



Janice K. Brewer, Governor  
Thomas J. Betlach, Director

***Our first care is your health care***  
ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM

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June 30, 2010

Cheryl Young  
Centers for Medicare and Medicaid Services  
75 Hawthorne St., 5th Floor  
San Francisco, California 94105

Dear Ms. Young:

Enclosed is State Plan Amendment (SPA) #10-007, effective April 1, 2010, which proposes to implement a drug rebate program in Arizona as authorized by §2501 of the Affordable Care Act.

As you know, Arizona is currently waived from the drug utilization review requirements of §1927(g) and has expenditure authority for federal financial participation for its pharmacy costs. Pharmacy claims for Arizona's Fee-For-Service (FFS) program are less than 1% of all AHCCCS pharmacy claims, given Arizona's small FFS population. And of those members who access services through the FFS program, most are through the Indian Health Services (I.H.S.). That translates to about 2,500 scripts per month that get filled outside of the I.H.S. at an average cost of \$6.7 million per year. Medications provided through the I.H.S. are not eligible for rebates because these prescriptions were filled for members using drugs purchased under the I.H.S. 340B purchase agreements. As such, the administrative costs and burden associated with the drug utilization review requirements of §1927(g) would exceed the drug utilization review currently provided by Caremark, the pharmacy benefit manager for the FFS program.

Now that the drug rebate program has been extended to allow the State to participate and collect rebates on Managed Care Organizations' (MCOs) drug utilization, it makes sense for Arizona to participate. However, it is not clear whether the same DUR requirements of the FFS program apply to MCOs, especially since the MCOs provide extensive drug utilization review processes including concurrent, prospective and retrospective reviews. AHCCCS does not believe that an amendment to the existing waiver language is required since it will still want to continue the waiver from the drug utilization review requirements. However, it is unclear whether any amendment needs to be made to the State Plan in order to begin participating in the drug rebate program. Therefore, AHCCCS submits the following SPA effective April 1, 2010, as a placeholder while CMS continues to work with AHCCCS to develop the requirements necessary for Arizona to participate in the drug rebate program.

We look forward to continue working with you. Please contact Theresa Gonzales at (602) 417- 4732 with any questions.

Sincerely,

Monica Coury  
Assistant Director  
Office of Intergovernmental Relations

cc: Steve Rubio  
Larry Reed



Revision: HCFA-PM-93-3 (MB)  
April 1993

OMB No.

State/Territory: Arizona

Citation

1927(g)(3)(C)  
42 CFR 456.711  
(a)-(d)

- G.4 The interventions include in appropriate instances:
  - Information dissemination
  - Written, oral, and electronic reminders
  - Face-to-Face discussions
  - Intensified monitoring/review of prescribers/dispensers

1927(g)(3)(D)  
42 CFR 456.712  
(A) and (B)

- H. The State assures that it will prepare and submit an annual report to the Secretary, which incorporates a report from the State DUR Board, and that the State will adhere to the plans, steps, procedures as described in the report.

1927(h)(1)  
42 CFR 456.722

- I.1. The State establishes, as its principal means of processing claims for covered outpatient drugs under this title, a point-of-sale electronic claims management system to perform on-line:
  - real time eligibility verification
  - claims data capture
  - adjudication of claims
  - assistance to pharmacists, etc. applying for and receiving payment.

1927(g)(2)(A)(i)  
42 CFR 456.705(b)

- 2. Prospective DUR is performed using an electronic point of sale drug claims processing system.

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TN No. 10-007  
Supersedes  
TN No. 93-26

Approval Date \_\_\_\_\_ Effective Date April 1, 2010

Revision: HCFA-PM-93-3 (MB)  
April 1993

OMB No.

State/Territory: Arizona

1927(j)(2)

**Deleted:** 1927(j)  
(2)¶  
42 CFR  
456.703(c) . . . J.  
. Hospitals  
which dispense  
covered  
outpatient  
drugs are  
exempted from  
the drug  
utilization  
review  
requirements of  
this section  
when facilities  
use drug  
formulary  
systems and  
bill the  
Medicaid  
program no more  
than the  
hospital's  
purchasing cost  
for such  
covered  
outpatient  
drugs.¶  
¶

42 CFR 456.703(c)

J. Hospitals which dispense covered outpatient drugs are exempted from the drug utilization review requirements of this section when facilities use drug formulary systems and bill the Medicaid program no more than the hospital's purchasing cost for such covered outpatient drugs.

1927(g)

K. AHCCCS will participate in the drug rebate program for the fee-for-service program. Rx America/Caremark serves as the DUR Board for the State of Arizona for its Fee-For-Service program.

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1903(m)(2)(A)

L. AHCCCS will participate in the drug rebate program for its managed care program.

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TN No. 10-007

Supersedes

Approval Date \_\_\_\_\_

Effective Date April 1, 2010

TN No. None