



# Health Care Reform in Indian Country

Self-Governance Communication & Education

Self-Governance Tribes Striving Towards Excellence in Health Care

## Medicaid Pharmacy Reimbursement for Indian Health Care Providers: Potential for Using the OMB Encounter Rate<sup>1</sup>

December 17, 2018 (updated)

This Tribal Self-Governance Advisory Committee (TSGAC) brief seeks to provide guidance to Tribal health programs on Medicaid reimbursement for covered outpatient drugs (CODs). Specifically, this brief discusses the potential for reimbursing Indian Health Service (IHS), Tribal, and urban Indian organization (Indian health care providers (IHCP); or I/T/U) pharmacies at the Office of Management and Budget (OMB) encounter rate (aka the “OMB rate” or “IHS All-Inclusive Rate”).

### Background

State Medicaid programs generally reimburse pharmacies for CODs based on a two-part formula consisting of the ingredient cost of a drug and a professional dispensing fee. States have the flexibility to determine reimbursement rates, consistent with applicable statutory and regulatory requirements. These reimbursement rates require approval by the federal Centers for Medicare and Medicaid Services (CMS) through the State Plan Amendment (SPA) process.

State Medicaid programs reimburse I/T/U pharmacies using a variety of methods. Some states reimburse I/T/U pharmacies as they would any other pharmacy. In other cases, states have obtained federal approval through SPAs to reimburse I/T pharmacies for prescriptions dispensed using the encounter rate.<sup>2</sup> **Reimbursing at the encounter rate has the potential to raise substantially more revenues for these I/T facilities, which typically lack adequate funding.** States have set different policies on the total number of encounter rate payments that can be made on a single day for a single Medicaid beneficiary. (*See Attachment 1 for a summary of Medicaid payment methodologies for reimbursing I/T or I/T/U pharmacies in states with federally recognized Tribes and Attachment 2 for two examples of Medicaid payment methodologies allowing reimbursement of multiple encounter rates to I/T pharmacies.*)

### Impact of New Federal Rule

On February 1, 2016, CMS issued a final rule<sup>3</sup> that implemented provisions of the Affordable Care Act (ACA) pertaining to Medicaid reimbursement for CODs and revised other related requirements. In response to the proposed version of the rule, Tribal organizations raised concerns about losing the encounter rate at which some states reimburse I/T pharmacies. In both the final version of the rule and

<sup>1</sup> This brief is for informational purposes only and is not intended as legal advice. For questions on this brief, please contact Doneg McDonough, TSGAC Technical Advisor, at [DonegMcD@Outlook.com](mailto:DonegMcD@Outlook.com).

<sup>2</sup> For a discussion of payment methodologies for urban Indian organizations (UIOs), see footnotes 5 and 6.

<sup>3</sup> See CMS-2345-FC, “Medicaid Program; Covered Outpatient Drugs” (81 FR 5170), at <https://www.gpo.gov/fdsys/pkg/FR-2016-02-01/pdf/2016-01274.pdf>.

## **TSGAC Policy Brief: Medicaid Pharmacy Reimbursement for Tribal Programs: Potential for Using the OMB Encounter Rate**

---

a subsequent State Health Official (SHO) Letter,<sup>4</sup> CMS clarified that paying I/T pharmacies at the encounter rate satisfies the requirements of the rule. CMS also noted that any SPAs associated with the rule must comprehensively describe the payment methodology for reimbursing I/T/U pharmacies, including an indication of whether the state will use the encounter rate for I/T pharmacies.<sup>5</sup>

### Opportunity for I/Ts

As mentioned above, the new rule does not limit the ability of state Medicaid programs to reimburse I/T pharmacies at the encounter rate. As states move to come into compliance with the rule, I/T pharmacies have the opportunity to work with states in drafting and submitting SPAs to CMS that set their Medicaid reimbursements for CODs at the encounter rate.<sup>6</sup> Excerpts from three states that authorize reimbursing I/T pharmacies using the encounter rate appear below, along with a link to the full CMS approval package for each state.

- **Nebraska:** “Tribal pharmacies will be paid the federal encounter rate.” [Nebraska does not pay more than one encounter rate per beneficiary per day for pharmacy services.<sup>7</sup>]  
<http://www.medicaid.gov/State-resource-center/Medicaid-State-Plan-Amendments/Downloads/NE/NE-17-0003.pdf>.
- **North Dakota:** “All Indian Health Service, tribal and urban Indian pharmacies are paid the encounter rate by ND Medicaid regardless of their method of purchasing.” [North Dakota pays one encounter rate per beneficiary per day for a single diagnosis and additional encounter rates per beneficiary per day for multiple diagnoses.<sup>8</sup>]  
<http://www.medicaid.gov/State-resource-center/Medicaid-State-Plan-Amendments/Downloads/ND/ND-16-0011.pdf>

---

<sup>4</sup> See CMS, “SHO #16-001: Implementation of the Covered Outpatient Drug Final Regulation Provisions Regarding Reimbursement for Covered Outpatient Drugs in the Medicaid Program,” at <https://www.medicaid.gov/federal-policy-guidance/downloads/smd16001.pdf>.

<sup>5</sup> The SHO letter reads, in part: “States that pay IHS and Tribal providers through encounter rates can continue to pay at that rate since this will satisfy the requirements in §447.518(a)(2) ... In addition, in accordance with the requirements in §447.518(a)(1) of the final regulation, SPAs must comprehensively describe the payment methodology for reimbursement of drugs dispensed by 340B entities, 340B contract pharmacies, and I/T/U pharmacies, in accordance with the definition of AAC, as well as the payment methodology for how such entities are reimbursed, including stating if encounter rates will be used for IHS and Tribal providers.” (page 3)

<sup>6</sup> Three states (North Dakota, Oklahoma, and Wyoming) have State Plans indicating payment of the encounter rate for pharmacy services provided by UIOs, as well as I/Ts; however, these states exclude payment of the encounter rate to UIOs in their general encounter rate payment policies. (It also is worth noting that two of these states—North Dakota and Wyoming—have no UIOs). Possibly, because the regulations established by CMS-2345-FC at §447.518(a)(iii) require State Plans to “describe comprehensively the agency’s payment methodology for prescription drugs, including the agency’s payment methodology for drugs dispensed by ... [a]n Indian Health Service, tribal, and urban Indian pharmacy,” some states added UIOs in their SPA language on payment for pharmacy services.

<sup>7</sup> For other services provided by I/Ts, Nebraska pays additional encounter rates when the beneficiary 1) has to return for a distinctly different diagnosis, 2) has to return for emergency or urgent care, 3) requires pharmacy services in addition to medical or mental health services, or 4) receives both medical and mental health services.

<sup>8</sup> For services provided by I/Ts generally, North Dakota pays more than one encounter rate per day when the beneficiary 1) receives more than one diagnosis, whether the payments are for the same general service category or different general service categories—which include inpatient, outpatient, pharmacy, dental, vision, and EPSDT services—or 2) receives one diagnosis, if the payments are for different general service categories.

