Summary of Medicaid Pharmacy State Plan Requirements
June 13, 2016

All states must submit an amendment to its state plan by June 30, 2017 to the Centers for Medicare & Medicaid Services (CMS) with an effective date of no later than April 1, 2017, to be in compliance with the new reimbursement requirements in CMS' Covered Outpatient Drug final rule with Comment (CMS-2345-FC).

State plan pages should contain the following reimbursement information on the Pharmacy pages:

A. Ingredient Cost methodology in accordance with the Actual Acquisition Cost (AAC) definition –

Brand Name drugs - Ingredient cost based on AAC/Professional dispensing fee.

Generic drugs - Ingredient cost based on AAC/Professional dispensing fee.

Drugs (NDCs) without an AAC - Back-up ingredient cost methodology based on AAC/ Professional dispensing fee.

340B-purchased drugs - Ingredient cost which should be no more than the 340B ceiling price/ Professional dispensing fee.

Drugs purchased outside of the 340B program by covered entities - Ingredient cost based on AAC/Professional dispensing fee.

All 340B payment methodologies must include descriptions for drugs dispensed by the following:

- A covered entity described in section 1927(a)(5)(B) of the Act. (340B covered entity pharmacy).
- A contract pharmacy under contract with a 340B covered entity described in section 1927(a)(5)(B) of the Act.
- An Indian Health Service, tribal and urban Indian pharmacy.

Drugs acquired via the Federal Supply Schedule (FSS) – Ingredient cost based on AAC/ Professional dispensing fee.

Drugs acquired at Nominal Price (outside of 340B or FSS) – Ingredient cost based on AAC/ Professional dispensing fee.

B. Payment for these drugs do *not* need to meet the Actual Acquisition Cost (AAC) definition –

Drugs dispensed by IHS/Tribal facilities paid using encounter rates –States do not need to list encounter rates in their state plan pages for pharmacy. However, encounter rates satisfy the AAC requirement.

Specialty drugs not dispensed by a retail community pharmacy and dispensed primarily through the mail - Ingredient cost/Professional dispensing fee.

Drugs not dispensed by a retail community pharmacy (e.g., institutional or long term care pharmacy when not included as part of an inpatient stay) – Ingredient cost/Professional dispensing fee.

Physician Administered Drugs – Define reimbursement on the pharmacy state plan page or if bundled in physician payment, indicate this on the pharmacy state plan page. No professional dispensing fee.

Clotting Factor from Specialty Pharmacies, Hemophilia Treatment Centers (HTCs), Centers of Excellence –Ingredient cost/ Professional dispensing fee.

- *Reimbursement for MTM /other professional services associated with HTCs or specialty pharmacies etc. should be included in those applicable sections of the State plan. Such services should not be reimbursed as a cost of dispensing the clotting factor.*

Investigational Drugs – States should describe their coverage and reimbursement method in their pharmacy plan pages.

C. Updated Federal Upper Limits (FULs) information –

States should include in their pharmacy pages, either as a part of their lower of methodology or in a separate entry or description in the state plan, how they intend to meet the FULs in the aggregate.