

## **Table of Contents**

**State/Territory Name: KS**

**State Plan Amendment (SPA) #: 17-0004**

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) Summary Form (with 179-like data)
- 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



## **Disabled & Elderly Health Programs Group**

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July 21, 2017

Michael Randol  
State Medicaid Director  
KDHE, Division of Health Care Finance  
Landon State Office Building  
900SW Jackson, Room 900-N  
Topeka, KS 66612-1220

Dear Mr. Randol,

We have reviewed Kansas' State Plan Amendment (SPA) 17-004 received in the Kansas City Regional Office on June 16, 2017. This SPA proposes changes to comply with requirements of the Covered Outpatient Drug Final Rule with comment (CMS-2345-FC) (81 FR 5170) for drug reimbursement.

The SPA proposes reimbursing a professional dispensing fee of \$10.50 plus the lowest of either the National Average Drug Acquisition Cost (NADAC), Wholesale Acquisition Cost (WAC), Federal Upper Limit, State Maximum Allowable Cost (SMAC), submitted ingredient cost, or the usual and customary charge not to include a professional dispensing fee. For physician administered drugs, it proposes paying the Average Sale Price (ASP) plus 6 percent or WAC. Drugs purchased through the 340B program will be reimbursed no more than the 340B ceiling price, and those dispensed by 340B contract pharmacies are precluded from reimbursement. Lastly, drugs purchased through the Federal Supply Schedule (FSS) will be reimbursed no more than the AAC.

Based on the information provided and consistent with the regulations at 42 CFR 430.20, we are pleased to inform you that Kansas' SPA 17- 004 is approved with an effective date of April 1, 2017. A copy of the CMS-179 form, as well as pages approved for incorporation into Kansas' state plan will be forwarded by the Kansas City Regional Office. If you have any questions regarding this amendment, please contact Emeka Egwim, PharmD, RPh at (410) 786-1092.

Sincerely,

/s/

John M. Coster, PhD, RPh  
Director, Division of Pharmacy

cc: Annette Grant, Pharmacy Program Manager, Kansas Department of Health and Environment  
Bobbie Graff-Hendrixson, Senior Manager, Contracts and Fiscal Agent Operations  
James G. Scott, Associate Regional Administrator, CMS Kansas City Regional Office  
Karen Hatcher, Health Insurance Specialist, CMS Kansas Regional Office

<b>TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL FOR: CENTERS FOR MEDICARE &amp; MEDICAID SERVICES</b>	1. TRANSMITTAL NUMBER: <u>KS 17-004</u>	2. STATE Kansas
	3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	

TO: REGIONAL ADMINISTRATOR CENTERS FOR MEDICARE & MEDICAID SERVICES DEPARTMENT OF HEALTH AND HUMAN SERVICES	4. PROPOSED EFFECTIVE DATE April 1, 2017
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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 42 CFR 447.518	7. FEDERAL BUDGET IMPACT a. FFY 2017 \$135,000.00 b. FFY 2018 \$703,000.00
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8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT  Attachment 4.19-B. #12.a Page 1, Page 1.1, Page 1.2	9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT ( <i>If Applicable</i> )
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10. SUBJECT OF AMENDMENT  
NADAC

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

GOVERNOR'S OFFICE REPORTED NO COMMENT                       OTHER, AS SPECIFIED:  
 COMMENTS OF GOVERNOR'S OFFICE ENCLOSED                      Michael Randol is the  
 NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL                      Governor's Designee

12. SIGNATURE OF STATE AGENCY OFFICIAL	16. RETURN TO Michael Randol, State Medicaid Director KDHE, Division of Health Care Finance Landon State Office Building 900 SW Jackson, Room 900-N Topeka, KS 66612-1220
13. TYPED NAME for Michael Randol	
14. TITLE Director, Division of Health Care Finance; State Medicaid Director	
15. DATE SUBMITTED June 16, 2017	

**FOR REGIONAL OFFICE USE ONLY**

17. DATE RECEIVED June 16, 2017	18. DATE APPROVED July 21, 2017
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**PLAN APPROVED – ONE COPY ATTACHED**

19. EFFECTIVE DATE OF APPROVED MATERIAL April 1, 2017	20. SIGNATURE OF REGIONAL OFFICIAL //s//
21. TYPED NAME James G. Scott	22. TITLE Associate Regional Administrator for Medicaid and Children's Health Operations

23. REMARKS

Prescribed Drugs  
Methods and Standards for Establishing Payment Rates

Reimbursement to pharmacy providers is based upon agency-determined allowable product cost for covered drugs plus an agency-determined dispensing fee.