## **TSGAC Policy Brief: Medicaid Pharmacy Reimbursement for Tribal Programs: Potential for Using the OMB Encounter Rate**

---

- **Utah:** “Covered outpatient drugs dispensed by an IHS/Tribal facility to an IHS/Tribal member are reimbursed at the encounter rate in accordance with the Utah Medicaid Indian Health Services Provider Manual.” [Utah pays one encounter rate per prescriber per day, regardless of the number of prescriptions issued by the prescriber.]  
<http://www.medicaid.gov/State-resource-center/Medicaid-State-Plan-Amendments/Downloads/UT/UT-17-0002.pdf>

***Attachments 3, 4, and 5 include snapshots of the approved SPAs.***

### Recent Approvals of SPAs Associated with New Rule

Since the last iteration of this memo, dated March 2, 2018, at least four additional states have received CMS approval for an SPA associated with the new rule (see summaries of the impact of these SPAs below). None of these states opted to have their Medicaid program reimburse I/T pharmacies at the encounter rate.

- **Maine:** The SPA indicated no changes to the current state Medicaid payment methodology for I/T/U pharmacies;
- **Massachusetts:** The SPA indicated that the state has no I/T/U pharmacies currently enrolled in Medicaid and would establish a specific methodology for paying these pharmacies if any enrolled in the program;
- **Mississippi:** The SPA did not indicate a Medicaid payment methodology for I/T pharmacies; and
- **New Mexico:** SPA indicated a Medicaid payment methodology for I/T pharmacies under which the state makes payments to I/T pharmacies equal to the lowest of 1) the ACA federal upper limit plus a dispensing fee; 2) the national average drug acquisition cost plus a dispensing fee; 3) the wholesaler’s average cost plus 6% plus a dispensing fee; 4) the ingredient cost reported by the pharmacy plus a dispensing fee; or 5) the usual and customary charge.

## TSGAC Policy Brief: Medicaid Pharmacy Reimbursement for Tribal Programs: Potential for Using the OMB Encounter Rate

---

### Attachment 1

State	Has Specific Payment Methodology for I/T or I/T/U Pharmacies		Has Received Approval for SPA to Address CMS-2345-FC <sup>1a, 1b</sup>		Pays at the Encounter Rate <sup>2</sup>		Notes on Specific Payment Methodologies for I/T or I/T/U Pharmacies
	Yes	No	Yes	No	Yes	No	
	X	X			X		--
Alabama							
Alaska	X		X			X	For drugs purchased through the Federal Supply Schedule (FSS), Alaska makes payments to I/T/U pharmacies not exceeding the acquisition cost, plus pays a professional dispensing fee.
Arizona	X			X	X		For drugs dispensed to adults ages 18 and older and for vaccine administration, Arizona pays I/T pharmacies at the encounter rate; the state pays as many as five encounter rates per beneficiary per facility per day but does not pay more than one encounter rate per beneficiary per facility per day for pharmacy services. <sup>3</sup>
California	X		X			X	California makes payments to I/T/U pharmacies equal to the ingredient cost of drugs, plus pays a professional dispensing fee.
Colorado	X		X		X		Colorado pays I/T pharmacies at the encounter rate; the state does not pay more than one encounter rate per beneficiary per day for pharmacy services. <sup>4</sup>
Connecticut <sup>5</sup>		X		X		X	--
Florida	X	X			X		--
Idaho	X		X			X	Idaho makes payments to I/T/U pharmacies equal to the acquisition cost of drugs, plus pays a professional dispensing fee.
Indiana	X		X		X		Indiana pays I/T/U pharmacies at the encounter rate, regardless of their method of purchasing drugs. <sup>6</sup>
Iowa	X		X		X		Iowa pays I/T pharmacies at the encounter rate; the state pays one encounter rate per beneficiary per day.
Kansas	X		X			X	Kansas makes payments to I/T/U pharmacies not exceeding the acquisition cost of drugs, plus pays a professional dispensing fee.
Louisiana	X		X		X		Louisiana pays I/T pharmacies at the encounter rate; the state pays one encounter rate per beneficiary per day. <sup>7</sup>
Maine	X		X			X	Maine allows I/T facilities to obtain a separate National Provider Identification (NPI) number for the purpose of receiving fee-for-service payments for pharmacy and certain other services.
Massachusetts <sup>8</sup>		X	X			X	--
Michigan		X	X			X	--
Minnesota	X			X	X		Minnesota pays IHS pharmacies at the encounter rate and pays Tribal pharmacies at the encounter rate or the applicable fee-for-service rate, at the discretion of the Tribe; the state pays one encounter rate per beneficiary per day. <sup>9</sup>
Mississippi		X	X			X	--
Montana	X			X		X	--
Nebraska	X		X		X		Nebraska pays I/T pharmacies at the encounter rate; the state does not pay more than one encounter rate per beneficiary per day for pharmacy services. <sup>10</sup>
Nevada	X		X		X		Nevada pays I/T pharmacies at the encounter rate; the state pays no more than one encounter rate per beneficiary per facility per day for CODs. <sup>11</sup>
New Mexico	X		X			X	New Mexico makes payments to I/T pharmacies equal to the lowest of 1) the ACA federal upper limit plus a dispensing fee; 2) the national average drug acquisition cost plus a dispensing fee; 3) the wholesaler's average cost plus 6% plus a dispensing fee; 4) the ingredient cost reported by the pharmacy plus a dispensing fee; or 5) the usual and customary charge.
New York	X			X		X	For drugs purchased through the FSS, New York makes payments to I/T pharmacies equal to the net acquisition cost; for all other purchased drugs, the state pays the standard rate.
North Carolina	X			X		X	North Carolina makes payments to I/T pharmacies not exceeding the actual acquisition cost of drugs, plus pays a professional dispensing fee.
North Dakota	X		X		X		North Dakota pays I/T/U pharmacies at the encounter rate, regardless of their method of purchasing drugs; the state pays one encounter rate per beneficiary per day for a single diagnosis and additional encounter rates per beneficiary per day for multiple diagnoses. <sup>12</sup>
Oklahoma	X		X		X		Oklahoma pays I/T/U pharmacies at the encounter rate; the state pays one encounter rate per beneficiary per facility per day.
Oregon	X		X		X		Oregon pays I/T pharmacies at the encounter rate; the state pays one encounter rate per prescription filled or refilled, with no limit on the number of prescriptions filled per day. <sup>13</sup>
Rhode Island	X		X		X		Rhode Island pays I/T/U pharmacies at the encounter rate.
South Carolina	X			X		X	--
South Dakota		X		X		X	--
Texas	X		X			X	Texas makes payments to I/T/U pharmacies equal to the actual acquisition cost of drugs, plus pays a professional dispensing fee.
Utah	X		X		X		Utah pays I/T pharmacies at the encounter rate; the state pays one encounter rate per prescriber per day, regardless of the number of prescriptions issued by the prescriber.
Virginia <sup>14</sup>		X	X			X	--
Washington		X		X		X	--
Wisconsin	X			X		X	For drugs dispensed by Tribal Federally Qualified Health Centers (FQHCs), Wisconsin makes payments equal to the acquisition cost, plus pays a professional dispensing fee; the state also pays Tribal FQHCs the difference between these payments and their reasonable costs (or requires recoupment if these payments exceed their reasonable costs). <sup>15</sup>
Wyoming	X		X		X		For covered outpatient drugs, Wyoming pays I/T/U pharmacies at the encounter rate; the state pays one encounter rate per pharmacy claim, with the applicable encounter rate determined by the date of service submitted on the claim. <sup>16</sup>
<b>TOTAL</b>	24	11	25	10	14	21	

