

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
San Francisco Regional Office
90 Seventh Street, Suite 5-300 (5W)
San Francisco, CA 94103-6706



DIVISION OF MEDICAID & CHILDREN'S HEALTH OPERATIONS

June 6, 2018

Tom Betlach, Director
Arizona Health Care Cost Containment System
801 East Jefferson Street
Phoenix, AZ 85034

Dear Mr. Betlach:

We have reviewed the proposed State Plan Amendment (SPA) 18-003, which was submitted to the Centers for Medicare & Medicaid Services (CMS) San Francisco Regional Office on March 8, 2018. This SPA revises the reimbursement rate for specialty drugs dispensed by IHS and Tribal 638 facilities.

Based on the information provided, we are approving SPA 18-003 with an effective date of October 1, 2018 as requested. We are enclosing the approved Form CMS-179 and the following Medicaid state plan pages:

- Attachment 4.19-B, Pages 7, 7(a), 8, and 9

In addition, we are including a companion letter from the Division of Pharmacy concerning the Medicaid Covered Outpatient Drugs final rule.

If you have any additional questions or need further assistance, please contact Brian Zolynas at (415) 744-3601 or Brian.Zolynas@cms.hhs.gov.

Sincerely,

/s/

Hye Sun Lee
Acting Associate Regional Administrator
Division of Medicaid & Children's Health Operations

Enclosure: Letter from the Division of Pharmacy

cc: Jessica Woodard, CMCS

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

June 6, 2018

Thomas J. Betlach, Director
Arizona Health Care Cost Containment System
801 E. Jefferson Street
Phoenix, Arizona 85034

Dear Mr. Betlach:

This letter is being sent as a companion to our approval of the Arizona State Plan Transmittal Notice (TN) 18-0003, which amends the state plan to implement changes to reimbursement methodology/rates for specialty drugs dispensed by Indian Health Service (IHS) and tribal 638 health facilities. The changes in this state plan amendment (SPA) are effective on October 1, 2018.

During the review process for SPA 18-0003, the Centers for Medicare & Medicaid Services determined that Arizona's state plan does not comply with the requirements for reimbursement of covered outpatient drugs contained in the Medicaid Covered Outpatient Drugs final rule with comment period (Final Rule) (CMS-2345-FC) (81 FR 5170) published on February 1, 2016, notwithstanding the state's CMS-approved Arizona Health Care Cost Containment System (AHCCCS) demonstration (No. 11-W-00275/09).

CMS understands from an email dated August 17, 2017 from an Arizona Medicaid official regarding the state's status of implementing the Final Rule, responses from the state to informal questions from CMS on Arizona SPA 18-0003, and subsequent conversations with state Medicaid officials, that the state believes it is exempt from having to submit a SPA in accordance with the Final Rule based on "Expenditure Authority #6" and "Special Term and Condition #81" of the state's CMS-approved Arizona Health Care Cost Containment System (AHCCCS) demonstration (No. 11-W-00275/09).

Arizona's CMS-approved AHCCCS demonstration, in part, grants "Expenditure Authority #6" which states that:

Expenditures for items and services provided to AHCCCS fee-for-service beneficiaries that exceed the amounts allowable under section 1902(a)(30)(A) of the Act and the upper payment limitation and actual cost requirements of (42 CFR 447.250 through 447.280 (regarding payments for inpatient hospital and long-term care facility services), 447.300 through 447.321 (regarding payment methods for other institutional and non-institutional services) and 447.512 through 447.518(b) regarding payment for drugs) so long as those expenditures

are in accordance with Special Term and Condition (STC) #81 entitled “Applicability of Fee-for-Service Upper Payment Limit.”

