

November 8, 2018

Mark Wong
Division of Medicaid and Children's Health Operations
U.S. Department of Health & Human Services
Centers for Medicare & Medicaid Services
90 Seventh Street, Suite 5-300 (5W)
San Francisco, CA 94103-6707

RE: Arizona SPA #18-012, Outpatient Drug Rule

Dear Mr. Wong:

Enclosed is State Plan Amendment (SPA) #18-012, Outpatient Drug Rule, which updates the pharmacy reimbursement section to comply with the provisions of the Outpatient Drug Rule.

If you have any questions about the enclosed SPA, please contact Kyle Sawyer at (602) 417-4211.

Sincerely,



Elizabeth Lorenz
Assistant Director
Arizona Health Care Cost Containment System (AHCCCS)

cc: Blake Holt, CMS
Brian Zolynas, CMS

State: ARIZONA
METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
OTHER TYPES OF CARE

Out-of-State Hospitals

Out-of-state hospitals will be paid for covered outpatient services by applying the outpatient hospital fee schedule and methodology.

Specialty Rates

• **Laboratory Services**

AHCCCS' outpatient hospital fee schedule will not exceed the reimbursement amounts authorized for clinical laboratory services under Medicare as set forth in 42 CFR 447.362. AHCCCS' rates are published on the agency's website at <https://www.azahcccs.gov/PlansProviders/RatesAndBilling/FFS/>

• **Pharmacy Services**

For prescribed drugs, including specific AHCCCS covered non-legend drugs that are prescribed by an authorized prescriber, legend drugs prescribed by an authorized prescriber, specialty drugs, drugs dispensed through a long-term care facility and Urban Indian Health centers (if not a 340B entity), AHCCCS will reimburse at the lesser of: ~~For prescribed drugs, including specific AHCCCS covered non-legend drugs that are prescribed by an authorized prescriber and legend drugs prescribed by an authorized prescriber, AHCCCS will reimburse at the lesser of:~~

1. The usual and customary charge to the public, or
2. AHCCCS Fee-For-Service's established Maximum Allowable Cost (MAC) for the drug plus a professional dispensing fee, or
3. The current National Average Drug Acquisition Cost (NADAC) for the drug plus ~~the~~ professional dispensing fee, or
4. The contracted rates between AHCCCS and the FFS Pharmacy Benefit Manager plus a professional dispensing fee.

All of the above logic will apply to:

1. Drugs dispensed by a Retail Community Pharmacy,
2. Drugs not dispensed by a Retail Community Pharmacy and dispensed primarily through the mail, (such as specialty drugs),
3. ~~Drugs not dispensed by a Retail Community Pharmacy but rather by another type of pharmacy—such as a long term care pharmacy, and~~
4. ~~Drugs dispensed that do not have a NADAC or a FUL.~~
5. ~~340B entities submitting claims for drugs, devices, or vaccines purchased that are not available for purchase—through the 340B Drug Pricing Program.~~
6. ~~340B entities dispensing medication to a member and the member is not a patient of the 340B entity.~~
7. ~~Licensed hospitals and outpatient facilities that are owned or operated by a licensed hospital—Urban Indian Health Centers (if not a 340B entity).~~

For drugs purchased through the 340B Drug Pricing Program for patients who qualify under ~~for~~ the 340B program (FR Vol. 61 #207):

1. 340B entities, with the exception of licensed hospitals and outpatient facilities that are owned or operated by a licensed hospital, are required to submit 340B claims at their Actual Acquisition Cost (AAC).
2. The 340B entity shall be reimbursed at the lesser of AAC or the 340B Ceiling Price plus ~~the~~ professional dispensing fee.
—340B Entity Contract Pharmacies are not allowed to use drugs purchased under any type of 340B arrangement when providing services to AHCCCS members. The only exception is when the AHCCCS Administration has a contractual arrangement or there is a demonstrated need approved by AHCCCS that requires participation by a 340B Entity Contracted Pharmacy.
- 3.

TN No. 18-012

Supersedes Approval Date: Effective Date: October 1, 2018

TN No. 16-001 TN No. 16-001

Supersedes Approval Date: Effective Date: January 1, 2016

TN No. 11-018

State: ARIZONA
METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
OTHER TYPES OF CARE

For Federal Supply Schedule purchased drugs, the provider shall be reimbursed at no more than their actual acquisition cost plus a professional dispensing fee.