## TSGAC Policy Brief: Medicaid Pharmacy Reimbursement for Tribal Programs: Potential for Using the OMB Encounter Rate

---

### Notes

<sup>1a</sup>This final rule, issued by CMS on February 1, 2016, implemented provisions of the Affordable Care Act (ACA) pertaining to Medicaid reimbursement for covered outpatient drugs (CODs) and revised other related requirements. In response to the proposed rule, Tribal organizations raised concerns about losing the encounter rate at which some states reimburse I/T/U pharmacies. In both the final version of the rule and a subsequent State Health Official (SHO) Letter, CMS clarified that paying I/T pharmacies at the encounter rate satisfies the requirements of the rule. CMS also noted that any SPAs associated with the rule must comprehensively describe the payment methodology for reimbursing I/T/U pharmacies, including an indication of whether the state will use the encounter rate for I/T pharmacies. In CMS-2345-FC, CMS indicated that, for states that did not already meet the new requirements, state Medicaid agencies needed to submit an SPA to come into compliance by June 30, 2017, with an effective date no later than April 1, 2017.

<sup>1b</sup> For this category, "Yes" indicates that CMS has approved an SPA submitted by the state Medicaid agency to meet the new requirements under CMS-2345-FC, based on a review of the list of approved SPAs at Medicaid.gov; "No" indicates that CMS has not approved such an SPA but does not necessarily mean that the state is not in compliance with the new requirements.

<sup>2</sup> The encounter rate is also known as the "OMB Rate" or "IHS All-Inclusive Rate."

<sup>3</sup> For children enrolled in KidsCare (CHIP), Arizona pays I/T pharmacies based on the formulary set by the pharmacy benefit manager OptumRx, not at the encounter rate. With the exception of vaccine administration, the Arizona State Plan does not specify a payment methodology for I/T pharmacies; the above policies appear only in the state IHS/Tribal Provider Billing Manual.

<sup>4</sup> For other services provided by I/Ts, Colorado pays additional encounter rates when the beneficiary 1) receives more than one diagnosis or 2) receives one diagnosis, if the payments are for different general service categories (e.g. general practitioner and dental services).

<sup>5</sup> The Connecticut State Plan, Attachment 4.19-B, section 12, indicates that the I/T facility in the state does not dispense CODs.

<sup>6</sup> The Indiana State Plan, Attachment 4.19-B, section 1, indicates that the state has no I/T/U pharmacies currently enrolled in Medicaid.

<sup>7</sup> In the Louisiana State Plan, Attachment 4.19-B, section 12a, reads, "Pharmacy services provided by the Indian Health Service (IHS) or tribal facilities shall be included in the encounter rate." However, Attachment 4.19-B, section 2d reads, "Reimbursement for filling or refilling of prescriptions is not part of the encounter rate and shall be limited to the existing fee for service rate for the facility."

<sup>8</sup> The Massachusetts State Plan, Attachment 4.19-B, section 1, indicates that the state has no I/T/U pharmacies currently enrolled in Medicaid and would establish a specific methodology for paying these pharmacies if any enrolled in the program.

<sup>9</sup> For services provided by I/Ts generally, Minnesota pays additional encounter rates when the beneficiary 1) has to return for a different diagnosis or treatment; or 2) receives services in multiple categories (e.g. inpatient hospital and outpatient services).

<sup>10</sup> For other services provided by I/Ts, Nebraska pays additional encounter rates when the beneficiary 1) has to return for a distinctly different diagnosis, 2) has to return for emergency or urgent care, 3) requires pharmacy services in addition to medical or mental health services, or 4) receives both medical and mental health services.

<sup>11</sup> For services provided by I/Ts generally, Nevada pays as many as five encounter rates per beneficiary per facility per day; however, the state pays only one encounter rate per beneficiary per facility per day for a specific professional group (e.g., a pharmacy).

<sup>12</sup> For services provided by I/Ts generally, North Dakota pays more than one encounter rate per day when the beneficiary 1) receives more than one diagnosis, whether the payments are for the same general service category or different general service categories (e.g. inpatient hospital and pharmacy services) or 2) receives one diagnosis, if the payments are for different general service categories.

<sup>13</sup> Oregon received approval for its SPA on September 20, 2017, with an effective date of April 22, 2017. In Oregon, I/T pharmacies also have the option of receiving payment as a 340B entity or operating as a non-Tribal retail pharmacy and receiving the standard payment rate.

<sup>14</sup> The Virginia State Plan, Attachment 4.19-B, section 7, indicates that the state has no I/T/U pharmacies currently enrolled in Medicaid and would establish a specific methodology for paying these pharmacies if any enrolled in the program.

<sup>15</sup> Tribal FQHCs typically receive Medicaid payments based on a rate determined by the state using the Prospective Payment System (PPS) methodology. However, states and FQHCs have the ability to agree to use an Alternative Payment Methodology (APM) in determining Medicaid payment rates, as long as the APM rate is higher than the PPS rate. Wisconsin has adopted an APM under which the state Medicaid program reimburses Tribal FQHCs at 100% of reasonable costs. The state determines reasonable costs on a per encounter basis by ascertaining the average cost per day, per provider, per recipient at a Tribal FQHC and then makes an assessment of whether the Tribal FQHC was underpaid or overpaid based on the number of encounters multiplied by the PPS (or APM) rate less revenues. If the Tribal FQHC was underpaid, the state will issue an additional payment in the amount needed to reconcile to 100% of reasonable costs; if the Tribal FQHC was overpaid, the state will issue a recoupment in the amount needed to reconcile to 100% of reasonable costs.

<sup>16</sup> Wyoming does not allow I/T pharmacies to submit claims separately for drugs dispensed as part of a clinic visit. The Wyoming Tribal Provider Manual, page 160, reads: "Prescriptions written after September 5, 2017, must be processed through the Pharmacy Point of Sale system. Any physician administered drug cannot be billed separately through the point of sale system but must go on the encounter for an office visit using the revenue code 0250." <https://health.wyo.gov/wp-content/uploads/2018/04/Tribal-Manual0418-1.pdf>.