Additionally, the “Special Term and Condition (STC) #81” of the demonstration, which outlines the applicability of fee for service upper payment limits, stipulates that:

If expenditures (excluding fee for service expenditures for American Indian beneficiaries) for inpatient hospital and long-term care facility services, other institutional and non-institutional services, and drugs provided to AHCCCS fee-for-service beneficiaries equal or exceed 5 percent of the state’s total Medical Assistance expenditures, the expenditure authority will be terminated and the state shall submit a demonstration amendment that includes a plan to comply with the administrative requirements of section 1902(a)(30)(A). The state shall submit documentation to CMS on an annual basis that shows the percentage AHCCCS fee-for-service beneficiary expenditures as compared to total Medical Assistance expenditures.

Based on these terms and conditions, we understand that it is Arizona Medicaid officials’ view that since the majority of the program’s beneficiaries are in managed care, and the state’s fee-for-service (FFS) expenditure accounts for less than five (5) percent of total program spend, the state is not required to submit a SPA in accordance with the Final Rule. However, CMS has reviewed the Arizona state plan and demonstration, and has determined that Arizona should have an updated state plan that includes reimbursement for prescribed drugs, given that the approved Arizona state plan already includes coverage of, and reimbursement for the other benefits.

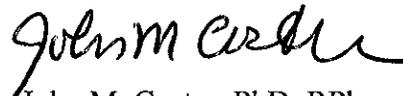
CMS has also determined that based on the terms and conditions of the demonstration, Arizona should have a state plan that include provisions that comply with the requirements of the Final Rule in order to ensure Arizona has an alternative payment policy for covered outpatient drugs that complies with the requirements of section 1902(a)(30)(A) of the Act, in the event the state is unable to certify it is meeting STC #81 of the demonstration, or CMS determines the state is not meeting STC #81 of the demonstration, which would thereby terminate the expenditure authority of the demonstration. Having an updated SPA will ensure that Arizona’s state plan will maintain seamless compliance with the administrative requirements of section 1902(a)(30)(A) of the Act and the Final Rule.

Therefore, CMS requests Arizona submit an updated SPA to ensure the state plan is fully compliant with the requirements of the Final Rule. Please note that to provide state Medicaid programs guidance on implementing the Final Rule’s provisions regarding reimbursement for covered outpatient drugs, on February 11, 2016, CMS issued a State Health Officials Letter (SHO# 16-001), which can be found at <https://www.medicaid.gov/federal-policy-guidance/downloads/smd16001.pdf>. Additionally, CMS provided guidance to stakeholders through responses to frequently asked questions (FAQs) which were published on Medicaid.gov on July 6, 2016 (<https://www.medicaid.gov/Federal-Policy-Guidance/Downloads/FAQ070616.pdf>).

CMS requests the state respond within 90 days from the date of this letter. Within that period, the state may submit a SPA to become compliant with the requirements of the Final Rule. Please note that failure to respond or act may result in the initiation of a formal compliance process. During the 90 days, CMS will provide any required technical assistance.

Please let us know if you have any questions regarding this clarification, or would like any technical assistance regarding the requirements of the regulation pertaining to the development or submission of Arizona's covered outpatient drug reimbursement SPA.

Sincerely,



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

cc: Hye Sun Lee, Acting Associate Regional Administrator, San Francisco Regional Office
Suzanne Berman, R.Ph., Director of Pharmacy
Kitaho Kato, CMS San Francisco Regional Office
Carolyn Kenline, CMS San Francisco Regional Office
Cheryl Young, CMS San Francisco Regional Office
Brian Zolynas, CMS San Francisco Regional Office

