



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 20, 2011

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

Dear Ms. Young:

In response to the Companion Letter that followed approval of Arizona State Plan Amendment (SPA) 10-013 and per your conversation with Theresa Gonzales this morning, the enclosed State Plan Amendment (SPA) #11-008 clarifies the list of state-licensed behavioral health practitioners described in Attachment 3.1-A Limitations, 6.d viii.

In addition, we are submitting the following responses in answer to your questions related to how Arizona operates pharmacy services under the reimbursement section of the State Plan.

1. Please explain how the State is complying with the provisions specified at 42 CFR 447.331.

CVS Caremark (CVS) is the pharmacy benefit manager for the AHCCCS FFS Program. CVS was awarded the contract through an RFP process. Under our agreement with CVS, a MAC List (maximum allowable cost per unit of a multisource/generic medication) will be developed for the pricing and adjudication of claims for multisource/generic medications.

Several factors are considered when considering drugs for inclusion on the MAC list, specifically bioequivalence, the number of vendors in the marketplace, current utilization, and the availability of the product. The MAC unit price is established by applying various formulas after reviewing pricing information from several sources. These sources may include Medi-Span, wholesalers, and the Centers for Medicare and Medicaid Services (CMS). The MAC List, multisource/generic pricing program, reviews price points, at a minimum, on a quarterly basis and as new multisource/generic products enter the market.

The AHCCCS FFS MAC List is in compliance with 42 CFR 447.331.

2. Please describe the current pharmacy reimbursement methodology for the fee-for-service (FFS) population.

CVS adjudicates single source innovator/brand name and multisource/generic prescription claims. CVS contracts with a pharmacy network to serve the entire state, including suburban, rural and frontier areas. The CVS contract provides overall effective reimbursement rates for brand name and multisource/generic medications. The single source/brand name drug reimbursement formula is based on a discount off of the Average Wholesale Pricing (AWP) of the medication plus a dispensing fee, or the usual and customary pricing submitted by the retail pharmacy, whichever is less.

“Average Wholesale Price” or “AWP” means the “average wholesale price” of a prescription drug from pricing information provided by First DataBank®, Medi-Span Prescription Pricing Guide (with supplements), as a pricing source for prescription drug pricing

Discounts are based on the AWP of the drug published by MediSpan on the date the drug is dispensed. “Maximum Allowable Cost List” or “MAC List” means the unit price that has been established by Caremark for a multi-source drug, (i.e., a drug with more than two sources).

The AHCCCS FFS overall effective reimbursement rates for single source/ innovator/brand name and multisource/generic drugs are:

- Single Source Innovator/Brand
 - AWP – 16% plus a \$2.00 dispensing fee, or
 - Usual & Customary (as submitted by the pharmacy)
 - Pricing is based on the lesser logic
 - Overall minimum effective discount guarantee: AWP-16%
 - The minimum Brand Effective Rate Guarantee is calculated as follows:
 - $1 - (\text{Aggregate Discounted Ingredient Cost} / \text{Aggregate Undiscounted AWP})$
- Multisource/Generic
 - MAC plus a \$2.00 dispensing fee, or
 - AWP – 16% plus a \$2.00 dispensing fee, or
 - Usual & Customary (as submitted by the pharmacy)
 - Pricing is based on the lesser logic
 - Overall minimum effective rate guarantee is AWP-60%

The overall multisource/generic effective rate guarantee applies to federal legend multisource/generic prescription drugs distributed by at least three manufacturers and excludes generic medications dispensed during the first six months following their market entry.

Claims from participating pharmacies are processed at the point-of-service and transmitted online to CVS Caremark using the NCPDP5.1 HIPAA compliant transaction. System-performed edits include member and pharmacy eligibility, drug coverage, concurrent drug utilization review (DUR), and pricing. Messages are immediately transmitted, advising the pharmacy of claim status (pay or deny), claim-payable amount, member cost-share amount, and applicable DUR messages. The entire process occurs within 2 seconds or less.

For claim approval of drugs requiring prior authorization, the message *Prior Authorization Required* is sent to the pharmacy at the point-of-service through our online claims processing system. The drug(s) is covered when the request meets AHCCCS-established criteria.

Prior Authorization Protocols (PA)

The PA protocols are developed by CVS and approved by the CVS Pharmacy & Therapeutics Committee. All PA protocols are also approved by AHCCCS.

The AHCCCS FFS Program uses standard criteria for prior authorization, as well as step therapies with post-step prior authorizations. Quantity limits are also used to address FDA maximum dosing limits and also to promote the most cost efficient dosing. AHCCCS works directly with the CVS clinical team to select criteria based on standards of care, guidelines, clinical concerns and other issues that may be specific to an individual or class of drugs.

A request for PA of a single source innovator/brand name drug when a multisource/generic

medication is available, is reviewed on an individual basis. Payment for approved single source innovator/brand name medication will be based on the reimbursement formula for single source innovator/brand name drugs.