**TSGAC Policy Brief: Medicaid Pharmacy Reimbursement for Tribal Programs:  
Potential for Using the OMB Encounter Rate**

<b>Medicaid Reimbursement for I/T/U Pharmacies in States with Federally Recognized Tribes: Source List</b>		
<b>State</b>	<b>Source(s)</b>	<b>Link(s)</b>
Alabama	Alabama State Plan, Attachment 4.19-B, section 4	<a href="https://medicaid.alabama.gov/content/9.0_Resources/9.8_State_Plan.aspx">https://medicaid.alabama.gov/content/9.0_Resources/9.8_State_Plan.aspx</a>
Alaska	Alaska State Plan, Attachment 4.19-B, "Prescribed Drugs" section	<a href="http://dhss.alaska.gov/Commissioner/Documents/medicaidstateplan/PDF_SP/SP_pgs/SP_att4.19b.pdf">http://dhss.alaska.gov/Commissioner/Documents/medicaidstateplan/PDF_SP/SP_pgs/SP_att4.19b.pdf</a>
Arizona	Arizona State Plan, Attachment 4.19-B, "Specialty Rates" section; AHCCCS IHS/Tribal Provider Billing Manual, chapter 10	<a href="https://www.azahcccs.gov/Resources/Downloads/StatePlans/EntireStatePlan.pdf">https://www.azahcccs.gov/Resources/Downloads/StatePlans/EntireStatePlan.pdf</a>
		<a href="https://www.azahcccs.gov/PlansProviders/Downloads/IHS-TribalManual/IHS-Chap10Pharmacy.pdf">https://www.azahcccs.gov/PlansProviders/Downloads/IHS-TribalManual/IHS-Chap10Pharmacy.pdf</a>
California	California State Plan, Attachment 4.19-B, Supplement 2	<a href="http://www.dhcs.ca.gov/formsandpubs/laws/Documents/Supplement_2_to_Attachment_4.19-B.pdf">http://www.dhcs.ca.gov/formsandpubs/laws/Documents/Supplement_2_to_Attachment_4.19-B.pdf</a>
Colorado	Colorado State Plan, Attachment 4.19-B, "Indian Health Services" section; section 12a (per SPA approved on 11/13/2017)	<a href="https://www.medicaid.gov/State-resource-center/Medicaid-State-Plan-Amendments/Downloads/CO/CO-17-0004.pdf">https://www.medicaid.gov/State-resource-center/Medicaid-State-Plan-Amendments/Downloads/CO/CO-17-0004.pdf</a>
Connecticut	Connecticut State Plan, Attachment 4.19-B, section 12 (per SPA approved on 5/12/2018)	<a href="https://www.medicaid.gov/State-resource-center/Medicaid-State-Plan-Amendments/Downloads/CT/CT-17-0015.pdf">https://www.medicaid.gov/State-resource-center/Medicaid-State-Plan-Amendments/Downloads/CT/CT-17-0015.pdf</a>
Florida	Florida State Plan, Attachment 4.19-B, section 4	<a href="http://ahca.myflorida.com/Medicaid/stateplanpdf/attachment_4-19-B.pdf">http://ahca.myflorida.com/Medicaid/stateplanpdf/attachment_4-19-B.pdf</a>
Idaho	Idaho State Plan, Attachment 4.19-B, section 12a (per SPA approved on 6/21/2017)	<a href="https://www.medicaid.gov/State-resource-center/Medicaid-State-Plan-Amendments/Downloads/ID/ID-17-0003.pdf">https://www.medicaid.gov/State-resource-center/Medicaid-State-Plan-Amendments/Downloads/ID/ID-17-0003.pdf</a>
Indiana	Indiana State Plan, Attachment 4.19-B, "Pharmacy Services" section (per SPA approved on 7/21/2017)	<a href="https://www.medicaid.gov/State-resource-center/Medicaid-State-Plan-Amendments/Downloads/IN/IN-17-002.pdf">https://www.medicaid.gov/State-resource-center/Medicaid-State-Plan-Amendments/Downloads/IN/IN-17-002.pdf</a>
Iowa	Iowa State Plan, Attachment 4.19-B, section 9 (per SPA approved on 8/10/2017)	<a href="https://www.medicaid.gov/State-resource-center/Medicaid-State-Plan-Amendments/Downloads/IA/IA-17-017.pdf">https://www.medicaid.gov/State-resource-center/Medicaid-State-Plan-Amendments/Downloads/IA/IA-17-017.pdf</a>
Kansas	Kansas State Plan, Attachment 4.19-B, section 12a (per SPA approved on 7/21/2017)	<a href="https://www.medicaid.gov/State-resource-center/Medicaid-State-Plan-Amendments/Downloads/KS/KS-17-004.pdf">https://www.medicaid.gov/State-resource-center/Medicaid-State-Plan-Amendments/Downloads/KS/KS-17-004.pdf</a>
Louisiana	Louisiana State Plan, Attachment 4.19-B, sections 2d and 12a	<a href="http://dhh.louisiana.gov/assets/medicaid/StatePlan/Sec4/Attachment4.19BItem2d.pdf">http://dhh.louisiana.gov/assets/medicaid/StatePlan/Sec4/Attachment4.19BItem2d.pdf</a>
		<a href="http://dhh.louisiana.gov/assets/medicaid/StatePlan/Sec4/Attachment_4.19-B-Item_12a-Prescribed_Drugs.pdf">http://dhh.louisiana.gov/assets/medicaid/StatePlan/Sec4/Attachment_4.19-B-Item_12a-Prescribed_Drugs.pdf</a>
Maine	MaineCare Benefits Manual, Chapter II, Sections 9 and 80	<a href="https://www1.maine.gov/sos/cec/rules/10/ch101.htm">https://www1.maine.gov/sos/cec/rules/10/ch101.htm</a>
Massachusetts	Massachusetts State Plan, Attachment 4.19-B, section 1 (per SPA approved on 2/20/2018)	<a href="https://www.medicaid.gov/State-resource-center/Medicaid-State-Plan-Amendments/Downloads/MA/MA-17-006.pdf">https://www.medicaid.gov/State-resource-center/Medicaid-State-Plan-Amendments/Downloads/MA/MA-17-006.pdf</a>
Michigan	Michigan State Plan, Attachment 4.19-B, section 2	<a href="http://www.mdch.state.mi.us/dch-medicaid/manuals/MichiganStatePlan/MichiganStatePlan.pdf">http://www.mdch.state.mi.us/dch-medicaid/manuals/MichiganStatePlan/MichiganStatePlan.pdf</a>
Minnesota	Minnesota Health Care Programs (MHCP) Provider Manual, "Tribal and Federal Indian Health Services" section	<a href="http://www.dhs.state.mn.us/main/idcplg?IdcService=GET_DYNAMIC_CONVERSION&amp;RevisionSelectionMethod=LatestReleased&amp;dDocName=id_009000#">http://www.dhs.state.mn.us/main/idcplg?IdcService=GET_DYNAMIC_CONVERSION&amp;RevisionSelectionMethod=LatestReleased&amp;dDocName=id_009000#</a>
Mississippi	Mississippi State Plan, Attachment 4.19-B, section 12a	<a href="https://medicaid.ms.gov/wp-content/uploads/2017/05/Attachment_4.19-B.pdf">https://medicaid.ms.gov/wp-content/uploads/2017/05/Attachment_4.19-B.pdf</a>
Montana	Montana State Plan, Attachment 4.19-B, section 12a (per SPA approved on 11/8/2018)	<a href="https://www.medicaid.gov/State-resource-center/Medicaid-State-Plan-Amendments/Downloads/MT/MT-18-0048.pdf">https://www.medicaid.gov/State-resource-center/Medicaid-State-Plan-Amendments/Downloads/MT/MT-18-0048.pdf</a>