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL FOR: Centers for Medicare and Medicaid Services		1. TRANSMITTAL NUMBER: 18-003	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 October 1, 2018	
5. TYPE OF PLAN MATERIAL (<i>Check One</i>): <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 (<i>Separate Transmittal for each amendment</i>)			
6. FEDERAL STATUTE/REGULATION CITATION: 42 CFR Part 447		7. FEDERAL BUDGET IMPACT: FFY 18: \$0 FFY 19: \$0	
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Att. 4.19-B, pages 7, 7(a), 8, and 9		9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (<i>If Applicable</i>): Att. 4.19-B, pages 7, 8, and 9	
10. SUBJECT OF AMENDMENT: Updates the State Plan to change the reimbursement rates for specialty drugs dispensed by IHS/638 facilities			
11. GOVERNOR'S REVIEW (<i>Check One</i>): <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: Elizabeth Lorenz 801 E. Jefferson, MD#4200 Phoenix, Arizona 85034	
13. TYPED NAME: Elizabeth Lorenz			
14. TITLE: Assistant Director			
15. DATE SUBMITTED: 3/8/18			
FOR REGIONAL OFFICE USE ONLY			
17. DATE RECEIVED: March 8, 2018		18. DATE APPROVED: June 6, 2018	
PLAN APPROVED – ONE COPY ATTACHED			
19. EFFECTIVE DATE OF APPROVED MATERIAL: October 1, 2018		20. SIGNATURE OF REGIONAL OFFICIAL: /s/	
21. TYPED NAME: Hye Sun Lee		22. TITLE: Acting Associate Regional Administrator, Division of Medicaid and Children's Health Operations	
23. REMARKS: Pen-and-ink changes to Boxes 8 and 9. Box 8: "Att. 4.19-B, 7-9" deleted and replaced with "Att. 4.19-B, pages 7, 7(a), 8, and 9." Box 9: "Same" deleted and replaced with "Att. 4.19-B, pages 7, 8, and 9."			

**REIMBURSEMENT FOR INDIAN HEALTH SERVICE
AND TRIBAL 638 HEALTH FACILITIES**

AHCCCS will reimburse the Indian Health Service (IHS) and tribal facilities based on the following reimbursement methodologies reflected in Tables 1 and 2. The AHCCCS capped fee schedule can be found at the following link: <https://www.azahcccs.gov/PlansProviders/RatesAndBilling/FFS/>. The Effective date for the AHCCCS fee schedule can be found on 4.19B page 1.

As the Tables 1 and 2 reflect, the methodologies may differ depending on a specific situation. The various situations are whether:

- the services include or exclude professional services.
- the service is provided by the IHS or a tribal facility
- the tribal facility is set up to bill outpatient services with specific coding and requests this format
- based on specific CMS guidance (transportation).

TABLE 1 - IHS OUTPATIENT REIMBURSEMENT METHODOLOGY

Eligibility Type	Service	Billing Form/Codes	Reimbursement
Title XIX (Acute)	Outpatient Hospital	1500 / 00099	Outpatient All-inclusive Rate
	Clinic	1500 / 00099	Outpatient All-inclusive Rate
	Ambulatory Surgery Center	1500 / 00090-00098	AHCCCS Capped Fee Schedule
	Professional Services	1500 / HCPCS/CPT codes	AHCCCS Capped Fee Schedule
	Specialty Drugs	National Council for Prescription Drug Programs (NCPDP) Claims Adjudication Standard	Professional Fee plus the Lesser of the Federal Supply Schedule Unit Price or Wholesale Acquisition Cost

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**REIMBURSEMENT FOR INDIAN HEALTH SERVICE
AND TRIBAL 638 HEALTH FACILITIES**

Title XIX (Long Term Care)	Outpatient Hospital Clinic Ambulatory Surgery Center Professional Services Specialty Drugs	1500 / 00099 1500 / 00099 1500 / 00090-00098 1500 / HCPCS/CPT codes National Council for Prescription Drug Programs (NCPDP) Claims Adjudication Standard	Outpatient All-inclusive Rate Outpatient All-inclusive Rate AHCCCS Capped Fee Schedule AHCCCS Capped Fee Schedule Professional Fee plus the Lesser of the Federal Supply Schedule Unit Price or Wholesale Acquisition Cost
Title XIX (Behavioral Health)	Outpatient Hospital Clinic Professional Services Specialty Drugs	1500 / 00099 1500 / 00099 1500 / HCPCS/CPT codes National Council for Prescription Drug Programs (NCPDP) Claims Adjudication Standard	Outpatient All-inclusive Rate Outpatient All-inclusive Rate AHCCCS Capped Fee Schedule Professional Fee plus the Lesser of the Federal Supply Schedule Unit Price or Wholesale Acquisition Cost

