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State/Territory Name: South Carolina

State Plan Amendment (SPA) #: SC-20-0008

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) CMS 179 Form/Summary Form (with 179-like data)
- 3) Approved SPA Pages

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



Center for Medicaid and CHIP Services

Disabled and Elderly Health Programs Group

December 3, 2020

Mr. Joshua D. Baker
Director
South Carolina Department of Health and Human Services
P.O. Box 8206
Columbia, SC 29202-8206

Dear Mr. Baker:

We have reviewed South Carolina's State Plan Amendment (SPA) 20-0008, Prescribed Drugs, received in the CMS Medicaid & CHIP Operations Group on September 30, 2020. This SPA proposes to bring South Carolina into compliance with the reimbursement requirements in the Covered Outpatient Drug final rule with comment period (CMS-2345-FC).

South Carolina SPA 20-0008 includes reimbursement methods that use, among others, the National Average Drug Acquisition Cost (NADAC), plus a professional dispensing fee of \$10.50 for covered outpatient drugs. This SPA also includes reimbursement rates for 340B drugs, long-term care and specialty drugs, drugs purchased at a nominal price, and physician administered drugs.

In keeping with the requirements of section 1902 (a)(30)(A) of the Social Security Act, we believe the state has demonstrated that their reimbursement rates are consistent with efficiency, economy, and quality of care, and are sufficient to ensure that care and services are available to Medicaid beneficiaries at least to the extent they are available to the general population in the geographic area. We believe that there is evidence regarding the sufficiency of South Carolina's pharmacy provider network at this time to approve SPA 20-0008. The state provided data to demonstrate that the acquisition cost methodologies and pharmacy dispensing fees being paid are sufficient to ensure the program's beneficiaries will have access to pharmacy services at least to the extent that they are available to the general population.

Based on the information provided and consistent with the regulations at 42 CFR 430.20, we are pleased to inform you that SPA 20-0008 is approved with an effective date of July 15, 2020. We are attaching a copy of the signed, updated CMS-179 form, as well as the pages approved for incorporation into South Carolina's state plan.

If you have any questions regarding this request, please contact Lisa Shochet at 410-786-5445 or lisa.shochet@cms.hhs.gov.

Sincerely,

**John M.
Coster -S**

Digitally signed by John
M. Coster -S
Date: 2020.12.03
18:52:16 -05'00'

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

cc: Bryan Amick, Deputy Chief of Staff, SC Dept of Health and Human Services
Sheila Chavis, Senior Consultant, SC Dept of Health and Human Services
Maria Drake, CMS, Medicaid & CHIP Operations Group
William Pak, CMS, Medicaid & CHIP Operations Group

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

1. TRANSMITTAL NUMBER: 20-0008	2. STATE South Carolina
3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
4. PROPOSED EFFECTIVE DATE July 1, 2020 July 15, 2020	

FOR: HEALTH CARE FINANCING ADMINISTRATION

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

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 447.512 42 CFR 447.514	7. FEDERAL BUDGET IMPACT: @70.70% FFP a. FFY 2020 \$812,000 b. FFY 2021 \$3.25 million
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Attachment 4.19-B, pages 3b, 3c, 3d, 4, 5	9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable): Attachment 4.19-B pages, 3b, 3c, 3d, 4, 5 (Page 4a of Attachment 4.19-B is being deleted from the State Plan)

10. SUBJECT OF AMENDMENT: This plan amendment will establish actual acquisition cost (AAC) and professional dispensing fee for the purpose of ensuring that payments for outpatient drugs not exceed, in the aggregate, the payment limits described in 42 CFR 447.512 and 42 CFR 447.514.

