,740,960)	
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:	9. PAGE NUMBER OF THE SUPERS	
	OR ATTACHMENT (If Applicable):	
See attached listing	See attached listing	
A SAMPARIOR OF A MINIPARTITE		
10. SUBJECT OF AMENDMENT:		
The Arkansas Title XIX State Plan has been amended to change the current basis for ingredient reimbursement from the		
currently defined "estimated acquisition cost" (EAC) to the concept of "actual acquisition cost" (AAC) by using the		
National Average Drug Acquisition Cost (NADAC) plus a professional dispensing fee as determined by a current		
Cost of Dispensing Fee Survey. All states have until April 1, 2017 to revise their reimbursement methodology and		
submit a State Plan Amendment (SPA) to comply with the finalized Covered Outpatient Drugs Rule (CMS-2345-F).		
11. GOVERNOR'S REVIEW (Check One):		
GOVERNOR'S REVIEW (Check One).	OTHER, AS SPEC	IEIED:
COMMENTS OF GOVERNOR'S OFFICE ENCLOSED	OTTLEN, AS SI EC.	n ieb.
NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL		
12. SIGNATURE OF STATE AGENCY OFFICIAL:	16. RETURN TO:	
	Division of Medical Services	
	PO Box 1437, Slot S295	
13. TYPED NAME:	Little Rock, AR 72203-1437	
Dawn Stehle		
14. TITLE:	Attention: Seth Blomeley	
Director, Division of Medical Services		
15. DATE SUBMITTED:		
August 25, 2016		
FOR REGIONAL OFFICE USE ONLY		
17. DATE RECEIVED: 8 August, 2016	18. DATE APPROVED: 16 March, 20	17
PLAN APPROVED – ON	· ·	
19. EFFECTIVE DATE OF APPROVED MATERIAL:	20. SIG	:
1 April, 2017	20. 510	•
21 TVDED NAME:	22 TITLE: Associate Pagional Admir	nistrator
21. I YPED NAME: Bill Brooks	22. TITLE: Associate Regional Admir Division of Medicaid and Children's H	ealth. Dallas RO
23. REMARKS:	The state of the s	, =

ATTACHED LISTING FOR ARKANSAS STATE PLAN TRANSMITTAL #2016-003

8. Number of the Plan Section or Attachment

Attachment 4.19-B, Page 4

Attachment 4.19-B, Page 4a

Attachment 4.19-B, Page 4aa

9. Number of the Superseded Plan Section or Attachment

Attachment 4.19-B, Page 4 Approved 08-12-10, TN 10-04

Attachment 4.19-B, Page 4a Approved 01-25-02, TN 01-38

Attachment 4.19-B, Page 4aa Approved 06-04-02, TN 02-08 & Attachment 4.19-B, Page 4aaa Approved 01-25-02, TN 01-38

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

ATTACHMENT 4.19-B Page 4

April 1, 2017

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

12. Prescribed drugs, dentures, and prosthetic devices; and eyeglasses prescribed by a physician skilled in diseases of the eye or by an optometrist

- a. Prescribed Drugs
- A. Payment for ingredient cost for covered outpatient legend and non-legend drugs for all pharmacy and medication types that are not otherwise identified within this section shall be based upon the lesser of methodology.

Lesser of Methodology:

- i. Brand Drugs
 - a. The usual and customary charge to the public or submitted ingredient cost;

OR

b. The National Average Drug Acquisition Cost (NADAC) plus the established professional dispensing fee;

OR

c. The ACA Federal Upper Limit (FUL) plus the established professional dispensing fee;

OR

d. The calculated State Actual Acquisition Cost (SAAC), as defined in B, plus the established professional dispensing fee

ii. Generic Drugs

a. The usual and customary charge to the public or submitted ingredient cost;

OR

b. The National Average Drug Acquisition Cost (NADAC) plus the established professional dispensing fee;

OR

c. The ACA Federal Upper Limit (FUL) plus the established professional dispensing fee;

OR

d. The calculated State Actual Acquisition Cost (SAAC), as defined in B, plus the established professional dispensing fee

iii. Backup Ingredient Cost Benchmark

If NADAC is not available, the allowed ingredient cost, unless otherwise defined, shall be the lesser of Wholesale Acquisition Cost (WAC) + 0%, State Actual Acquisition Cost

State: Arkansas (SAAC) or ACA Federal Upper Limit.

State Received: 25 August, 2016
Date Approved: 16 March, 2017
Effective Date: 1 April, 2017
Transmittal Number: 16-03

TN NO: 16-03

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

ATTACHMENT 4.19-B Page 4a

April 1, 2017

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

12. Prescribed drugs, dentures, and prosthetic devices; and eyeglasses prescribed by a physician skilled in diseases of the eye or by an optometrist

a. Prescribed Drugs (Continued)

iv. **Limited Access and Specialty Drugs**

Limited Access Drugs, defined as drugs not available for dispensing in all retail pharmacies based on price or separate agreements between manufacturer and pharmacy, and Specialty Drugs will be reimbursed at the Lesser of Methodology plus the established professional dispensing fee. If NADAC is not available then the Backup Ingredient Cost Benchmark will apply which will use the lesser of Wholesale Acquisition Cost (WAC) + 0% or State Actual Acquisition Cost (SAAC).

Revised:

340B Drug Pricing Program v.

