

September 27, 2024

Brian Zolynas
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 # AZ-24-0012, Physician Administered Drugs (PAD) SPA

Dear Mr. Zolynas:

Enclosed is State Plan Amendment (SPA) # AZ-24-0012, Physician Administered Drugs (PAD). This SPA updates the Physician Administered Drug (PAD) rates, effective July 1, 2024.

Tribal Consultation on this SPA occurred on May 7, 2024. The Tribal Consultation presentation is available on the following webpage:

<https://www.azahcccs.gov/AmericanIndians/TribalConsultation/>

Public Notice for this SPA was posted on the following webpages:

https://www.azahcccs.gov/AHCCCS/Downloads/PublicNotices/rates/FinalPublicNotice_PADRates07012024.pdf

If there are any questions about the enclosed SPA, please contact Maxwell Seifer at Maxwell.Seifer@azahcccs.gov or 602-417-4722.

Sincerely,



Kyle Sawyer
Assistant Director, Public Policy and Strategic Planning
Arizona Health Care Cost Containment System (AHCCCS)

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL
FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES**

1. TRANSMITTAL NUMBER 24 — 0012	2. STATE AZ
3. PROGRAM IDENTIFICATION: TITLE 19 OF THE SOCIAL SECURITY ACT	

TO: CENTER DIRECTOR
CENTERS FOR MEDICAID & CHIP SERVICES
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE
July 1, 2024

5. FEDERAL STATUTE/REGULATION CITATION
42 CFR Part 447

6. FEDERAL BUDGET IMPACT (Amounts in WHOLE dollars)
a. FFY: **2025** \$ **129,600**
b. FFY: **2026** \$ **129,600**

7. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT

Attachment 4.19-B, page 2(b)

8. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable)


Attachment 4.19-B, page 2(b)

9. SUBJECT OF AMENDMENT
Updates the state plan Physician Administered Drugs (PAD) rates, effective July 1, 2024.

10. 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	

11. SIGNATURE OF STATE AGENCY OFFICIAL



12. TYPED NAME
Kyle Sawyer

13. TITLE
Assistant Director, Public Policy and Strategic Planning

14. DATE SUBMITTED: September 27, 2024

15. RETURN TO

Kyle Sawyer
801 E. Jefferson St., MD #4200
Phoenix, AZ 85034

FOR CMS USE ONLY

PLAN APPROVED - ONE COPY ATTACHED

16. DATE RECEIVED	17. DATE APPROVED
18. EFFECTIVE DATE OF APPROVED MATERIAL	19. SIGNATURE OF APPROVING OFFICIAL
20. TYPED NAME OF APPROVING OFFICIAL	21. TITLE OF APPROVING OFFICIAL

22. REMARKS

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

Physician Administered Drugs will be reimbursed using the following methodology:

1. Physician billing:

Effective for claims with dates of service ~~July~~ January 1, 2024, and after: ~~For non-chemotherapy drugs that are priced on the Medicare Part B Drug Schedule, AHCCCS sets its FFS rates as 100% 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. Pricing for provider administered CMS covered outpatient drugs as listed on the AHCCCS Physician Administered Drug fee schedule shall be updated quarterly and following the methodology outlined below. At the discretion of AHCCCS, pricing may be updated outside of the quarterly updates. Medically necessary CMS covered outpatient drugs that are administered or provided by an AHCCCS registered provider shall be reimbursed as follows:~~

a. ~~CMS covered outpatient drugs on the Medicare Part B Average Sales Price (ASP) file, shall be reimbursed at 100% of the ASP file rate.~~

i. ~~Medicare Part B ASP correction files issued in the middle of a quarter shall be updated as appropriate and within the same quarter.~~

b. ~~For Multisource and Single source CMS covered outpatient drugs that are not listed on the Medicare Part B ASP file and the product has a corresponding HCPCS code, AHCCCS pricing methodology is as follows:~~

i. ~~For a HCPCS code containing only a Single Source drug, the HCPCS code price shall equal the lowest Wholesale Acquisition Cost (WAC) for the National Drug Code (NDC) corresponding to the description of the HCPCS code.~~

ii. ~~For a HCPCS code that includes Multi Source drugs, the HCPCS code pricing shall be equal to the lesser of the median WAC of all the generic forms of the drug or the lowest Average Wholesale Price (AWP) of the NDC of the brand name product corresponding to the description of the drug code.~~

1. ~~Median code pricing calculations are based on the median of all active (brand and generic) products which correspond to the HCPCS code description.~~

c. ~~For Radiopharmaceuticals that are not priced at either of the methodologies above, AHCCCS will pay 100% of the rate listed by CMS Noridian.~~

d. ~~Repackaged, inactive NDC or HCFA termed provider administered medications are not covered.~~

~~High-cost provider administered medications, eligible under the reinsurance program, shall be reimbursed at the actual acquisition cost of the product in accordance with the reinsurance reimbursement guidelines. AHCCCS shall price medications that do not fall into one of the above reimbursement methodologies at a price determined by the agency, for example, a compounded drug that does not have an assigned HCPCS code, AWP or a WAC.~~

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2. 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 OPPS 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.

3.3. 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.

3.4. Long Acting Reversible Contraceptives (LARCs)

Effective for claims with dates of service January 1, 2023, and after, the reimbursement of Food and Drug Administration (FDA)-approved Long-Acting Reversible Contraceptives (LARCs), including intrauterine devices (IUDs) and contraceptive implants, will be reimbursed at the Wholesale Acquisition Cost. LARC reimbursement rates will be updated on the first day of each quarter and remain unchanged throughout that respective quarter.

4.5. Investigational/Experimental drugs are not reimbursed by AHCCCS.

6. AHCCCS will meet the reimbursement requirements of the Federal Upper Payment Limit (FUL) defined drugs in the aggregate by reviewing that the NADAC does not exceed the FUL levels.

5.7. Select prescribed drugs that do not meet the definition of covered outpatient drugs will be reimbursed at the same rate as covered outpatient drugs.

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TN No. 24-001292
Supersedes TN No. 243-00023

Approved: _____ Effective Date: ~~July~~January 1, 2024