**TSGAC Policy Brief: Medicaid Pharmacy Reimbursement for Tribal Programs:  
Potential for Using the OMB Encounter Rate**

---

<b>Medicaid Reimbursement for I/T/U Pharmacies in States with Federally Recognized Tribes: Source List (continued)</b>		
<b>State</b>	<b>Source(s)</b>	<b>Link(s)</b>
Nebraska	Nebraska State Plan, Attachment 4.19-B, sections 2d and 12a	<a href="http://dhhs.ne.gov/medicaid/Documents/Part3.pdf">http://dhhs.ne.gov/medicaid/Documents/Part3.pdf</a>
Nevada	Nevada State Plan, Attachment 4.19-B, section 12a; Nevada Medicaid Billing Guidelines, provider type 47	<a href="http://dhcfp.nv.gov/uploadedFiles/dhcfpnvgov/content/Resources/AdminSupport/Manuals/MSP/Sec4/5%20-6%204.19%20Attach%20B%20Pay%20for%20Med%20Care.pdf">http://dhcfp.nv.gov/uploadedFiles/dhcfpnvgov/content/Resources/AdminSupport/Manuals/MSP/Sec4/5%20-6%204.19%20Attach%20B%20Pay%20for%20Med%20Care.pdf</a>
		<a href="https://www.medicaid.nv.gov/Downloads/provider/NV_BillingGuidelines_PT47.pdf">https://www.medicaid.nv.gov/Downloads/provider/NV_BillingGuidelines_PT47.pdf</a>
New Mexico	New Mexico State Plan, Attachment 4.19-B, section II (per SPA approved on 3/20/2018)	<a href="https://www.medicaid.gov/State-resource-center/Medicaid-State-Plan-Amendments/Downloads/NM/NM-17-003.pdf">https://www.medicaid.gov/State-resource-center/Medicaid-State-Plan-Amendments/Downloads/NM/NM-17-003.pdf</a>
New York	New York State Plan, Attachment 4.19-B, section 4d	<a href="https://www.hcrapools.org/medicaid_state_plan/Attachment_PDF_PROD/attach_4-19b.pdf">https://www.hrapools.org/medicaid_state_plan/Attachment_PDF_PROD/attach_4-19b.pdf</a>
North Carolina	North Carolina State Plan, Attachment 4.19-B, section 12	<a href="https://files.nc.gov/ncdma/documents/GetInvolved/Medicaid_Plan/NC_State_Plan_For_Medical_Assistance_Programs_2017_11.pdf">https://files.nc.gov/ncdma/documents/GetInvolved/Medicaid_Plan/NC_State_Plan_For_Medical_Assistance_Programs_2017_11.pdf</a>
North Dakota	North Dakota State Plan, Attachment 4.19-B, sections 29 and 32 (per SPA approved on 2/14/2017)	<a href="https://www.nd.gov/dhs/services/medicalserv/medicaid/docs/tc-2012feb10-ihs-rate-tcm-ltc.pdf">https://www.nd.gov/dhs/services/medicalserv/medicaid/docs/tc-2012feb10-ihs-rate-tcm-ltc.pdf</a>
		<a href="https://www.medicaid.gov/State-resource-center/Medicaid-State-Plan-Amendments/Downloads/ND/ND-16-0011.pdf">https://www.medicaid.gov/State-resource-center/Medicaid-State-Plan-Amendments/Downloads/ND/ND-16-0011.pdf</a>
Oklahoma	Oklahoma State Plan, Attachment 4.19-B, "Payment for Prescribed Drugs" section	<a href="http://www.okhca.org/about.aspx?id=19741">http://www.okhca.org/about.aspx?id=19741</a>
Oregon	Oregon State Plan, Attachment 4.19-B, section 12 (per SPA approved on 9/20/2017)	<a href="https://www.medicaid.gov/State-resource-center/Medicaid-State-Plan-Amendments/Downloads/OR/OR-17-0007.pdf">https://www.medicaid.gov/State-resource-center/Medicaid-State-Plan-Amendments/Downloads/OR/OR-17-0007.pdf</a>
Rhode Island	Rhode Island State Plan, Attachment 4.19-B (per SPA approved on 9/20/2017)	<a href="https://www.medicaid.gov/State-resource-center/Medicaid-State-Plan-Amendments/Downloads/RI/RI-17-004.pdf">https://www.medicaid.gov/State-resource-center/Medicaid-State-Plan-Amendments/Downloads/RI/RI-17-004.pdf</a>
South Carolina	South Carolina State Plan, Attachment 4.19-B, section 12a	<a href="https://www.scdhhs.gov/sites/default/files/ATTACHMENT%204.19-B_7.pdf">https://www.scdhhs.gov/sites/default/files/ATTACHMENT%204.19-B_7.pdf</a>
South Dakota	South Dakota State Plan, Attachment 4.19-B, section 12a	<a href="https://dss.sd.gov/docs/medicaid/medicalservices/4_GeneralProgramAdministration/4.19/attachment4.19_b_payment_methods_for_physician_other_services.pdf">https://dss.sd.gov/docs/medicaid/medicalservices/4_GeneralProgramAdministration/4.19/attachment4.19_b_payment_methods_for_physician_other_services.pdf</a>
Texas	Texas State Plan, Attachment 4.19-B, "Pharmacy Reimbursement Methodology" section (per SPA approved on 9/22/2017)	<a href="https://www.medicaid.gov/State-resource-center/Medicaid-State-Plan-Amendments/Downloads/TX/TX-17-0011.pdf">https://www.medicaid.gov/State-resource-center/Medicaid-State-Plan-Amendments/Downloads/TX/TX-17-0011.pdf</a>
Utah	Utah State Plan, Attachment 4.19-B, section S; Utah Medicaid Provider Manual, Section 2: Indian Health	<a href="http://health.utah.gov/medicaid/stplan/spa/A_4-19-B.pdf">http://health.utah.gov/medicaid/stplan/spa/A_4-19-B.pdf</a>
		<a href="https://medicaid.utah.gov/Documents/manuals/pdfs/Medicaid%20Provider%20Manuals/Indian%20Health%20Services/IndianHealthServices.pdf">https://medicaid.utah.gov/Documents/manuals/pdfs/Medicaid%20Provider%20Manuals/Indian%20Health%20Services/IndianHealthServices.pdf</a>
Virginia	Virginia State Plan, Attachment 4.19-B, section 7 (per SPA approved on 10/19/2016)	<a href="https://www.medicaid.gov/State-resource-center/Medicaid-State-Plan-Amendments/Downloads/VA/VA-16-002.pdf">https://www.medicaid.gov/State-resource-center/Medicaid-State-Plan-Amendments/Downloads/VA/VA-16-002.pdf</a>
Washington	Washington State Plan, Attachment 4.19-B, section IV	<a href="https://www.hca.wa.gov/assets/program/SP-Att-4-Payment-for-Services.pdf">https://www.hca.wa.gov/assets/program/SP-Att-4-Payment-for-Services.pdf</a>
Wisconsin	Wisconsin State Plan, Attachment 4.19-B, section 3	<a href="https://www.dhs.wisconsin.gov/mandatoryreports/mastateplan/4-19b-noninstitutional.pdf">https://www.dhs.wisconsin.gov/mandatoryreports/mastateplan/4-19b-noninstitutional.pdf</a>
Wyoming	Wyoming State Plan, Attachment 4.19-B, section 12a (per SPA approved on 10/6/2017)	<a href="https://www.medicaid.gov/State-resource-center/Medicaid-State-Plan-Amendments/Downloads/WY/WY-17-0002.pdf">https://www.medicaid.gov/State-resource-center/Medicaid-State-Plan-Amendments/Downloads/WY/WY-17-0002.pdf</a>

