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State/Territory Name: Washington

State Plan Amendment (SPA)#: WA-23-0050

This file contains the following documents in the order listed

- 1) Approval Letter
- 2) CMS 179 Form
- 3) Approved SPA Pages

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid
Services 7500 Security
Boulevard, Mail Stop S2-14-26
Baltimore, Maryland 21244-1850



Center for Medicaid and CHIP Services
Medicaid Benefits and Health Programs Group

November 13, 2023

Susan Birch, Director
Dr. Charissa Fotinos, Medicaid Director
Health Care Authority
PO Box 45502
Olympia, WA 98504-5010

Dear Susan Birch and Dr. Fotinos,

The CMS Division of Pharmacy team has reviewed Washington's State Plan Amendment (SPA) 23-0050 received in the CMS Medicaid & CHIP Operations Group on September 27, 2023. This SPA proposes to bring Washington into compliance with the reimbursement requirements in the Covered Outpatient Drug final rule with comment period (CMS-2345-FC).

SPA 23-0050 establishes reimbursement for covered outpatient drugs using an actual acquisition cost methodology and with a tiered professional dispensing fee based on the annual volume of the enrolled pharmacy. Pharmacies with less than 30,000 claims per year will have a \$14.30 professional dispensing fee. Pharmacies with between 30,000 and 69,999 claims per year will have a \$11.91 professional dispensing fee. Finally, pharmacies with 70,000 or more claims per year will have a \$9.80 professional dispensing fee. This SPA also includes reimbursement for 340B drugs, federal supply schedule, and drugs purchased at nominal price. The state provided data to demonstrate that the acquisition cost methodology and professional dispensing fees being paid are sufficient to assure that Washington's beneficiaries will have access to pharmacy services at least to the extent as the general population.

Based on the information provided and consistent with the regulations at 42 CFR 430.20, we are pleased to inform you that WA-23-0050 is approved with an effective date of July 1, 2023. We are attaching a copy of the signed CMS-179 form, as well as the pages approved for incorporation into Washington's state plan.

If you have any questions regarding this request, please contact Lisa Shochet at 410-786-5445 or lisa.shochet@cms.hhs.gov.

Sincerely,

Mickey Morgan
Deputy Director
Division of Pharmacy

cc: Ann Myers, Section Manager & State Plan Coordinator, Health Care Authority
Edwin Walaszek, Washington State Lead, Division of Program Operations, CMS

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

1. TRANSMITTAL NUMBER
2 3 — 0 0 5 0

2. STATE
WA

3. PROGRAM IDENTIFICATION: TITLE OF THE SOCIAL SECURITY ACT
 XIX XXI

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

4. PROPOSED EFFECTIVE DATE
July 1, 2023

5. FEDERAL STATUTE/REGULATION CITATION
1902(a) of the Act

6. FEDERAL BUDGET IMPACT (Amounts in WHOLE dollars)
a. FFY 2023 \$ 1,392,732
b. FFY 2024 \$ 3,981,795

7. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT
Supplement A to Attachment 4.19-B pages 1, 2, 3

8. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable)
Supplement A to Attachment 4.19-B pages:
1 (TN#15-0023)
2 (TN#15-0023)
3 (TN#09-005)
4 (TN#23-0002) (Remove)

9. SUBJECT OF AMENDMENT

Pharmacy Professional Dispensing Fees

10. 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 SPECIFIED:

11. SIGNATURE OF STATE AGENCY OFFICIAL

Charissa Fotinos MD MSc

12. TYPED NAME
Charissa Fotinos, MD MSc

13. TITLE
Medicaid and Behavioral Health Medical Director

14. DATE SUBMITTED
September 27, 2023

15. RETURN TO
State Plan Coordinator
POB 42716
Olympia, WA 98504

FOR CMS USE ONLY

16. DATE RECEIVED
9/27/2023

17. DATE APPROVED
11/13/2023

PLAN APPROVED - ONE COPY ATTACHED

18. EFFECTIVE DATE OF APPROVED MATERIAL
7/01/2023

19. SIGNATURE OF APPROVING OFFICIAL

20. TYPED NAME OF APPROVING OFFICIAL
Mickey Morgan

21. TITLE OF APPROVING OFFICIAL
Deputy Director, Division of Pharmacy

22. REMARKS

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State: WASHINGTON

REIMBURSEMENT FOR PHARMACY SERVICES

I. General Information

1. Prescription drug reimbursement through Point-of-Sale (POS) is based on:
 - a. The standard 11-digit National Drug Code (NDC) (5-4-2 format); and
 - b. The quantity filled.