11. GOVERNOR'S REVIEW (Check One):
- GOVERNOR'S OFFICE REPORTED NO COMMENT OTHER, AS SPECIFIED:
 COMMENTS OF GOVERNOR'S OFFICE ENCLOSED Mr. Baker was designated by the Governor
 NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL to review and approve all State Plans

12. SIGNATURE OF STATE AGENCY OFFICIAL: 	16. RETURN TO: South Carolina Department of Health and Human Services Post Office Box 8206 Columbia, SC 29202-8206
13. TYPED NAME: Joshua D. Baker	
14. TITLE: Director	
15. DATE SUBMITTED: September 28, 2020	

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED: September 30, 2020	18. DATE APPROVED: December 3, 2020
PLAN APPROVED - ONE COPY ATTACHED	
19. EFFECTIVE DATE OF APPROVED MATERIAL: July 15, 2020	20. SIGNATURE OF REGIONAL OFFICIAL: John M. Coster -S <small>Digitally signed by John M. Coster -S Date: 2020.12.03 18:52:36 -0500</small>
21. TYPED NAME: John M. Coster, Ph.D., R.Ph.	22. TITLE: Director, Division of Pharmacy

23. REMARKS:

12/2/2020 - Pen and Ink change authorized by state to update effective date to July 15, 2020.

Pregnant women, individuals participating in family planning services, infants and children up to age 19 will not be subject to co-pay.

11.a. Physical Therapy/Occupational Therapy:

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- 11.b. Payment will be according to an established fee schedule as based on the methodology outlined in the Physician Section 5, Attachment 419-B, Page 2a.2. The Physician Services fee schedule rates are effective for services provided on or after the implementation date as outlined in the Physician Section 5, Attachment 419-B, Page 2a.2. Medicaid Bulletins informing the providers of the fee schedule rate changes, as well as the fee schedule itself, are available on the agency's web site at <http://www.scdhhs.gov/ServiceProviders/FeeSchedules.asp>.

The SCDHHS does not publish a fee schedule for Hospitals and Home Health services. The payment methodology for Hospital Services can be found at 4.19-B page 1a.1 and Home Health can be found at 4.19-B page 3.1.

11.c. Speech/Language and Audiological Services:

Payment will be according to an established fee schedule as based on the methodology outlined in the Physician Section 5, Attachment 419-B, Page 2a.2. The Physician Services fee schedule rates are effective for services provided on or after the implementation date as outlined in the Physician Section 5, Attachment 419-B, Page 2a.2. Medicaid Bulletins informing the providers of the fee schedule rate changes, as well as the fee schedule itself, are available on the agency's web site at <http://www.scdhhs.gov/ServiceProviders/FeeSchedules.asp>.

The SCDHHS does not have a published fee schedule for Hospitals and Home Health services. The payment methodology for Hospital Services can be found at 4.19-B page 1a.1 and Home Health can be found at 4.19-B page 3.1.

12.a. Prescribed Drugs:

Medicaid reimburses for covered outpatient drugs with stated exceptions described in the Medicaid State Plan.

A. Standard Basis for Payment:

Reimbursement for brand and multiple-source drugs shall be limited to the lowest of:

- (1) the actual acquisition cost (AAC) plus a professional dispensing fee (PDF) of \$10.50
- (2) the State's Maximum Allowable Cost (MAC) plus a PDF of \$10.50
- (3) the usual and customary (U&C) charges to the general public

The AAC is defined as the National Average Drug Acquisition Cost (NADAC). In those instances where the NADAC does not exist, the AAC is defined as Wholesale Acquisition Cost (WAC) minus 0 percent.

- B. Specialty drugs shall be reimbursed pursuant to the Standard Basis for Payment, as stated above.
- C. Drugs dispensed by IHS/Tribal facilities shall be reimbursed pursuant to the Standard Basis for Payment, as stated above.
- D. Drugs acquired via the Federal Supply Schedule (FSS) shall be reimbursed at their Actual Acquisition Cost, plus a PDF of \$10.50.
- E. Drugs acquired at Nominal Price (outside of 340B or FSS) shall be reimbursed at their Actual Acquisition Cost, plus a PDF of \$10.50.
- F. Drugs not dispensed by a retail community pharmacy (e.g., institutional or long-term care pharmacy when not included as part of an inpatient stay) shall be reimbursed pursuant to the Standard Basis for Payment, as stated above.
- G. Clotting factor reimbursement is determined based on the contractual provisions established by South Carolina Department of Health and Environmental Control (SCDHEC) Hemophilia Program. Rates are negotiated, through a bid process, between SCDHEC and clotting factor manufacturers. Clotting factor shall be reimbursed at the actual acquisition cost determined through this bid process, plus a PDF of \$10.50.