## TSGAC Policy Brief: Medicaid Pharmacy Reimbursement for Tribal Programs: Potential for Using the Encounter Rate

### Attachment 2

**Table 2. Medicaid Payment Methodologies Allowing Reimbursement of Multiple Encounter Rates to I/T Pharmacies; Selected States**

State	Encounter Rate Payment Methodology Description	
	State Plan	Other State Guidance
North Dakota	<p><b>Attachment 4.19-B, section 32:</b> "All Indian Health Service, tribal and urban Indian pharmacies are paid the encounter rate by ND Medicaid regardless of their method of purchasing."</p> <p><b>Attachment 4.19-B, section 29:</b> "Health Services Payments to Indian Health Service (IHS) will be per encounter per day and based on the approved all-inclusive rates published each year in the Federal Register by the Department of Health and Human Services.</p> <p>An encounter for a 638 or IHS facility means an encounter between a recipient eligible for Medicaid and a health professional at or through an IHS or 638 service location.</p> <p><u>Multiple visits for different services on the same day with different diagnosis</u> IHS facilities are eligible for multiple encounter rates for multiple general covered service categories on the same day for the same recipient with a different diagnosis. ...</p> <p><u>Multiple visits for different services on the same day with the same diagnosis</u> IHS facilities are eligible for multiple encounter rates for multiple general covered service categories on the same day for the same recipient with the same diagnosis provided they are for different general covered service categories. The diagnosis code may be the same for each of the claims, but the services provided must be distinctly different and occur within different units of the facility. ...</p> <p><u>Multiple visits for the same type of service on the same day with different diagnoses</u> IHS facilities are eligible for multiple encounter rates for multiple same day visits for the same type of general covered service category if the diagnoses are different. ...</p> <p>The general covered service categories are Inpatient, Outpatient, Pharmacy, Vision, Dental, Mental Health, and EPSDT."</p>	<p><b>North Dakota Medicaid Indian Health Services and Tribally-Operated 638 Programs (guidance):</b> "Services provided by Indian Health Services and/or tribal 638 facilities are paid with federal funds. IHS and tribally operated 638 programs are reimbursed an All Inclusive Rate (AIR) for inpatient and outpatient covered services. ... The AIR is the same for all IHS providers. The North Dakota Medicaid Program acts as the 'pass-through' agency for these services, which are funded with 100 percent federal funds. The IHS encounter rate is paid for any North Dakota Medicaid covered service when provided in an IHS clinic or hospital, with the exception of Ambulatory Surgical Center (ASC) and Physician Inpatient services. ...</p> <p><b>Billing Encounters (Multiple)</b> <i>Multiple visits for different services on the same day with different diagnosis:</i> IHS facilities are eligible for multiple encounter rates for multiple general covered service categories on the same day for the same recipient with a different diagnosis. ...</p> <p><i>Multiple visits for different services on the same day with the same diagnosis:</i> IHS facilities can be reimbursed for multiple general covered service categories on the same day for the same recipient with the same diagnosis provided they are for different general covered service categories. The diagnosis code may be the same for each of the claims, but the services provided must be distinctly different and occur within different units of the facility. ...</p> <p><i>Multiple visits for the same type of service on the same day with different diagnoses:</i> IHS facilities are eligible for multiple encounter rates for multiple same day visits for the same type of general covered service category if the diagnoses are different. ...</p> <p><i>Multiple visits for the same type of service on a different day with the same diagnoses:</i> IHS facilities are eligible for multiple encounter rates for different day visits for the same type of general covered service category. ...</p> <p><i>Multiple same day encounters that will <u>not</u> be reimbursed:</i> Multiple visits of the same general covered service categories with the same diagnosis are not reimbursed separately. ..."</p>
Oregon	<p><b>Attachment 4.19-B, section 12:</b> "Under an encounter rate methodology, a single rate is to be applied to [a] face-to-face contact between a health care professional and an IHS beneficiary eligible for the Medical Assistance Program for services through an IHS, AI/AN Tribal Clinic or Health Center, or a Federally Qualified Health Clinic with a 638 designation within a 24-hour period ending at midnight, as documented in the client's medical record. The I/T Pharmacy will receive one encounter per prescription filled or refilled and will not be limited to a certain number of prescriptions per day."</p>	<p><b>American Indian/Alaska Native Services Administrative Rulebook:</b> "Prescriptions dispensed by an IHS or Tribal 638 Pharmacy constitute a separate encounter reimbursed at the annually published IHS All-Inclusive-Rate; ... [a] single pharmacy encounter includes one prescription dispensed by one IHS or Tribal 638 Pharmacy to a Medicaid-eligible individual in a single 24-hour period ending at midnight. There is no limit on the number of encounters that may occur in the 24-hour period. The encounter rate is inclusive of dispensing services.</p>

**TSGAC Policy Brief: Medicaid Pharmacy Reimbursement for Tribal Programs:  
Potential for Using the OMB Encounter Rate**

---

**Attachment 3: Nebraska**

ATTACHMENT 4.19-B  
Item 12a, Page 1 of 2

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT  
State Nebraska  
METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES

---

Professional Dispensing Fees

Professional Dispensing Fee: A professional dispensing fee of \$10.02 shall be assigned to each claim payment based on the lesser of methodology described below.

PRESCRIBED DRUGS (Continued)

Cost Limitations: The Nebraska Medicaid Drug Program is required to reimburse ingredient cost for covered outpatient legend and non-legend drugs at the lowest of:

Brand Drugs

- a. The usual and customary charge to the public, or;
- b. The National Average Drug Acquisition cost (NADAC), plus the established professional dispensing fee, or;
- c. The ACA Federal Upper Limit (FUL) plus the established professional dispensing fee, or;
- d. The calculated State Maximum Allowable Cost (SMAC) plus the established professional dispensing fee.

The FUL or SMAC limitations will not apply in any case where the prescribing physician certifies that a specific brand is medically necessary. In these cases, the usual and customary charge or NADAC will be the maximum allowable cost.

Generic Drugs

- a. The usual and customary charge to the public, or;
- b. The National Average Drug Acquisition cost (NADAC), plus the established professional dispensing fee, or;
- c. The ACA Federal Upper Limit (FUL) plus the established professional dispensing fee, or;
- d. The calculated State Maximum Allowable Cost (SMAC) plus the established professional dispensing fee.