2. Total reimbursement for a covered outpatient drug does not exceed the lesser of actual acquisition cost (AAC), plus a professional dispensing fee or the provider's usual and customary charge. The AAC is calculated as the lowest of:
 - a. National Average Drug Acquisition Cost (NADAC);
 - b. Maximum allowable cost (MAC);
 - c. Federal Upper Limit (FUL); or
 - d. The provider's usual and customary (U&C) charge to the non-Medicaid population.
 - e. The provider's submitted ingredient cost.

Where NADAC does not exist, Wholesale Acquisition Cost (WAC) is used as the basis for the reimbursement.

3. The Agency reimburses specialty drugs in accordance with the methodology listed in Section 2 above.

4. The Agency reimburses nominally priced drugs at the provider's actual acquisition cost (AAC), plus a professional dispensing fee.

5. The Agency reimburses for 340B discounted drugs at the provider's 340B actual acquisition cost and only when the billing provider is a federally qualified PHS-entity billing with an NPI or NABP number listed on the Office of Pharmacy Affairs national Medicaid exclusion file.

6. The Agency does not cover 340B discounted drugs dispensed by contract pharmacies.

7. The Agency does not cover investigational drugs. Investigational drugs are not a covered service under Washington's Medicaid pharmacy program.

8. The Agency reimburses drugs purchased through the Federal Supply Schedule (FSS) at the provider's actual acquisition cost, plus a professional dispensing fee.

9. The Agency reimburses drugs purchased through the Indian Health Services (IHS) in accordance with Section 2 above , plus a professional dispensing fee.

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State: WASHINGTON

REIMBURSEMENT FOR PHARMACY SERVICES (Cont.)

II. Physician-administered drugs

The Agency reimburses drugs administered in the provider's office and billed using the drug-specific HCPCS code and the product-specific NDC at the rates showing on Medicare's drug pricing files. Exceptions to this methodology:

1. Drugs without published ASP rates are paid at a fee equal to the POS rate at the beginning of the most recent calendar quarter. The POS rate is calculated by the methodology using the lower of NADAC, MSC, FUL, U&C rates.
2. Drugs without assigned HCPCS are paid at the POS rate or based on submitted invoice cost, whichever is less.
3. Anti-hemophilia drugs are paid based on Medicare drug pricing file without the clotting factor furnishing fee or based on submitted invoice cost.
4. Contraceptive drugs dispensed from family planning clinics are paid at an Agency researched MAC rate.
5. Contraceptive drugs dispensed from family planning clinics participating with Medicaid in the 340B drug program are reimbursed at 340B AAC.

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State: WASHINGTON

REIMBURSEMENT FOR PHARMACY SERVICES (Cont.)

III. Professional Dispensing Fees

A. A three-tier professional dispensing fee structure is used, with an adjusted fee allowed for pharmacies that participate in the Modified Unit Dose and/or True Unit Dose programs.

B. Listed below are the professional dispensing fee allowances for each drug ingredient in compounded and non-compounded prescriptions for pharmacies:

High-volume pharmacies (70,000 or more Rxs/yr)	\$ 9.80/Rx
Mid-volume pharmacies (30,000 – 69,999 Rxs/yr)	\$ 11.91/Rx
Low volume pharmacies (less than 30,000 Rxs/yr)	\$ 14.30/Rx
Unit Dose Systems	\$ 14.30/Rx

C. A provider's professional dispensing fee is determined by the volume of prescriptions the pharmacy fills for medical assistance clients and the general public, as indicated on the annual prescription count survey distributed to pharmacies.

D. A 340B professional dispensing fee is paid according to B above.