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**State/Territory Name: Washington**

**State Plan Amendment (SPA) #: 15-0023**

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  
Seattle Regional Office  
701 Fifth Avenue, Suite 1600, MS/RX-200  
Seattle, WA 98104



Division of Medicaid & Children's Health Operations

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December 18, 2015

Dorothy Frost Teeter, Director  
MaryAnne Lindeblad, Medicaid Director  
Health Care Authority  
Post Office Box 45502  
Olympia, WA 98504-5010

**RE: Washington State Plan Amendment (SPA) Transmittal Number 15-0023**

Dear Ms. Teeter and Ms. Lindeblad:

The Centers for Medicare & Medicaid Services (CMS) Pharmacy Team recently approved State Plan Amendment (SPA) 15-0023, effective July 1, 2015, clarifying the reimbursement methodologies for claims paid under the fee-for-service Prescription Drug Program and describes the reimbursement methodology for drugs paid under the Physician Services program.

The state has or will receive an approval of this SPA from the CMS Pharmacy Team. The Seattle Regional Office is also providing an additional copy as we were the recipient of the original, signed amendment request, and we maintain the official State Plan.

Enclosed you will find a copy of the official CMS form 179, amended page(s), and copy of the approval letter from the Pharmacy Team for your records.

If there are any questions concerning this approval, please contact me or your staff may contact Maria Garza at [maria.garza@cms.hhs.gov](mailto:maria.garza@cms.hhs.gov) or (206) 615-2542.

Sincerely,

A black rectangular box redacting the signature of David L. Meacham.

Digitally signed by David L. Meacham -S  
DN: c=US, o=U.S. Government, ou=HHS,  
ou=CMS, ou=People,  
0.9.2342.19200300.100.1.1=2000041858  
, cn=David L. Meacham -S  
Date: 2015.12.18 15:09:36 -08'00'

David L. Meacham  
Associate Regional Administrator

Enclosure(s)

cc:  
Ann Myers, HCA  
Charles Agte, HCA

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



## **Disabled & Elderly Health Programs Group**

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December 18, 2015

Dorothy Frost Teeter, Director  
MaryAnne Lindeblad, Medicaid Director  
Health Care Authority  
Post Office Box 45502  
Olympia, Washington 98504-5502

RE: Washington State Plan Amendment (SPA) Transmittal Number 15-0023

Dear Ms. Teeter and Ms. Lindeblad:

The Centers for Medicare & Medicaid Services (CMS) have reviewed Washington's SPA submission Transmittal Number 15-0023, received in the Seattle regional office on July 16, 2015. This proposed amendment clarifies the reimbursement methodologies for claims paid under the fee-for-service Prescription Drug Program and describes the reimbursement methodology for drugs paid under the Physician Services program.

Based on the information provided, we are pleased to inform you that consistent with the regulations at 42 CFR 430.20, SPA 15-0023 is approved with an effective date of July 1, 2015. A copy of the signed CMS-179 form as well as the pages approved for incorporation into the Washington state plan will be forwarded by the Seattle Regional Office.

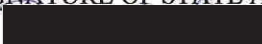
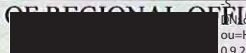
If you have any questions regarding this SPA, please contact Renee Hilliard at (410) 786-2991.

Sincerely,

/s/

John M. Coster, Ph.D., R.Ph.  
Director  
Division of Pharmacy

cc: David L. Meacham, Associate Regional Administrator, Washington Regional Office  
Ann Myers, Washington Health Care Authority  
Charles Agte, Fee-for-Service Pharmacy Administrator

