

CMS Approves Medicaid State Plan Amendments for High-Dollar Medications to Save Money and Improve Tribal Health: An Example from South Dakota

Centers for Medicare & Medicaid Services (CMS) approved (2020) a South Dakota (SD) Medicaid State Plan Amendment (SPA) to allow “high dollar” *outpatient* prescription medications that exceed the IHS/tribal fixed encounter rate to be reimbursed according to the federal supply schedule. The SPA allows IHS/tribal pharmacies to be reimbursed at full acquisition cost for medications that are more expensive than the flat pharmacy encounter rate, and CMS has approved similar SPAs for other states.

This SPA benefits both IHS/tribal sites and SD Medicaid. Sites are able to improve the continuity of culturally appropriate care within the patient’s medical home and better address social determinants of health by providing local access to medications and other related services without a negative impact to their local budget. Meanwhile, SD Medicaid notes increased share of cost by the Federal government under the Federal Medicaid Assistance Percentage (FMAP) by dispensing these medications within the IHS/tribal pharmacies versus retail or specialty pharmacies.

When an American Indian and Alaska Native (AI/AN) Medicaid beneficiary receives services at an IHS/tribal site, the state of SD is reimbursed at 100% FMAP. However, when these individuals receive care through Medicaid from a non-IHS/tribal site (e.g., retail or specialty pharmacies), SD receives its state’s regular FMAP and bears the remaining cost share directly. In other words, since CMS reimburses these expenses fully, services provided to eligible AI/AN patients in IHS/tribal facilities essentially cost the state nothing.

Prior to the approval of this SPA, sites either had to bear the expense for the difference in reimbursement and acquisition cost from their own budget for “high dollar” medications, or send the patient to fill the prescription at a retail or specialty pharmacy, which resulted in a lower amount of Federal payment to SD Medicaid. Most of these “high dollar” medications were not commonly provided at IHS/tribal sites during initial flat encounter rate discussions. As an example, the high cost of Direct Acting Antivirals (DAAs) to cure Hepatitis C Virus (HCV) has been a barrier to treatment, despite AI/AN people having the highest rates of HCV incidence and HCV-related mortality nationwide. Other examples of “high dollar” medications include long-acting injectable antipsychotics, injectable rheumatoid arthritis medications, and injectable diabetes medications. State Plan Amendments for “high dollar” outpatient prescription medications is another step to improving access to comprehensive care and services for American Indian and Alaska Native people.

Attached: copy of SPA (SD-20-0002) and SD Medicaid instructions for processing “high dollar” claims

DEPARTMENT OF HEALTH & HUMAN SERVICES

Centers for Medicare & Medicaid Services
Center for Medicaid & CHIP Services
233 North Michigan Ave., Suite 600
Chicago, Illinois 60601



Financial Management Group

August 11, 2020

William Snyder, Medicaid Director
Department of Social Services
Richard F. Kneip Building
700 Governors Drive
Pierre, SD 57501-2291

RE: TN 20-0002

Dear Mr. Snyder:

We have reviewed the proposed South Dakota State Plan Amendment (SPA) to Attachment 4.19-B 20-0002, which was submitted to the Centers for Medicare & Medicaid Services (CMS) on May 14, 2020. This plan amendment provides for separate reimbursement of high cost prescription drugs outside of the IHS encounter rate.

Based upon the information provided by the State, we have approved the amendment with an effective date of April 1, 2020. We are enclosing the approved CMS-179 and a copy of the new state plan page.

If you have any additional questions or need further assistance, please contact Tom Couch at 208-861-9838 or Thomas.Couch@cms.hhs.gov.

Sincerely,

Todd McMillion

Todd McMillion
Director
Division of Reimbursement Review

Enclosure

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

1. TRANSMITTAL NUMBER:
SD-20-002

2. STATE:
South Dakota

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE
SOCIAL SECURITY ACT (MEDICAID)

TO: REGIONAL ADMINISTRATOR
CENTERS FOR MEDICARE & MEDICAID SERVICES
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE
April 1, 2020

5. TYPE OF PLAN MATERIAL (Check One):

NEW STATE PLAN

AMENDMENT TO BE CONSIDERED AS NEW PLAN

AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:

42 CFR 447 Subpart I

7. FEDERAL BUDGET IMPACT:

a. FFY 2020: \$250,000.00 Please see note in box 23.
b. FFY 2021: \$500,000.00

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Attachment 4.19-B, Page 20a

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

Attachment 4.19-B, Page 20a

10. SUBJECT OF AMENDMENT:

The proposed State Plan Amendment (SPA) allows high cost prescription drugs that exceed the IHS/tribal encounter rate to be reimbursed according to the federal supply schedule.

