

**DEPARTMENT OF HEALTH & HUMAN SERVICES**

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



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**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](mailto: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 PAGE NUMBER OF THE SUPERSEDED PLAN  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.