<b>TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL</b>		1. TRANSMITTAL NUMBER: <b>15-0023</b>	2. STATE Washington
		3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
FOR: HEALTH CARE FINANCING ADMINISTRATION		4. PROPOSED EFFECTIVE DATE July 1, 2015	
TO: REGIONAL ADMINISTRATOR HEALTH CARE FINANCING ADMINISTRATION DEPARTMENT OF HEALTH AND HUMAN SERVICES			
5. TYPE OF PLAN MATERIAL (Check One): <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 (Separate Transmittal for each amendment)			
6. FEDERAL STATUTE/REGULATION CITATION: 1902(a)(30)(A) and 42 CFR Part 447 P&I		7. FEDERAL BUDGET IMPACT: a. <del>FFY 2015 \$0</del> FFY 2015=(\$6.032M) P&I b. <del>FFY 2016 \$0</del> FFY 2016=(\$6.032M)	
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Supplement A to Att. 4.19-B Pages 1 - 2		9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable) Supplement A to Att. 4.19-B Pages 1 - 2	
10. SUBJECT OF AMENDMENT  Pharmacy Updates			
11. GOVERNOR'S REVIEW (Check One): <input type="checkbox"/> GOVERNOR'S OFFICE REPORTED NO COMMENT <input checked="" type="checkbox"/> OTHER, AS SPECIFIED: Exempt <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: Ann Myers Office of Rules and Publications Legal and Administrative Services Health Care Authority 626 8 <sup>th</sup> Ave SE MS: 42716 Olympia, WA 98504-2716	
13. TYPED NAME: MARYANNE LINDEBLAD			
14. TITLE: MEDICAID DIRECTOR			
15. DATE SUBMITTED: 7-16-15			
<b>FOR REGIONAL OFFICE USE ONLY</b>			
17. DATE RECEIVED: 7/16/15		18. DATE APPROVED: 12/18/15	
<b>PLAN APPROVED - ONE COPY ATTACHED</b>			
19. EFFECTIVE DATE OF APPROVED MATERIAL: 07/01/15		20. SIGNATURE OF REGIONAL OFFICIAL:  <small>Digitally signed by David L. Meacham ou=HHS, ou=CMS, ou=People, 0.9.2342.19200300.100.1.1-20000418 s, cn=David L. Meacham-S Date: 2015.12.21.08:54:34 -0800</small>	
21. TYPED NAME: David L. Meacham		22. TITLE: Associate Regional Administrator	
23. REMARKS: 8/06/15: State authorizes P&I change to box 6 8/24/15: State authorizes P&I change to box 7			

## STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State: WASHINGTON

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**REIMBURSEMENT FOR PHARMACY SERVICES**

## I. General Information

- A. Prescription drug reimbursement through Point-of-Sale (POS) is based on:
1. The standard 11-digit National Drug Code (NDC) (5-4-2 format); and
  2. The quantity filled.
- B. Total reimbursement for a prescription drug does not exceed the lowest of:
1. Estimated acquisition cost (EAC) plus a dispensing fee;
  2. Maximum allowable cost (MAC) plus a dispensing fee;
  3. Federal Upper Limit (FUL) plus a dispensing fee;
  4. Automated Maximum Allowable Cost (AMAC) plus a dispensing fee;
  5. Actual acquisition cost (AAC) plus a dispensing fee for drugs purchased under section 340B of the Public Health Services (PHS) Act and dispensed to medical assistance clients; or
  6. The provider's usual and customary (U&C) charge to the non-Medicaid population.
- C. Drugs administered in the provider's office and billed using the drug-specific HCPCS code and the product-specific NDC are paid at rates showing on Medicare's ASP drug pricing files; claims submitted without the NDC are denied. Exceptions to this methodology:
1. Drugs without published ASP rates which are paid at a fee equal to the POS rate at the beginning of the most recent calendar quarter. The POS rate is calculated as a discount off the Average Wholesale Price (AWP) as published by national drug file carriers or by a methodology listed under B above (EAC, MAC, AMAC, FUL U&C).
  2. Drugs without assigned HCPCS and billed under codes set aside for drugs not otherwise classified, which are paid at the POS rate or based on submitted invoice cost; whichever is less. Anti-hemophilia drugs are paid at Medicare's ASP (without clotting factor furnishing fee) or based on submitted invoice cost.

## II. Payment

Providers must bill only after providing a service to an eligible client. Delivery of a service or product does not guarantee payment. For example, no payment is made when:

- A. The request for payment is not presented within the 365 day billing limit;
- B. The service or product is not medically necessary or is not covered;
- C. The client has third party coverage and the third party pays as much as or more than, the state allows for the service or product; or
- D. The service or product is covered in the managed care capitation rate

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STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State: WASHINGTON

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REIMBURSEMENT FOR PHARMACY SERVICES (Cont.)

- III. Estimated Acquisition Cost (EAC)
  - A. The agency uses the Average Wholesale Price (AWP) of each product as posted by the drug file carrier, Medispan.
  - B. The agency sets EAC by applying a discount off the AWP or at a rate established by a survey of product acquisition and invoice costs.
    - 1. For single source drugs with fewer than five manufacturers/labelers, the automated discount from AWP is 16% or for selected single source drugs. The EAC may be set at a rate established by a survey of product acquisition and invoice costs.
    - 2. For multiple source drugs with fewer than five manufacturers/labelers, the automated discount from AWP is 16%.
    - 3. For multiple source drugs with five or more manufacturers/labelers, the automated discount from AWP is 50%.