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RO APPROVAL: 12/03/2020
SUPERSEDES: SC 11-017

- H. Physician administered drugs (PADs) are reviewed quarterly with rates updated and posted to the SCDHHS website. Tier 1 PADs are those identified as being preferred within a therapeutic class and are reimbursed at ASP (average sales price) plus 10 percent. Tier 2 PADs are identified as being non-preferred or as having no therapeutic alternative and are reimbursed at ASP plus 6 percent. In those cases where the methodology fails to create an incentive for the use of Tier 1 PADs, an alternative methodology is applied. The rate for the preferred medication in these classes is based on the ASP of the less expensive PAD plus the dollar value of the six percent margin of the most expensive entity in the therapeutic class.

No dispensing fee is paid for physician administered drugs.

- I. Investigational drugs are not covered.

In the aggregate, payments will not exceed the upper limits described in 42 CFR 447.512 and 447.514.

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SUPERSEDES: SC 19-0009

340B Providers

For prescription drugs purchased through the 340B program and provided by a covered entity, payment shall be limited to the provider's actual acquisition cost for purchasing the medication plus a professional dispensing fee of \$10.50.

Drugs acquired through the 340B drug pricing program and dispensed by 340B contract pharmacies are not covered.

For drugs purchased outside of the 340B program, reimbursement shall be determined using the Standard Basis for Payment.

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SUPERSEDES: MA 05-013

12.c Prosthetic Devices and Medical Supplies, Equipment and Services:

Certain medical services, supplies, and equipment (including equipment servicing) that do not generally vary significantly in quantity will be reimbursed at a rate not to exceed the rate established by the Medicare carrier in the area at the lowest charge level at which the service, supplies, and equipment are widely and consistently available within their locality according to the procedures prescribed in 42 CFR 405.511. A list of these items of service is published in the federal regulations. This upper limit is applicable to such services furnished under both Medicare and Medicaid.

For selected services and items furnished only under Medicaid (and identified and published by the Secretary of HHS by regulations), the Medicaid agency must calculate the lowest charge levels under the procedures specified in 42 CFR 405.511© and (d), and limit payments to that amount.

Pregnant women, individuals participating in family planning services, infants and children up to age 19 will not be subject to co-pay.

Hearing Aids - A consolidated contract between the Department of Health and Human Services (DHHS) and Department of Health and Environmental Control (DHEC) is in effect to provide hearing aids, accessories and repair to eligible Medicaid recipients 21 years old and under using S-codes.

Home Dialysis - Reimbursement for equipment and supplies are included in the all-inclusive rate paid only to the End Stage Renal Dialysis Clinic.

12.d Eyeglasses

Eyeglass services are covered for lenses, frames and other services as outlined in the Physician, Laboratories, and Other Medical Professionals manual to recipients under the age of 21. These services are provided by enrolled retail optical establishments or self-employed ophthalmic dispensers (opticians). Except as otherwise noted in the plan, state-developed fee schedule rates are the same for both governmental and private providers of eyeglasses. Providers of eyeglasses and contact lenses are reimbursed the lesser of the providers billed charges or fees determined by SCDHHS, which are based on a review of Medicare fees and/or other data available to SCDHHS, such as relevant cost or fee surveys. The agency's fee schedule rate was set as of January 1, 2014 and is effective for services provided on or after that date. All rates are published on the agency's website at www.scdhhs.gov.

SC: 20-0008
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RO APPROVAL: 12/03/2020
SUPERSEDES: SC 14-001