

**TRANSMITTAL AND NOTICE OF APPROVAL OF  
STATE PLAN MATERIAL**

1. TRANSMITTAL NUMBER:  
01-12

2. STATE  
Oregon

**FOR: HEALTH CARE FINANCING ADMINISTRATION**

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE  
SOCIAL SECURITY ACT (MEDICAID) Medical Assistance

TO: REGIONAL ADMINISTRATOR  
HEALTH CARE FINANCING ADMINISTRATION  
DEPARTMENT OF HEALTH AND HUMAN SERVICES

SEP 17 2001

4. PROPOSED EFFECTIVE DATE  
October 1, 2001

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:  
1902(a)(30)(A)

7. FEDERAL BUDGET IMPACT:  
a. FFY 2001-02 (\$ 4,110,670)  
b. FFY 2002-03 (\$ 4,110,670)

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Attachment 4.19-B, pages 3, 3-a, and 3-b

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION  
OR ATTACHMENT (If Applicable):

Attachment 4.19-B, pages 3, 3-a, and 3-b

10. SUBJECT OF AMENDMENT:

This transmittal is being submitted to reflect the changes to Oregon's estimated acquisition cost (EAC) and the dispensing fee expenditures as approved by the State Legislature.

11. GOVERNOR'S REVIEW (Check One):

- GOVERNOR'S OFFICE REPORTED NO COMMENT
- COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
- NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

OTHER, AS SPECIFIED:

Per Attachment 7.3A

12. SIGNATURE OF STATE AGENCY OFFICIAL:

*Lyn Read for Hersh Crawford Bobby Mink*

13. TYPED NAME: Hersh Crawford Bobby Mink

14. TITLE: Administrator, OMAP Director, DHS

16. RETURN TO:

Office of Medical Assistance Programs  
Department of Human Services  
500 Summer Street NE, 3<sup>rd</sup> Floor, E35  
Salem, OR 97301

15. DATE SUBMITTED: 9-12-01

ATTN: Carole Van Eck

**FOR REGIONAL OFFICE USE ONLY**

17. DATE RECEIVED: SEP 17 2001

18. DATE APPROVED: NOV 27 2001

**PLAN APPROVED - ONE COPY ATTACHED**

19. EFFECTIVE DATE OF APPROVED MATERIAL:  
OCT - 1 2001

20. SIGNATURE OF REGIONAL OFFICIAL:

21. TYPED NAME: Teresa L. Tremblay

22. TITLE: ASSOCIATE REGIONAL OFFICIAL

23. REMARKS:

POSTMARKED: 9/13 (DATE) Salem

per State letter, Nov 19, 2001, Replaces pgs 3, 3a, 3b to Attachment 4.19 B which Reverses reimbursement language of EAC & dispensing fee.

Prescribed Drugs

A. General

- (1) The Department of Human Services (DHS) will pay the lesser of the provider's usual charge to the general public for a drug or the estimated acquisition cost (EAC) plus a dispensing fee. DHS determines the EAC to be the lesser of: Oregon maximum allowable cost (as defined in B.2.), the federally established maximum allowable cost or the average wholesale price minus 13%. DHS determines usual charge to be the lesser of the following unless prohibited from billing by federal statute or regulation:
  - a. The provider's charge per unit of service for the majority of non-Medical Assistance users of the same service based on the preceding month's charges;
  - b. The provider's lowest charge per unit of service on the same date that is advertised, quoted or posted. The lesser of these applies regardless of the payment source or means of payment;
  - c. Where the provider has established a written sliding fee scale based upon income for individuals and families with income equal to or less than 200% of the federal poverty level, the fees paid by these individuals and families are not considered in determining the usual charge. Any amounts charged to third party resources are to be considered.
- (2) The DHS requires prior authorization of payment for selected therapeutic classes of drugs. These drug classes are listed in the Oregon Administrative Rules in the Oregon Pharmaceutical Services Guide. Exception to the prior authorization requirement may be made in medical emergencies.
- (3) The DHS will reimburse providers only for drugs supplied from pharmaceutical manufacturers or labelers who have signed an agreement with CMS or who have a CMS approved agreement to provide drug price rebates to the Oregon Medicaid program.

B. Payment Limits for Multiple Source Drugs

- (1) The DHS has established the payment amount for multiple source (generic) drugs as the lesser of the Oregon maximum allowable cost, CMS upper limits for drug payment, average wholesale price minus 13%, plus a dispensing fee or the usual charge to the general public

- (2) The Oregon Maximum Allowable Cost (OMAC) is determined on selected multiple-source drugs designated as bioequivalent by the Food and Drug Administration. The upper limit of payment for a selected multiple source drug is set at a level where one bioequivalent drug product is available from at least two wholesalers serving the State of Oregon. When the OMAC is based upon AWP it will be set at 13% below AWP. The upper limit of is payment established by the OMAC listing does not apply if a prescriber certifies that a single-source (brand) drug is medically necessary.
- (3) The average wholesale price is determined using information furnished by the DHS's drug price data base contractor.
- (4) Payment for multiple-source drugs for which CMS has established upper limits will not exceed, in the aggregate, the set upper limits plus a dispensing fee.
- (5) No payment shall be made for an innovator multiple source drug having a federal upper limit for payment if under applicable Oregon State law a less expensive non-innovator multiple source drug could have been dispensed.

C. Payment Limits for Single-Source Drugs

- (1) The DHS will pay the EAC plus a dispensing fee or the usual charge to the general public, whichever is lower, for single-source drugs. The DHS defines EAC for single-source drugs as the average wholesale price minus 13%.
- (2) The usual charge to the general public is established as indicated in A.(1).
- (3) The average wholesale price is determined from price information furnished by the DHS's drug price data base contractor.
- (4) Payments for single-source drugs shall not exceed, in the aggregate, the lesser of the estimated acquisition cost plus a reasonable dispensing fee or the provider's usual charge to the general public.

D. Dispensing or Professional Fees

- (1) The DHS establishes pharmacy dispensing fee payments based on the results of surveys of pharmacies and other Medicaid programs, and by approval of the State Legislature.
- (2) The present dispensing fee payment mechanism is two tiered. The base fee is \$3.50 for retail pharmacies, \$3.80 for institutional or pharmacies dispensing with a true or modified unit dose dispensing system. The pharmacy must provide documentation substantiating annual, Medicaid dispensing volume and unit dose dispensing system employed.
- (3) Pharmacies dispensing through a unit dose or 30-day card system must bill the DHS only one dispensing fee per medication dispensed in a 30-day period.
- (4) Fee allowances are made for preparation time and dispensing of compound prescriptions. Pharmacies must list all applicable NDC numbers included in the compound; the pharmacy will receive a dispensing fee of \$3.50 for each ingredient listed in the compound. I.e. if the compound contains five (5) ingredients, the pharmacy will be allowed five (5)-dispensing fees.