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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
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- 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

**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

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

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 (SAAC) or ACA Federal Upper Limit.

State: Arkansas
State Received: 25 August, 2016
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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)

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).

v. 340B Drug Pricing Program

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 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)] 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 (FQHC) 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.

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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).

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).

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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**

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