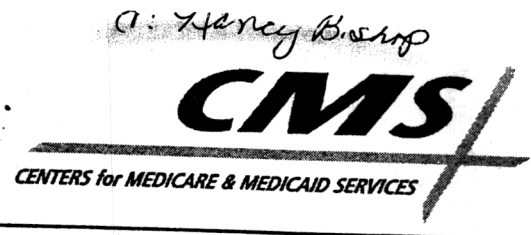


Department of Health & Human Services  
Centers for Medicare & Medicaid Services  
233 North Michigan Avenue, Suite 600  
Chicago, Illinois 60601-5519



Refer to:

JA

Paul Reinhart, Director  
Medical Services Administration  
Federal Liaison Unit  
Michigan Department of Community Health  
400 South Pine Street  
P.O. Box 30479  
Lansing, Michigan 48909

ATTN: Nancy Bishop

Dear Mr. Reinhart:

Enclosed for your records are documents related to State Plan Amendment 04-013, which was approved in a January 27, 2005 letter to you from Dennis Smith. The enclosure includes a signed copy of the CMS-179 and copies of the approved pages.

If you have any additional questions, please have a member of your staff contact Ms. Hye Sun Lee at (312) 353-1565.

Sincerely,



Cheryl A. Harris  
Associate Regional Administrator  
Division of Medicaid & Children's Health

Enclosure

Center for Medicaid and State Operation

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January 27, 2005

Ms. Nancy Bishop  
Program/Eligibility Policy Division – Federal Liaison Unit  
Capitol Commons Center – 7<sup>th</sup> Floor  
400 South Pine  
Lansing Michigan 48933

Dear Ms. Bishop:

We have reviewed Michigan's State Plan Amendment (SPA) 04 -13 submitted to the Chicago Regional Office on November 16, 2004. This SPA reduces the pharmacy dispensing fee for long-term care from \$3.77 to \$2.75, and adds a dispensing fee of \$2.50 for non-long-term care effective November 1, 2004. Based on the information provided, we are pleased to inform you that Michigan SPA 04-13 is approved, effective November 1, 2004.

A copy of the CMS-179 form, as well as the pages approved for incorporation into the Michigan state plan will be forwarded by the Chicago Regional Office. If you have any questions regarding this amendment, please contact Yolanda Reese at (410) 786-9898.

Sincerely,

  
Dennis G. Smith  
Director

cc Cheryl A. Harris, ARA, Chicago Regional Office  
Hye Sun Lee, Chicago Regional Office  
Cynthia Garraway, Chicago Regional Office  
Alice Holden, Chicago Regional Office

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

FOR: HEALTH CARE FINANCING ADMINISTRATION

1. TRANSMITTAL NUMBER:

04 - 13

2. STATE:

Michigan

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

TO: REGIONAL ADMINISTRATOR  
HEALTH FINANCING ADMINISTRATION  
DEPARTMENT OF HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE  
November 1, 2004

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 447.302

7. FEDERAL BUDGET IMPACT:

a. FFY 05 \_\_\_\_\_ \$ (8 million)

b. FFY 06 \_\_\_\_\_ \$ (3 million)

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:  
Attachment 4.19-B, page 1c

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

Attachment 4.19-B, page 1c

10. SUBJECT OF AMENDMENT:

Reduction of pharmacy dispensing fee

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:

Paul Reinhart, Director

Medical Services Administration

12. SIGNATURE OF STATE AGENCY OFFICIAL:



16. RETURN TO:

13. TYPED NAME:

Paul Reinhart

Medical Services Administration  
Program/Eligibility Policy Division - Federal Liaison Unit  
Capitol Commons Center - 7<sup>th</sup> Floor  
400 South Pine  
Lansing, Michigan 48933

14. TITLE:

Director, Medical Services Administration

Attn: Nancy Bishop

15. DATE SUBMITTED:

November 15, 2004

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:

11/16/04

18. DATE APPROVED:

11/16/04

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:

20. SIGNATURE OF REGIONAL OFFICIAL:



21. TYPE NAME:

Cheryl A. Harris

22. TITLE:

Associate Regional Administrator  
Division of Medicaid and Children's Health

23. REMARKS:

RECEIVED

NOV 16 2004

DMCH - MI/MN/WI

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State of MICHIGAN

*Policy and Methods for Establishing Payment Rates  
(Other than Inpatient Hospital and Long Term Care Facilities)*

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**2. Drug Product Reimbursement**

- a) Reimbursement for drug products is the lower of an Average Wholesale Price (AWP) minus discounts, a Maximum Allowable Cost (MAC), or the provider's charge. The discount from AWP for chain pharmacies and pharmacies with no retail customers serving long term beneficiaries is 15.1% and the discount from AWP for independent pharmacies, including chains of fewer than five stores, is 13.5%
- b) The State has established dispensing fees. Program reimbursement for long-term care pharmacies is the lesser of the standard dispensing fee (\$2.75) or the long-term care pharmacy's usual and customary fee. Program reimbursement for all other pharmacies (non long-term care) is the lesser of the standard dispensing fee (\$2.50) or the pharmacy's usual and customary fee. A dispensing fee of \$6.00 will be reimbursed to a pharmacy if the final dosage form is a cream, emulsion, nasal drops, ointments, or optic drugs. A dispensing fee of \$10.00 will be reimbursed to a pharmacy for compounded capsules, powders or suppositories. Long-term care pharmacies are paid 3 cents per capsule or tablet for unit dose repackaging.
- c) MAC Limits set by the State in aggregate are equal to or less than Federal Upper Limits, in compliance with federal law.
- d) Prior authorization is required for exception to MAC Limits.

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TN NO.: 04 - 13

Approval Date: JAN 27 2004

Effective Date: 11/01/2004

Supersedes

TN No.: 04-01