For drugs purchased at Nominal Pricing, the provider shall be reimbursed at the actual acquisition cost plus a professional dispensing fee.

The professional dispensing fee for all of the above pharmacy reimbursement methodologies is \$8.75 unless otherwise specified in contract.

All Indian Health Service and Tribal 638 pharmacies are paid according to the methodology in Attachment 4.19B "REIMBURSEMENT FOR INDIAN HEALTH SERVICE AND TRIBAL 638 HEALTH FACILITIES" section.

TN No. 18-012

Supersedes

Approval Date:

Effective Date: October 1, 2018

TN No. N/A

State: ARIZONA
METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
OTHER TYPES OF CARE

Physician Administered Drugs will be reimbursed using the following methodology:

For Physician billing:

For non-chemotherapy drugs that are priced on the Medicare Part B Drug Schedule, AHCCCS sets its FFS rates as 95% of the Medicare Part B rate. For chemotherapy drugs and drugs that are not priced on the Medicare Part B Drug Schedule, AHCCCS sets its rates as 80.75% of the Average Wholesale Price.

For Outpatient Hospital billing:

For all drugs that are priced on the Medicare Outpatient Prospective Payment System fee schedule, AHCCCS sets its FFS rates as 80% of the Medicare OPSS rate. For drugs that are not priced on the Medicare Outpatient Prospective Payment System fee schedule, AHCCCS sets its FFS rates equal to the FFS rates for physician billing.

For Ambulatory Surgery Center billing:

For all drugs that are priced on the Medicare Ambulatory Surgery Center Fee Schedule, AHCCCS sets its FFS rates as 95% of the Medicare ASC Fee Schedule rate.

Hemophilia Factor and Other Blood Disorders Products are reimbursed using a discounted Wholesale Acquisition Cost (WAC) methodology. ~~Ancillary supplies, mailing, and other services are paid as as defined in the contract between AHCCCS and the pharmacy supplying the hemophilia factor and blood disorder products.~~

Investigational/experimental drugs are not reimbursed by AHCCCS.

- **EPSDT Services Not Otherwise Covered in the State Plan**

AHCCCS reimburses for chiropractor services and personal care services using a capped fee schedule. Personal care services are described in Attachment 3.1-A Limitations, page 2(a). Payment is the lesser of the provider's charge for the service or the capped fee amount established by AHCCCS. AHCCCS' rates are published on the agency's website at <https://www.azahcccs.gov/PlansProviders/RatesAndBilling/FFS/>

- **Hospice**

AHCCCS reimburses for the hospice benefit, including routine home care, continuous home care, inpatient respite care and general inpatient care at the AHCCCS Fee Schedule rates published on the agency's website described on page 1, first paragraph of Attachment 4.19B. Effective January 1, 2016:

- Routine Home Care (RHC) will be reimbursed at one of two rates depending on the number of days in the episode of care, such that a higher rate will apply to the first 60 days of RHC and a lower rate will apply to days sixty-one and beyond. A gap of sixty days or more in hospice care will begin a new episode of care.
- A Service Intensity Add-On (SIA) add-on payment will be made for a visit by a social worker or registered nurse when provided during RHC in the last seven days of a member's life for up to 4 hours per day of service. The SIA will be an hourly rate equal to the hourly rate for continuous home care.

The hospice rates are developed based on the Medicaid Hospice Payment Rates and Hospice Wage Indices authorized by section 18 14(i)(c)(ii) of the Social Security Act, and published annually by CMS.

- ~~**Pharmacy Services**~~

~~Reimbursement is subject to the limitations set forth in 42 CFR 447.331 through 447.332.~~

~~AHCCCS reimburses Federally Qualified Health Centers (FQHCs) and FQHC Look Alikes for any drugs subject to 340B pricing that are purchased and dispensed by those 340B entities at the lesser of billed charges or the 340B ceiling price. In addition, AHCCCS will pay a dispensing fee of \$8.75 effective 2/1/2012 as listed in the capped fee schedule posted on the AHCCCS website.~~