REIMBURSEMENT FOR INDIAN HEALTH SERVICE
AND TRIBAL 638 HEALTH FACILITIES

**TABLE 2 - '638 TRIBAL FACILITY OUTPATIENT REIMBURSEMENT
METHODOLOGY**

Eligibility Type	Service	Billing Form/Codes	Reimbursement
Title XIX (Acute)	Outpatient Hospital (including professional services) (or) Outpatient Hospital (excluding professional services)	1500 / 00099 (or) UB-92 – Specific revenue codes	Outpatient All-inclusive Rate (or) Statewide Cost to Charge Rate
	Clinic (including professional services) (or) Clinic (excluding professional services)	1500 / 00099 (or) 1500 / HCPCS/CPT codes	Outpatient All-inclusive Rate (or) AHCCCS Capped Fee Schedule
	Ambulatory Surgery Center (including professional services) (or) Ambulatory Surgery Center (excluding professional services)	1500 / 00090-00098 (or) 1500 / CPT codes	AHCCCS Capped Fee Schedule)
	Professional Services (services included in procedure bill)	1500 / HCPCS/CPT codes	AHCCCS Capped Fee Schedule
	Specialty Drugs	National Council for Prescription Drug Programs (NCPDP) Claims Adjudication Standard	Professional Fee plus the Lesser of the Federal Supply Schedule Unit Price or Wholesale Acquisition Cost
	Title XIX (Long Term Care)	Outpatient Hospital (including professional services) (or) Outpatient Hospital (excluding professional services)	1500 / 00099 (or) UB-92 / Specific revenue codes

**REIMBURSEMENT FOR INDIAN HEALTH SERVICE
AND TRIBAL 638 HEALTH FACILITIES**

	Clinic(including professional services) (or) Clinic (excluding professional services)	1500 / 00099 (or) 1500 / HCPCS/CPT codes	Outpatient All-inclusive Rate (or) AHCCCS Capped Fee Schedule
	Professional Services (services included in procedure billed)	1500 / HCPCS/CPT codes	AHCCCS Capped Fee Schedule
	HCBS Services	1500 / HCPCS or AHCCCS specific codes	AHCCCS Capped Fee Schedule
	Transportation (Air & Ground)	1500 / HCPCS codes	AHCCCS Capped Fee Schedule
	Transportation (Non-Ambulance)	1500 / HCPCS/AHCCCS specific codes	AHCCCS Capped Fee Schedule
	Specialty Drugs	National Council for Prescription Drug Programs (NCPDP) Claims Adjudication Standard	Professional Fee plus the Lesser of the Federal Supply Schedule Unit Price or Wholesale Acquisition Cost
Title XIX (Behavioral Health)	Outpatient Hospital (including professional services) (or) Outpatient Hospital (excluding professional services)	1500 / 00099 (or) UB-92 / Specific revenue codes	Outpatient All-inclusive Rate (or) Statewide Cost to Charge Rate
	Clinic (including professional services) (or) Clinic (excluding professional services)	1500 / 00099 (or) 1500 / HCPCS/CPT codes	Outpatient All-inclusive Rate (or) AHCCCS Capped Fee Schedule
	Professional Services	1500 / HCPCS/CPT codes	AHCCCS Capped Fee Schedule
	Transportation (Air & Ground)	1500 / HCPCS codes	AHCCCS Capped Fee Schedule
	Transportation (Non-Ambulance)	1500 / HCPCS/AHCCCS codes	AHCCCS Capped Fee Schedule
	Specialty Drugs	National Council for Prescription Drug Programs (NCPDP) Claims Adjudication Standard	Professional Fee plus the Lesser of the Federal Supply Schedule Unit Price or Wholesale Acquisition Cost

TN No. 18-003
Supercedes
TN No. 00-003

Effective Date: October 1, 2018

Approval Date: June 6, 2018