AHCCCS continuously works with the CVS clinical team to ensure that all prior authorization criteria are defined and reviewed on an on-going basis. This allows for modifications, deletions, or additions to program criteria based on clinical issues, market changes, and specific needs of the AHCCCS FFS Program.

3. Please specify the ingredient cost and dispensing fee under pharmacy services for all drugs dispensed to the FFS population.

Please see our response to question #2.

4. Arizona may refer users to the OLP section of Attachment 4.19-B where it describes that OLP pharmacists employed by AHCCCS-enrolled pharmacies may administer flu and pneumococcal vaccine.

AHCCCS will not incorporate an additional reference at this time.


Please contact Christine Goldberg at (602) 417-4616 with questions.

Sincerely,



Monica Coury
Assistant Director
Office of Intergovernmental Relations

c: Jessica Schubel

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL FOR: Centers for Medicare and Medicaid Services		1. TRANSMITTAL NUMBER: 11-008	2. STATE Arizona
		3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
TO: REGIONAL ADMINISTRATOR CENTERS FOR MEDICARE AND MEDICAID SERVICES DEPARTMENT OF HEALTH AND HUMAN SERVICES		4. PROPOSED EFFECTIVE DATE April 1, 2011	
5. TYPE OF PLAN MATERIAL (Check One): <input type="checkbox"/> NEW STATE PLAN <input type="checkbox"/> AMENDMENT TO BE CONSIDERED AS NEW PLAN <input checked="" type="checkbox"/> AMENDMENT			
COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)			
6. FEDERAL STATUTE/REGULATION CITATION: 42 CFR 440.60		7. FEDERAL BUDGET IMPACT: FFY 2011: NA FFY 2011: NA	
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Attachment 3.1A Limitations 6.d.viii, p. 7		9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable): Same	
10. SUBJECT OF AMENDMENT: Clarifies the list of state-licensed behavioral health practitioners described in Attachment 3.1-A Limitations			
11. GOVERNOR'S REVIEW (Check One): <input checked="" type="checkbox"/> GOVERNOR'S OFFICE REPORTED NO COMMENT <input type="checkbox"/> OTHER, AS SPECIFIED: <input type="checkbox"/> COMMENTS OF GOVERNOR'S OFFICE ENCLOSED <input type="checkbox"/> NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL			
12. SIGNATURE OF STATE AGENCY OFFICIAL: 		16. RETURN TO: Monica Coury 801 E. Jefferson, MD#4200 Phoenix, Arizona 85034	
13. TYPED NAME: Monica Coury			
14. TITLE: Assistant Director			
15. DATE SUBMITTED: June 20, 2011			
FOR REGIONAL OFFICE USE ONLY			
17. DATE RECEIVED:		18. DATE APPROVED:	
PLAN APPROVED – ONE COPY ATTACHED			
19. EFFECTIVE DATE OF APPROVED MATERIAL:		20. SIGNATURE OF REGIONAL OFFICIAL:	
21. TYPED NAME:		22. TITLE:	
23. REMARKS:			

viii. Non-physician behavioral health professionals, as defined in rule, when the services are provided by the following state-licensed practitioners: social workers, physician assistants, psychologists, counselors, registered nurses, psychiatric nurse practitioners, behavioral analysts, marriage and family therapists, and substance abuse counselors.

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Deleted: behavioral health technicians and other approved therapists who meet all applicable state standards. Except for behavioral health services provided by psychologists, certified psychiatric nurse practitioners and physician's assistants supervised by AHCCCS registered psychiatrists, certified independent social workers, certified marriage/family therapists, and certified professional counselors, all non-physician behavioral health professional services shall be provided by professionals affiliated with an approved behavioral health setting in accordance with AHCCCS policies and procedures.
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7. Home health services.

7a. Intermittent or part-time nursing services provided by a licensed and/or certified home health agency, or by a registered nurse when no home health agency exists in the area.

Intermittent or part-time nursing services provided by a licensed and/or certified home health agency, or by a registered nurse when no home health agency exists in the area, when the services are necessary to prevent re-hospitalization or institutionalization.

7b. Home health aide services provided by a home health agency.

Home health aide services when provided on an intermittent basis by a licensed and/or certified home health agency.

7d. Physical therapy, occupational therapy, or speech pathology and audiology services provided by a home health agency or medical rehabilitation facility.

Therapy services provided to an individual who is 21 years of age or older when a rehabilitation plan demonstrating rehabilitation potential is documented. The duration, scope, and frequency of each therapeutic modality shall be authorized by the appropriate entity as part of a rehabilitation plan.

8. Private duty nursing services.

Private duty nursing services when they are provided in a setting approved by the AHCCCS Administration.

9. Clinic services.

Medical services provided in an ambulatory clinic including physician services, dental services, dialysis, laboratory, x-ray and imaging services, health assessment services, immunizations, medications and medical supplies, therapies, family planning services and EPSDT services.

Behavioral health services provided in a clinic include individual, group and/or family counseling/therapy, psychotropic medications, psychotropic medication adjustment and

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TN No. 11-008
Supersedes _____ Approval Date _____ Effective Date April 1, 2011
TN No. 04-011