Fee-for-service providers: Pharmacy

1. Payment for covered outpatient legend and non-legend drugs dispensed by a retail community pharmacy will include the drug ingredient cost plus a professional dispensing fee of \$10.50. The drug ingredient cost reimbursement shall be the lowest of:
  - a) The National Average Drug Acquisition Cost (NADAC) of the drug; or
  - b) Generic NADAC; or
  - c) Wholesale Acquisition Cost (WAC) + 0%; or
  - d) The Federal Upper Limit (FUL); or
  - e) The provider's usual and customary (U & C) charge to the public, as identified by the claim charge. No dispensing fee given; or
  - f) Pharmacy submitted ingredient cost; or
  - g) SMAC (State Maximum Allowable Cost).
  
2. Payment for specialty drugs not dispensed by a retail community pharmacy but dispensed primarily through the mail will include the drug ingredient cost plus a professional dispensing fee of \$10.50. The drug ingredient cost reimbursement shall be the lowest of:
  - a) The National Average Drug Acquisition Cost (NADAC) of the drug; or
  - b) Generic NADAC; or
  - c) Wholesale Acquisition Cost (WAC) + 0%; or
  - d) The Federal Upper Limit (FUL); or
  - e) The provider's usual and customary (U & C) charge to the public, as identified by the claim charge. No dispensing fee given; or
  - f) Pharmacy submitted ingredient cost; or
  - g) SMAC (State Maximum Allowable Cost).
  
3. Payment for covered outpatient legend and non-legend drugs dispensed primarily by a mail order pharmacy will include the drug ingredient cost plus a professional dispensing fee of \$10.50. The drug ingredient cost reimbursement shall be the lowest of:
  - a) The National Average Drug Acquisition Cost (NADAC) of the drug; or
  - b) Generic NADAC; or
  - c) Wholesale Acquisition Cost (WAC) + 0%; or
  - d) The Federal Upper Limit (FUL); or

## KANSAS MEDICAID STATE PLAN

Attachment 4.19-B  
#12.a.  
Page 1.1

### Prescribed Drugs Methods and Standards for Establishing Payment Rates

- e) The provider's usual and customary (U & C) charge to the public, as identified by the claim charge. No dispensing fee given; or
  - f) Pharmacy submitted ingredient cost; or
  - g) SMAC (State Maximum Allowable Cost).
4. Payment for clotting factor from specialty pharmacies, hemophilia treatment centers (HTC) and Centers of Excellence will include the drug ingredient cost plus a professional dispensing fee of \$10.50. The drug ingredient cost reimbursement shall be the lowest of:
- a) The National Average Drug Acquisition Cost (NADAC) of the drug; or
  - b) Generic NADAC; or
  - c) Wholesale Acquisition Cost (WAC) + 0%; or
  - d) The Federal Upper Limit (FUL); or
  - e) The provider's usual and customary (U & C) charge to the public, as identified by the claim charge. No dispensing fee given; or
  - f) Pharmacy submitted ingredient cost; or
  - g) SMAC (State Maximum Allowable Cost).
5. Payment for pharmacies providing covered outpatient prescription services for Certified Long-Term Care beneficiaries will include the drug ingredient cost plus a professional dispensing fee of \$10.50. The drug ingredient cost reimbursement shall be the lowest of:
- a) The National Average Drug Acquisition Cost (NADAC) of the drug; or
  - b) Generic NADAC; or
  - c) Wholesale Acquisition Cost (WAC) + 0%; or
  - d) The Federal Upper Limit (FUL); or
  - e) The provider's usual and customary (U & C) charge to the public, as identified by the claim charge. No dispensing fee given; or
  - f) Pharmacy submitted ingredient cost; or
  - g) SMAC (State Maximum Allowable Cost).
6. Physician Administered Drugs (PADS) submitted under the medical benefit, including those drugs purchased through the 340B program, will be reimbursed at the Medicare B rates of ASP + 6%. If a Medicare B rate is not on file, its reimbursement basis will be WAC + 0%.
7. Covered Legend and non-legend drugs purchased through the 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

## KANSAS MEDICAID STATE PLAN

Attachment 4.19-B  
#12.a.  
Page 1.2

### Prescribed Drugs Methods and Standards for Establishing Payment Rates

the 340B Ceiling Price plus a dispensing fee of \$10.50. Drugs acquired through the federal 340B drug pricing program and dispensed by 340B Contract Pharmacies will not be reimbursed.

8. Facilities purchasing drugs through the Federal Supply Scheduled (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 will be reimbursed no more than the acquisition cost price plus a professional dispensing fee of \$10.50.

9. Facilities purchasing drugs at Nominal Price (outside of 340B or FFS) will be reimbursed no more than the Nominal Price plus a professional dispensing fee of \$10.50.

10. Payment to Indian Health Services (IHS) and Tribal/Urban pharmacy providers will be no more than the acquisition cost plus a professional dispensing fee of \$10.50.

11. Investigational drugs are not a covered service under the Medicaid pharmacy program.