11. GOVERNOR'S REVIEW (Check One):

GOVERNOR'S OFFICE REPORTED NO COMMENT

OTHER, AS SPECIFIED:

COMMENTS OF GOVERNOR'S OFFICE ENCLOSED

NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

12. SIGNATURE OF STATE AGENCY OFFICIAL:



13. TYPED NAME:

Laurie Gill

14. TITLE:

Cabinet Secretary

15. DATE SUBMITTED:

May 14, 2020

16. RETURN TO:

DEPARTMENT OF SOCIAL SERVICES
DIVISION OF MEDICAL SERVICES
700 GOVERNORS DRIVE
PIERRE, SD 57501-2291

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED: 05/14/2020

18. DATE APPROVED: 8/11/2020

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:

04/01/2020

20. SIGNATURE OF REGIONAL OFFICIAL:



21. TYPED NAME:

Todd McMillion

22. TITLE:

Director, Division of Reimbursement Review

23. REMARKS:

State authorized a pen and Ink change on 07/17/20 revising the FFP impact to reflect thousands: FFY 2020 - \$250, and FFY 2021 - \$500.

ATTACHMENT 4.19-B
PAYMENTS FOR MEDICAL AND REMEDIAL CARE AND SERVICES

12a. Prescription Drugs

1. The State agency will reimburse prescribed drugs, including covered non-legend drugs that are prescribed by an authorized prescriber and legend drugs prescribed by an authorized prescriber, at the lowest of the following:
 - i. The pharmacy's usual and customary charge (U&C) to the general public for the drug; or
 - ii. South Dakota Medicaid's established State Maximum Allowable Cost (SMAC) for that drug plus the professional dispensing fee. (South Dakota Medicaid's SMAC is acquisition cost based and includes all types of medications, including specialty and hemophilia products); or
 - iii. The current National Average Drug Acquisition Cost (NADAC) for that drug plus the professional dispensing fee; or
 - iv. If there is no NADAC for the drug, the current wholesale acquisition cost (WAC) of the drug plus the professional dispensing fee.

In compliance with 42 CFR 447.512 and 447.514, reimbursement for drugs subject to Federal Upper Limits (FULs) may not exceed FULs in the aggregate.

2. All Indian Health Service and tribal pharmacies are reimbursed at the encounter rate except for high cost drugs. The logic described above and below does not apply to prescription drugs reimbursed at the encounter rate. High cost drugs are reimbursed according to the Federal Supply Schedule logic in item 3 on this page. A "high cost drug" is a drug with an acquisition cost that exceeds the encounter rate.
3. Federal Supply Schedule (FSS) purchased drugs are required to be billed and reimbursed at no more than their actual acquisition cost plus the professional dispensing fee.
4. Drugs not dispensed by a retail community pharmacy (such as a long-term care facility, or primarily through the mail) will be reimbursed by using the logic described above and below.
5. Clotting factor from specialty pharmacies, hemophilia treatment centers (HTC), and centers of excellence will be reimbursed through the logic described above and below. That is, in addition to the professional dispensing fee, they will be reimbursed the lowest of the U&C, SMAC, NADAC, or WAC if no NADAC price exists.
6. Drugs acquired at nominal price (outside of 340B or FSS) will be reimbursed at no more than the actual acquisition price plus the professional dispensing fee while using the logic described above and below.

DEPARTMENT OF SOCIAL SERVICES

700 GOVERNORS DRIVE

PIERRE, SD 57501-2291

PHONE: 605-773-3495

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Strong Families - South Dakota's Foundation and Our Future

March 31, 2020

Re: IHS high dollar prescriptions

Effective April 1, 2020 South Dakota Medicaid will reimburse “high dollar” outpatient prescription drug claims submitted through the pharmacy point of sale system (POS) using the same reimbursement methodology as non-IHS pharmacies.

For purposes of IHS pharmacy claims “high dollar” is any claim where standard reimbursement would exceed the encounter rate (ex. \$455) in effect for that date of service.

In order to process the claim at the standard reimbursement rate the IHS pharmacy must enter ‘09’ in NCPDP field ‘420-DK Submission Clarification Code’ (SCC) at the time of claim submission. Any claim submitted with SCC = 9 will calculate payment based on the standard payment algorithm. For example, a claim for amoxicillin that is submitted with SCC = 9 will pay approximately \$15, not the \$455 encounter rate. The Medicaid POS cannot process both payment scenarios and reimburse the higher amount so it is the responsibility of the IHS pharmacy to ensure the SCC field is utilized correctly. Failure to submit the correct SCC may result in lower reimbursement.

Questions regarding how to submit SCC = 9 must be directed to your software support staff.

High dollar claims will not be subject to the one fee per recipient per day limitation.

Claims submitted with SCC = 9 must be submitted with the actual acquisition cost of the IHS pharmacy (ex. Federal Supply Schedule price).

Drugs administered during a patient’s inpatient hospital stay are reimbursed as part the inpatient hospital encounter rate and must not be submitted via POS. Inpatient drug claims submitted through the POS are subject to audit and recovery.

Mike Jockheck, RPh
Division of Medical Services