March 30, 2020

RE: South Dakota Medicaid State Plan Amendment #SD-20-002

The South Dakota Department of Social Services intends to make changes to the South Dakota Medicaid State Plan regarding reimbursement of prescription drugs at Indian Health Service (IHS) and tribal pharmacies. The proposed State Plan Amendment (SPA) is intended to increase access to prescription drugs at IHS and tribal pharmacies by allowing high cost prescription drugs that exceed the encounter rate to be reimbursed at the amount other South Dakota pharmacies would be reimbursed for the prescription drug.

The SPA amends Attachment 4.19-B, page 20a of the South Dakota Medicaid State Plan. The Department intends to make this SPA effective April 1, 2020. The Department estimates there will be no fiscal impact associated with this SPA in Federal Fiscal Year 2020 and Federal Fiscal Year 2021.

Please contact me within 30 days of receipt of this message with any questions or comments.

Sincerely,

Sarah Aker
Deputy Director
Division of Medical Services
South Dakota Department of Social Services

CC: Laurie Gill, Cabinet Secretary
    Brenda Tidball-Zeltinger, Deputy Secretary
    William Snyder, Director
Medicaid State Plan Amendment Proposal

Transmittal Number: SD-20-002

Effective Date: 4/1/2020

Brief Description: This State Plan Amendment is intended to increase access to prescription drugs at IHS and tribal pharmacies by allowing high cost prescription drugs that exceed the encounter rate to be reimbursed at the amount other South Dakota pharmacies would be reimbursed for the prescription drug.

Area of State Plan Affected: Section 4.19-B

Page(s) of State Plan Affected: Adds page 20a

Estimate of Fiscal Impact, if Any: FFY20: $0.00
                               FFY21: $0.00

Reason for Amendment: To increase access to high cost prescription drugs at IHS and tribal pharmacies.
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 using the logic described above and below.

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.

TN# 20-02
SUPERSEDES Approval Date _______ Effective Date 4/1/20
TN# 18-06