

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

801 East Jefferson, Phoenix, AZ 85034 PO Box 25520, Phoenix, AZ 85002 Phone: 602 417 4000 www.azahcccs.gov

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

TRANSMITTAL AND NOTICE OF APPROVAL OF	1. TRANSMITTAL NUMBER:	2. STATE			
	10-007	Arizona			
STATE PLAN MATERIAL		111110111			
FOR: Centers for Medicare and Medicaid Services	3. PROGRAM IDENTIFICATION: TIT SOCIAL SECURITY ACT (MEDICAL)				
TO: REGIONAL ADMINISTRATOR	4. PROPOSED EFFECTIVE DATE				
CENTERS FOR MEDICARE AND MEDICAID SERVICES	April 1, 2010)			
DEPARTMENT OF HEALTH AND HUMAN SERVICES					
5. TYPE OF PLAN MATERIAL (Check One):					
	CONSIDERED AS NEW PLAN				
COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMER		amendment)			
6. FEDERAL STATUTE/REGULATION CITATION:	7. FEDERAL BUDGET IMPACT:`				
Sections 1927 and 1903(m)(2)(A) of the Social security act	FFY 2010: \$15,186,000 FFY 2011: \$27,348,000				
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:	9. PAGE NUMBER OF THE SUPERS OR ATTACHMENT (If Applicable):				
Attachment 4.26, pages 74(c) and 74(d)					
	Same				
10. SUBJECT OF AMENDMENT:					
10. SUBJECT OF AMENDMENT.					
Implements prescription drug rebates.					
11. GOVERNOR'S REVIEW (Check One): ☐ GOVERNOR'S OFFICE REPORTED NO COMMENT ☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED ☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL	OTHER, AS SPEC	EIFIED:			
12. SIGNATURE OF STATE AGENCY OFFICIAL:	16. RETURN TO:				
1					
1/100	Monica Coury				
100000	801 E. Jefferson, MD#4200				
13. TYPED NAME:	Phoenix, Arizona 85034				
Monica Coury 14. TITLE:	-				
Assistant Director					
15. DATE SUBMITTED:	-				
June 30, 2010					
FOR REGIONAL OF	FICE USE ONLY				
17. DATE RECEIVED:	18. DATE APPROVED:				
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PLAN APPROVED – ONE COPY ATTACHED 19. EFFECTIVE DATE OF APPROVED MATERIAL: 20. SIGNATURE OF REGIONAL OFFICIAL:					
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21. TYPED NAME:	22. TITLE:				
23. REMARKS:					

Revision:	HCFA-PM-93-3 April 1993	(MB)	OMB No.
	State/Territory:		Arizona
<u>Citation</u>			
1927(g)(3) 42 CFR 456 (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) 42 CFR 456			
(A) and (B		н.	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)	700	+ 1	
42 CFR 456		_ 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) 42 CFR 456		2.	Prospective DUR is performed using an
42 CFR 450		2.	electronic point of sale drug claims processing system.
WAIVER FOR	ENTIRE PAGE		<u>/</u>
TN No. 1	0-007		
Supersedes	Approval 3-26	Date _	Effective Date April 1, 2010
			74d
Revision:	HCFA-PM-93-3 April 1993	(MB)	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.
<u>1927(g)</u>		
	<u>K.</u>	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.
1903(m)(2)(A)	L	AHCCCS will participate in the drug rebate program for its managed care program.
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Approval Date _____ Effective Date April 1, 2010

TN No. 10-007

Supersedes
TN No. None

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