- a. Covered Legend and non-legend drugs, including specialty drugs, purchased through the Federal Public Health Service's 340B Drug Pricing Program (340B) by pharmacies that carve Medicaid into the 340B Drug Pricing Program shall be State Received: 25 August, 2016 reimbursed at the 340B actual Invoice Price but no more than the 340B ceiling price Date Approved: 16 March, 2017 [provided or calculated by Average Manufacturer Price (AMP) minus Unit Rebate Amount (URA)] plus the established professional dispensing fee. Drugs acquired through the federal 340B drug pricing program and dispensed by 340B contract pharmacies are not covered.
 - b. Physician administered drugs, including specialty drugs, purchased through the 340B Program will be reimbursed at the 340B actual invoice price but no more than the 340B ceiling price [provided or calculated by Average Manufacturer Price (AMP) minus Unit Rebate Amount (URA)].

vi. Federal Supply Schedule (FSS) and FQHC

Facilities purchasing drugs, specialty drugs, and physician administered drugs through the Federal Supply Schedule (FSS) or drug pricing program under 38 U.S.C. 1826, 42 U.S.C. 256b, or 42 U.S.C. 1396-8, other than the 340B Drug Pricing Program, shall be reimbursed no more than the Federal Supply Schedule price. The addition of the established professional dispensing fee for pharmacies will apply except in the cases of physician administered drugs. Federally Qualified Health Centers (FQHC) that purchase drugs through the 340B program and carve in Medicaid will be reimbursed by the encounter rate except in the case of Implantable Contraceptive Capsules, Intrauterine Devices, and Contraceptive Injections in which case reimbursement will be no more than the 340B ceiling price. Federally Qualified Health Centers (FOHC) that do not participate in the 340B program or carve out Medicaid will be reimbursed by the encounter rate except in the case of Implantable Contraceptive Capsules, Intrauterine Devices, and Contraceptive Injections in which case reimbursement will be at the actual acquisition cost.

TN NO: 16-03

State: Arkansas

Effective Date: 1 April, 2017

Transmittal Number: 16-03

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

ATTACHMENT 4.19-B Page 4aa

April 1, 2017

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

12. Prescribed drugs, dentures, and prosthetic devices; and eyeglasses prescribed by a physician skilled in

- diseases of the eye or by an optometrist
 - a. Prescribed Drugs (Continued)

vii. **Clotting Factor**

a. Pharmacies dispensing Antihemophilic Factor products will be reimbursed at the lesser of methodology plus the established professional dispensing fee. The lesser of methodology for the allowed ingredient cost shall be the Wholesale Acquisition Cost (WAC) + 0% or State Actual Acquisition Cost (SAAC).

Revised:

b. Pharmacies dispensing Antihemophilic Factor products purchased through the Federal Public Health Service's 340B Drug Pricing Program (340B) by pharmacies that carve Medicaid into the 340B Drug Pricing Program shall be reimbursed at the lesser of methodology plus the established professional dispensing fee. The lesser of methodology for the allowed ingredient cost shall be the Wholesale Acquisition Cost (WAC) + 0% or State Actual Acquisition Cost (SAAC).

viii. **Drugs Purchased at Nominal Price**

Facilities purchasing drugs at Nominal Price (outside of 340B or FSS) shall be reimbursed by their actual acquisition cost.

ix. **Physician Administered Drugs**

Reimbursement rates for Physician Administered Drugs are a "fee schedule" as determined by the Medicare rate (ASP + 6%). If the Medicare rate is not available then other published pricing or manual pricing shall be used to determine reimbursement. Under the fee schedule methodology, reimbursement is based on the lesser of the billed charge for each procedure or the maximum allowable for each procedure.

B. State Upper Limit (SUL) shall apply to certain drugs identified administratively, judicially or by a federal agency as having a published price exceeding the ingredient cost. The calculated SAAC shall be obtained from actual acquisition costs from multiple resources, if available. Depending on the variance, either the highest acquisition cost, an average of the acquisition costs or invoice price shall be used in determining a SAAC. When Brand and Generic drugs are available for the same ingredient, reimbursement will be based on the Generic State Actual Acquisition Cost (SAAC).

State: Arkansas

State Received: 25 August, 2016 Date Approved: 16 March, 2017 Effective Date: 1 April, 2017 Transmittal Number: 16-03

TN NO: 16-03 SUPERSEDES TN NO: 02-08

APPROVAL DATE: 03/16/2017

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT MEDICAL ASSISTANCE PROGRAM STATE <u>ARKANSAS</u>

ATTACHMENT 4.19-B Page 4aaa

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

Revised: April 1, 2017

- 12. Prescribed drugs, dentures, and prosthetic devices; and eyeglasses prescribed by a physician skilled in diseases of the eye or by an optometrist
 - a. Prescribed Drugs (Continued)
 - C. Investigational drugs are excluded from coverage.
 - D. The State does not have federally recognized tribes. Indian Health Services, tribal and urban Indian pharmacies payment methodology for outpatient administered medication does not apply.
 - E. Pharmacies providing covered outpatient prescription services for Certified Long-Term Care beneficiaries will be reimbursed for ingredient cost using the lesser of methodology plus the established professional dispensing fee.
 - F. The Professional Dispensing Fee for covered outpatient legend and non-legend drugs shall take into consideration the State's Preferred Drug List status for the drug being dispensed and equals the average professional dispensing fee in the aggregate:
 - Brand and Non-preferred Brand = \$9.00
 - Brand Preferred and Generic Medication drug = \$10.50

State: Arkansas

State Received: 25 August, 2016 Date Approved: 16 March, 2017 Effective Date: 1 April, 2017 Transmittal Number: 16-03

TN NO: 16-03 SUPERSEDES TN NO: 01-38 APPRO