Backup Ingredient Cost Benchmark

If NADAC is not available, the allowed ingredient cost shall be the lesser of Wholesale Acquisition Cost (WAC) + 0%, State Maximum Allowable Cost (SMAC) or ACA Federal Upper Limit plus the established professional dispensing fee.

Specialty Drugs

Specialty drugs shall be reimbursed at NADAC plus the established professional dispensing fee. If NADAC is not available, then the Backup Ingredient Cost Benchmark will apply.

340B Drug Pricing Program

Covered legend and non-legend drugs, including specialty drugs, purchased through the Federal

---

TN #. NE 17-0003  
Supersedes  
TN #. NE 12-05

Approval Date April 1, 2017      Effective Date May 22, 2017

**TSGAC Policy Brief: Medicaid Pharmacy Reimbursement for Tribal Programs:  
Potential for Using the OMB Encounter Rate**

---

ATTACHMENT 4.19-B  
Item 12a, Page 2 of 2

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

**State Nebraska**

**METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES**

---

Public Health Service's 340B Drug Pricing Program (340B) by covered entities that carve Medicaid into the 340B Drug Pricing Program, shall be reimbursed at the 340B actual acquisition cost, but no more than the 340B ceiling price, plus the established professional dispensing fee. A 340B contract pharmacy under contract with a 340B covered entity described in section 1927 (a)(5)(B) of the Act is not covered.

**Federal Supply Schedule (FSS)**

Facilities purchasing drugs through the Federal Supply Schedule (FSS) shall be reimbursed at no more than their actual acquisition cost, plus the established professional dispensing fee.

**Clotting Factor**

- a. Pharmacies dispensing Antihemophilic Factor products will be reimbursed at the lesser of methodology plus the established professional dispensing fee. If NADAC is not available, the lesser of methodology for the allowed ingredient cost shall be the Wholesale Acquisition Cost (WAC) + 0%, ASP + 6% or ACA Federal Upper Limit.
- b. Pharmacies dispensing Antihemophilic Factor products purchased through the Federal Public Health Service's 340B Drug Pricing Program (340B) by pharmacies that carve Medicaid into the 340B Drug Pricing Program shall be reimbursed at the 340B actual acquisition cost, but no more than the 340B ceiling price, plus the established professional dispensing fee.

**Drugs Purchased at Nominal Price**

Facilities purchasing drugs at Nominal Price (outside of 340B or FSS) shall be reimbursed by their actual acquisition cost plus the established professional dispensing fee.

**Investigational Drugs**

Excluded from coverage.

**Tribal Rates**

Tribal pharmacies will be paid the federal encounter rate.

**Certified Long-Term Care**

Pharmacies providing covered outpatient prescription services for Certified Long-Term Care beneficiaries will be reimbursed for ingredient cost using the lesser of methodology plus the established professional dispensing fee.

**Physician Administered Drugs**

- a. Practitioner administered injectable medications will be reimbursed at ASP + 6% (Medicare Drug Fee Schedule); injectable medications not available on the Medicare Drug Fee Schedule will be reimbursed at WAC + 6.8%, or manual pricing based on the provider's actual acquisition cost.
- b. Practitioner administered injectable medications, including specialty drugs, purchased through the 340B Program will be reimbursed at the 340B actual acquisition cost and no more than the 340B ceiling price.

---

**TN #. NE 17-0003**

Supersedes

Approval Date April 1, 2017

Effective Date May 22, 2017

TN #. NE 12-05

**TSGAC Policy Brief: Medicaid Pharmacy Reimbursement for Tribal Programs:  
Potential for Using the OMB Encounter Rate**

---

**Attachment 4: North Dakota**

STATE: North Dakota

Attachment 4.19-B  
Page 6

32. For prescribed drugs, including specific North Dakota Medicaid covered non-legend drugs that are prescribed by an authorized prescriber and legend drugs prescribed by an authorized prescriber, North Dakota Medicaid will reimburse at the following lesser of methodology (in all instances, the professional dispensing fee will be \$12.46):
  1. The usual and customary charge to the public, or
  2. North Dakota Medicaid's established Maximum Allowable Cost (MAC) for that drug plus the professional dispensing fee (ND Medicaid's MAC is acquisition cost based and includes all types of medications, including specialty and hemophilia products), or
  3. The current National Average Drug Acquisition Cost (NADAC) for that drug plus the professional dispensing fee, or if there is no NADAC for a drug, the current wholesale acquisition cost (WAC) of that drug plus the professional dispensing fee; In compliance with 42 Code of Federal Regulations (C.F.R.) 447.512 and 447.514, reimbursement for drugs subject to Federal Upper Limits (FULs) may not exceed FULs in the aggregate.
  4. For 340B purchased drugs, the lesser of logic will include the 340B MAC pricing (ceiling price) plus the professional dispensing fee.
    - a. Covered entities as described in section 1927 (a)(5)(B) of the Social Security Act are required to bill no more than their actual acquisition cost plus the professional dispensing fee.
    - b. Drugs acquired through the federal 340B drug pricing program and dispensed by 340B contract pharmacies are not covered.
  5. All Indian Health Service, tribal and urban Indian pharmacies are paid the encounter rate by ND Medicaid regardless of their method of purchasing.
  6. For Federal Supply Schedule purchased drugs, their provider agreements will require them to bill at no more than their actual acquisition cost plus the professional dispensing fee.
  7. Drugs not distributed by a retail community pharmacy (such as a long-term care facility) will be reimbursed as outlined in items 1-6 above and 8-13 below in this section.
  8. Drugs not distributed by a retail community pharmacy and distributed primarily through the mail (such as specialty drugs) will be reimbursed as outlined in items 1-7 above and 9-13 below in this section since ND Medicaid's MAC is acquisition cost based and includes all types of drugs.
  9. Clotting factors from Specialty Pharmacy, Hemophilia Treatment Centers (HTC), Center of Excellence will be reimbursed as outlined in items 1-8 above and 10-13 below in this section since ND Medicaid's MAC is acquisition cost based and includes all types of drugs.

TN No.: 16-0011  
Supersedes 12-022

Approval Date: 2/14/17

Effective Date: 10-01-2016

**TSGAC Policy Brief: Medicaid Pharmacy Reimbursement for Tribal Programs:  
Potential for Using the OMB Encounter Rate**

---

STATE: North Dakota

Attachment 4.19-B  
Page 6a

---

10. Drugs acquired at Nominal Price (outside of 340B or FSS) will be reimbursed at no more than the actual acquisition plus the professional dispensing fee while also using the logic as outlined in items 1-9 above and 11-13 below in this section.
11. All of the logic as outlined in items 1-10 above in this section (with the exception of the professional dispensing fee being included in the calculations) will apply to Physician Administered Drugs (no professional dispensing fee will be paid for Physician Administered Drugs).
12. Investigational drugs are paid at invoice pricing which includes the cost of the drug, the international regulatory, shipping and handling fee, and next day delivery service.
13. A fee of fifteen cents per pill will be added to the dispensing fee for the service of pill splitting. Pill splitting is entirely voluntary for the patient and the pharmacist. Pill splitting will only be permitted under the following circumstances: when Medical Services determines it is cost effective, the pill is scored for ease of splitting, and the pharmacy staff splits the pill. This fee will only be allowed for medications that have been evaluated by the state for cost-effectiveness and entered into the Point-of-Sale system.

