



November 8, 2023

To: Tribal Chairpersons, Designees of Indian Health Programs, and Urban Indian Organizations

Subject: Notice of Proposed Change to the Medi-Cal Program

The purpose of this letter is to provide information regarding a proposed change to the Department of Health Care Services' (DHCS) Medi-Cal Program that will be submitted to the Centers for Medicare and Medicaid Services (CMS). DHCS is forwarding this information for your review and comment.

DHCS is required to seek advice from designees of Indian Health Programs and Urban Indian Organizations on Medi-Cal matters having a direct effect on Indians, Indian Health Programs or Urban Indian Organizations per the American Recovery and Reinvestment Act of 2009 (ARRA). DHCS must solicit the advice of designees prior to submission to CMS of any State Plan Amendment (SPA), waiver requests or modifications, or proposals for demonstration projects in the Medi-Cal program.

Please see the enclosed summary for a detailed description of this DHCS proposal.

QUESTIONS AND COMMENTS

Indian Health Programs and Urban Indian Organizations may also submit written comments or questions concerning this proposal within 30 days from the receipt of notice. Comments may be sent by email to PublicInput@dhcs.ca.gov or by mail to the address below:

Contact Information

Department of Health Care Services
Pharmacy Benefits Division
Attn: Lisa Ghotbi, Chief
P.O. Box 997413, MS 4604
Sacramento, California 95899-7417

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and Urban Indian Organizations

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In addition to this notice, DHCS plans to cover this SPA in the next quarterly Medi-Cal Indian Health webinar. Please note that Indian Health Programs and Urban Indian Organizations may request a consultation on this proposal at any time as needed.

Sincerely,

Original signed by

Andrea Zubiate, Chief
Office of Tribal Affairs
Department of Health Care Services

Enclosure



**Department of Health Care Services (DHCS)
Tribal and Designees of Indian Health Programs Notice**

PURPOSE

To seek federal approval to include an Actual Acquisition Cost (AAC), based on the invoice price paid by the Medi-Cal provider to a supplier, wholesaler, or manufacturer, as a payment methodology for covered outpatient drugs when pricing benchmarks for the drug's ingredient cost are unavailable.

BACKGROUND

Medi-Cal's current payment methodology for covered outpatient drugs complies with the Centers for Medicare and Medicaid (CMS) Covered Outpatient Drug Final Rule in accordance with 42 C.F.R. Part 447. For covered outpatient drugs, Medi-Cal reimburses providers the lower of the drug's ingredient cost plus a professional dispensing fee or the pharmacy's usual and customary charge to the public. The drug's ingredient cost means the lowest of the National Average Drug Acquisition Cost (NADAC), or the Wholesale Acquisition Cost (WAC) + 0% when NADAC is unavailable; the Federal Upper Limit (FUL); or Maximum Allowable Ingredient Cost (MAIC) of the drug. The State Plan currently does not include the payment methodology when pricing data are unlisted for a drug.

SUMMARY OF PROPOSED CHANGES

DHCS is submitting SPA 23-0043 to CMS to establish a reimbursement option when pricing data are unavailable for a drug. In the rare situations where NADAC, WAC, FUL, and MAIC price points are unavailable, the SPA permits the Department to reimburse providers for the drug's ingredient cost reflective of its AAC (based on the invoice price paid by the provider to a supplier, wholesaler, or manufacturer), plus a professional dispensing fee.

IMPACT TO TRIBAL HEALTH PROGRAMS (THPs)

To the extent that a THP has a Medi-Cal enrolled retail pharmacy this SPA proposes to change the reimbursement methodology for certain covered drugs. Under this SPA, payment for covered outpatient drugs dispensed by THP pharmacies will be reimbursed at the AAC (based on the invoice price paid by the provider to a supplier, wholesaler, or manufacturer), plus a professional dispensing fee, when approved CMS benchmarks are unavailable. This will ensure Medi-Cal member's access to covered outpatient drugs and payment to providers.

IMPACT TO FEDERALLY QUALIFIED HEALTH CENTERS (FQHCs)

To the extent that a FQHC has a Medi-Cal enrolled retail pharmacy this SPA proposes to change the reimbursement methodology for certain covered drugs. Under this SPA, payment for covered outpatient drugs dispensed by FQHCs will be reimbursed at the AAC (based on the invoice price paid by the provider to a supplier, wholesaler, or manufacturer), plus a professional dispensing fee, when approved CMS benchmarks are unavailable. This will ensure Medi-Cal member's access to covered outpatient drugs and payment to providers.

IMPACT TO AMERICAN INDIAN MEDI-CAL MEMBERS

DHCS does not anticipate an impact to American Indian Medi-Cal members who receive pharmacy services as this proposal seeks to ensure access to covered outpatient drugs by ensuring pharmacies are reimbursed appropriately when pricing benchmarks for the drug's ingredient cost are unavailable.

RESPONSE DATE

Indian Health Programs and Urban Indian Organizations may also submit written comments or questions concerning this proposal within 30 days from the receipt of notice. Comments may be sent by mail or email to the contacts below:

CONTACT INFORMATION

Written comments may be sent to the following address:

Department of Health Care Services
Pharmacy Benefits Division
Attn: Lisa Ghotbi, Chief
P.O. Box 997413, MS 4604
Sacramento, California 95899-7417

Comments may also be emailed to PublicInput@dhcs.ca.gov. Please indicate SPA #**23-0043** in the subject line or message.