

Department of Health & Human Services
Centers for Medicare & Medicaid Services
26 Federal Plaza, Room 37-100 North
New York, NY 10278



CENTERS for MEDICARE & MEDICAID SERVICES

August 10, 2011

Jason A. Helgerson
Medicaid Director & Deputy Commissioner
New York State Department of Health
Corning Tower
Empire State Plaza
Albany, NY 12237

Dear Mr. Helgerson:

We have received a copy of Larry Reed's letter to you, in which he notified you of the approval of New York's State Plan Amendment (SPA) 11-61. This SPA revises the New York Estimated Acquisition Cost (EAC) for prescribed drugs from average wholesale price (AWP) less sixteen and twenty-five one hundredths percent to AWP less seventeen percent. In addition, it decreases the dispensing fee paid for generic drugs from \$4.50 to \$3.50. Furthermore, this SPA also discontinues specialized HIV pharmacy reimbursement. A pharmacy previously designated as a specialized HIV pharmacy will receive the same reimbursement as all other pharmacies.

Mr. Reed advised you that the New York Regional Office would forward you the signed CMS-179 form as well as copies of the approved pages. These documents are enclosed. The revised page of Attachment 4.19-B submitted to us on July 28, 2011 has replaced the corresponding page that was included in the State's original SPA submission package.

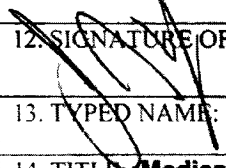

Please note the approval date of the SPA is August 9, 2011 and the effective date is April 1, 2011.

If you have any questions, please contact Ana J. Balbuena at (212) 616-2410

Sincerely,

A handwritten signature in black ink, appearing to read 'Ricardo Holligan'.

Ricardo Holligan
Acting Associate Regional Administrator
Division of Medicaid and Children's Health

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL		1. TRANSMITTAL NUMBER: #11-61	2. STATE New York
FOR: HEALTH CARE FINANCING ADMINISTRATION		3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
TO: REGIONAL ADMINISTRATOR HEALTH CARE FINANCING ADMINISTRATION DEPARTMENT OF HEALTH AND HUMAN SERVICES		4. PROPOSED EFFECTIVE DATE April 1, 2011	
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: Section 1902(a) of the Social Security Act & NYS Social Services Law §367-a(9)(b)(ii) & §367-a(9)(d)(i)		7. FEDERAL BUDGET IMPACT: a. FFY 04/01/11-09/30/11 (\$16.14) million b. FFY 10/01/11-09/30/12 (\$22.65) million	
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Attachment 4.19-B: Page 4(d) ** SEE REMARKS		9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (<i>If Applicable</i>): Attachment 4.19-B: Page 4(d)	
10. SUBJECT OF AMENDMENT: Reduce Pharmacy Reimbursement and Dispensing Fees (FMAP = 56.88% 4/1/11-6/30/11; 50% 7/1/11 forward)			
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: New York State Department of Health Corning Tower Empire State Plaza Albany, New York 12237	
13. TYPED NAME: Jason A. Helgerson			
14. TITLE: Medicaid Director & Deputy Commissioner Department of Health			
15. DATE SUBMITTED: June 9, 2011			
FOR REGIONAL OFFICE USE ONLY			
17. DATE RECEIVED:		18. DATE APPROVED: AUG 09 2011	
PLAN APPROVED - ONE COPY ATTACHED			
19. EFFECTIVE DATE OF APPROVED MATERIAL: APR 01 2011		20. SIGNATURE OF REGIONAL OFFICIAL: 	
21. TYPED NAME: Ricardo Holligan		22. TITLE: Acting Associate Regional Administrator Division of Medicaid and State Operations	
23. REMARKS: Originally submitted page have been replaced by revised page submitted via State's email of July 28, 2011.			

OFFICIAL

**New York
Page 4(d)**

**Attachment 4.19-B
(04/11)**

[Type of Service Method of Reimbursement]

Prescribed Drugs

Reimbursement is the lower of: 1) the upper limit if established by the Federal Government for specific multiple source drugs, plus a dispensing fee, or 2) the billing pharmacy's usual and customary price charged to the general public, or 3) the state maximum acquisition cost (SMAC) plus dispensing fee, or 4) the Estimated Acquisition Cost (EAC) established by State Department of Health, plus dispensing fee. (a) For sole source drugs and [or] multi-source brand name drugs, the EAC is defined as average wholesale price (AWP) less [sixteen and twenty-five one hundredths] seventeen percent or the wholesale acquisition cost of a prescription drug based on package size dispensed from, as reported by the prescription drug pricing service used by the department, minus zero and forty-one hundredths percent. (b) For multi-source generic drugs, the EAC is defined as the lower of AWP less twenty-five percent, or the maximum acquisition cost. [(c) For specialized HIV pharmacies, the EAC is defined as AWP of the drug less twelve percent.] The dispensing fee for generic [prescription drugs will be \$4.50 per prescription] and [for] brand name prescription drugs will be \$3.50. [However, for brand name prescription drugs, when the net cost of the brand name drug, after consideration of all rebates is less than the cost of the generic equivalent, the dispensing fee shall be \$4.50 per prescription. The State Department of Health's prescription drug pricing service will determine whether a prescription drug is generic or brand name.]

A SMAC may be established for any drug, including brand name multi-source drugs, for which two or more A-rated therapeutically equivalent, multi-source drugs where a significant cost difference exists. The drugs used for the SMAC price calculation formula will be active (non-obsolete) drugs eligible for rebates under the Federal Medicaid Drug Rebate Program authorized by Section 1927 of the Social Security Act and which are available in sufficient quantities in the marketplace. The source of comparable drug prices will be nationally recognized comprehensive data files maintained by a vendor under contract with the State. While the final SMAC pricing methodology is proprietary, multiple drug pricing resources are utilized to determine the preliminary acquisition cost for generic drugs. These resources include pharmacy providers, wholesalers, drug file vendors such as First Data Bank, and pharmaceutical manufacturers. The preliminary acquisition cost for each product is maintained in a SMAC pricing file database. Products are then sorted into drug groups by GSN (Generic Code Number Sequence Number) which denotes the same generic name, strength, and dosage form. The vendor will apply the proprietary formula to the estimated acquisition costs in each GSN giving due consideration to the lower cost products. Multipliers are used to increase the applicable lowest price by a percentage. The resulting price becomes the SMAC price which is then applied to all drug products in that specific GSN. The SMAC file is updated monthly. New York's SMAC list is available from a vendor under contract with the Department.

TN #11-61

Approval Date AUG 09 2011

Supersedes TN #09-52

Effective Date APR 01 2011