---

TN No.: 16-0011  
Supersedes \_\_\_\_\_  
TN No.: 12-022

Approval Date: 2/14/17

Effective Date: 10-01-2016

**TSGAC Policy Brief: Medicaid Pharmacy Reimbursement for Tribal Programs:  
Potential for Using the OMB Encounter Rate**

---

**Attachment 5: Utah**

42 CFR  
440.120

ATTACHMENT 4.19-B  
Page 19

---

S. PRESCRIBED DRUGS

Covered outpatient drugs will be reimbursed based on an established product cost plus a professional dispensing fee. The payment for individual prescriptions shall not exceed the amount billed. The amount billed must be no more than the usual and customary charge (U&C) to the private pay patient. The following methodology is used to establish Medicaid payments:

Effective for claims adjudicated on or after April 1, 2017, except as otherwise stated in this section and in addition to a reasonable professional dispensing fee as applicable, reimbursement for brand and generic covered outpatient drugs will be as follows:

The lesser of the Utah Estimated Acquisition Cost (UEAC), Federal Upper Limit, Utah Maximum Allowable Cost (UMAC), or the Ingredient Cost Submitted.

Federal Upper Limit

The federal upper limit is the maximum allowable ingredient cost reimbursement established by the Federal government (e.g., Centers for Medicare and Medicaid Services (CMS) for selected multiple-source drugs. The aggregate cost of product payment for the drugs on the federal upper limit list will not exceed the aggregate established by the Federal government.

Utah MAC

Utah MAC is the National Average Drug Acquisition Cost (NADAC) published by the Centers for Medicare and Medicaid Services (CMS). If CMS does not publish a NADAC for a covered outpatient drug, the Maximum Allowable Cost reimbursement may be established by the State for selected drugs.

---

T.N. # 17-0002

Approval Date 4/12/2017

Supersedes T.N. # 16-0010

Effective Date 4-1-17

**TSGAC Policy Brief: Medicaid Pharmacy Reimbursement for Tribal Programs:  
Potential for Using the OMB Encounter Rate**

---

42 CFR  
440.120

ATTACHMENT 4.19-B  
Page 19a

S. PRESCRIBED DRUGS (Continued)

Utah Estimated Acquisition Cost (UEAC)

The Utah EAC is the Wholesale Acquisition Cost (WAC).

Professional Dispensing Fees

The Utah Medicaid professional dispensing fees are as follows:

1. \$9.99 for urban pharmacies located in Utah;
2. \$10.15 for rural pharmacies located in Utah;
3. \$9.99 for pharmacies located in any state other than Utah; and
4. \$716.54 for hemophilia clotting factor dispensed by the contracted pharmacy and in accordance with Attachment 4.19-B, Page 22g.

Urban pharmacies are pharmacies physically located in Weber, Davis, Utah and Salt Lake counties.

Drugs Dispensed by IHS/Tribal facilities

Covered outpatient drugs dispensed by an IHS/Tribal facility to an IHS/Tribal member are reimbursed at the encounter rate in accordance with the Utah Medicaid Indian Health Services Provider Manual.

Specialty Drugs and Covered Outpatient Drugs Primarily Dispensed through the Mail

Specialty drugs and covered outpatient drugs primarily dispensed through the mail are reimbursed in the same manner as other covered outpatient drugs in accordance with the reimbursement rules of this section.

---

T.N. # 17-0002

Approval Date 4/12/2017

Supersedes T.N. # 16-0010

Effective Date 4-1-17

**TSGAC Policy Brief: Medicaid Pharmacy Reimbursement for Tribal Programs:  
Potential for Using the OMB Encounter Rate**

---

42 CFR  
440.120

ATTACHMENT 4.19-B  
Page 19a(2)

S. PRESCRIBED DRUGS (Continued)

Covered Outpatient Drugs Purchased Through the 340B Program

Covered entities that purchase covered outpatient drugs through the 340B program and used the 340B covered outpatient drugs to bill Utah Medicaid are required to submit the 340B acquisition cost on the claim and identify the medications as being purchased through the 340B by using the Submission Clarification Code = '20' or 'UD' modifier.

Payment for covered outpatient drugs purchased through the 340B program will be the lesser of the 340B acquisition cost plus a professional dispensing fee, as applicable, or the billed charges.

Payment for covered outpatient drugs not purchased through the 340B program are to be submitted, and reimbursed, in accordance with the reimbursement rules under this section.

340B covered entities may not utilize contract pharmacies to bill Utah Medicaid unless the covered entity, contract pharmacy, and State Medicaid agency have a written agreement in place to prevent duplicate discounts.

Federal Supply Schedule

Providers that purchase covered outpatient drugs through the Federal Supply Schedule (FSS) and use the covered outpatient drugs to bill Utah Medicaid are required to submit the FSS acquisition cost on the claim, unless the reimbursement is made through a bundled charge or all-inclusive encounter rate.

Payment for covered outpatient drugs purchased through the FSS will be the lesser of the FSS acquisition cost plus a professional dispensing fee, as applicable, or the billed charges.

Payment for covered outpatient drugs not purchased through the FSS are to be submitted, and reimbursed, in accordance with the reimbursement rules of this section.

Nominal Price

Providers that purchase covered outpatient drugs at Nominal Price and use the covered outpatient drug to bill Utah Medicaid are required to submit the acquisition cost on the claim.

Payment for covered outpatient drugs purchased at Nominal Price will be the lesser of the Nominal Price acquisition cost plus a professional dispensing fee, as applicable, or the billed charges.

---

T.N. # 17-0002 Approval Date 4/12/2017  
Supersedes T.N. # 09-001 Effective Date 4-1-17

**TSGAC Policy Brief: Medicaid Pharmacy Reimbursement for Tribal Programs:  
Potential for Using the OMB Encounter Rate**

---

42 CFR  
440.120

ATTACHMENT 4.19-B  
Page 19b

**S. PRESCRIBED DRUGS (Continued)**

**Covered Outpatient Drugs not Dispensed by a Retail Community Pharmacy**

Covered outpatient drugs not dispensed by a retail community pharmacy are reimbursed in the same manner as other covered outpatient drugs in accordance with the reimbursement rules of this section.

**Provider Administered Drugs**

Covered provider administered drugs will be reimbursed according to the Average Sale Price (ASP) Drug Pricing File, published quarterly by the Centers for Medicare and Medicaid Services (CMS), for drugs that have an ASP price set by CMS.

Covered provider administered drugs for which CMS does not publish an ASP price will be reimbursed in accordance with the Utah Medicaid fee schedule published on Medicaid's Coverage and Reimbursement Code Look-up Tool.

**Hemophilia Drugs**

Hemophilia drugs are reimbursed in accordance with the rules of this section and the Hemophilia Disease Management program in Attachment 4.19-B, Page 22g.

**Investigational Drugs**

Investigational drugs are not covered by Utah Medicaid.

---

T.N. # 17-0002 Approval Date 4/12/2017  
Supersedes T.N. # 93-002 Effective Date 4-1-17