

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



APR 29 2010

Stephen Fitton, Director  
Medical Services Administration  
Federal Liaison Unit  
Michigan Department of Community Health  
400 South Pine  
Lansing, Michigan 48933

ATTN: Nancy Bishop

Dear Mr. Fitton:

Enclosed for your records are documents related to State Plan Amendment 09-014, which was approved in an April 7, 2010 letter to you from Larry Reed, Director of Pharmacy. The enclosure includes a signed copy of the CMS-179 and copies of the approved pages.

If you have any additional questions, please contact, Leslie Campbell, of my staff, at (312) 353-1557 or by e-mail at [Leslie.Campbell@cms.hhs.gov](mailto:Leslie.Campbell@cms.hhs.gov).

Sincerely,

A handwritten signature in black ink that reads "Verlon Johnson". The signature is written in a cursive style.

Verlon Johnson  
*Acting* Associate Regional Administrator  
Division of Medicaid & Children's Health Operations

Enclosure

**TRANSMITTAL AND NOTICE OF APPROVAL OF  
STATE PLAN MATERIAL  
FOR: HEALTH CARE FINANCING ADMINISTRATION**

1. TRANSMITTAL NUMBER: 09 - 14	2. STATE: Michigan
3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
4. PROPOSED EFFECTIVE DATE July 1, 2009	

TO: REGIONAL ADMINISTRATOR  
HEALTH FINANCING ADMINISTRATION  
DEPARTMENT OF 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 430.12	7. FEDERAL BUDGET IMPACT: a. FFY 09 _____ \$ (306,191.00) _____ b. FFY 10 _____ \$ (918,574.00) _____
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 PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable): Attachment 4.19-B, page 1c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:  
Pharmacy dispensing fee decrease

11. GOVERNOR'S REVIEW (Check One):

- GOVERNOR'S OFFICE REPORTED NO COMMENT       OTHER, AS SPECIFIED:  
 COMMENTS OF GOVERNOR'S OFFICE ENCLOSED      Paul Reinhart, Director  
 NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL      Medical Services Administration

12. SIGNATURE OF STATE AGENCY OFFICIAL: <i>Stephen Fitton</i>	16. RETURN TO: Medical Services Administration Program/Eligibility Policy Division - Federal Liaison Unit Capitol Commons Center - 7 <sup>th</sup> Floor 400 South Pine Lansing, Michigan 48933
13. TYPED NAME: Stephen Fitton	Attn: Nancy Bishop
14. TITLE: Acting Director, Medical Services Administration	
15. DATE SUBMITTED: September 30, 2009	

**FOR REGIONAL OFFICE USE ONLY**

17. DATE RECEIVED: <i>September 30, 2009</i>	18. DATE APPROVED: <i>April 7, 2010</i>
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**PLAN APPROVED - ONE COPY ATTACHED**

19. EFFECTIVE DATE OF APPROVED MATERIAL: <i>July 1, 2009</i>	20. SIGNATURE OF REGIONAL OFFICIAL: <i>Alan Freund</i>
21. TYPE NAME: <i>Alan Freund</i>	22. TITLE: <i>Acting Associate Regional Administrator</i>
23. REMARKS:	

**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 serving nursing facility 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.
- 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.
- e) The optional Mail Order Pharmacy program reimburses a zero dollar (\$0.00) amount for the dispensing fee. Brand name drugs are reimbursed AWP minus 21%; generic drugs are reimbursed at the MAC Limits; and, non-MAC generic drugs are reimbursed AWP minus 52%.
- f) Medicaid enrolled pharmacy providers may bill for the injectable drug Synagis dispensed on or after January 1, 2005.

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TN NO.: 09 - 14

Approval Date: April 7, 2010

Effective Date: 07/01/2009

Supersedes  
TN No.: 09 - 05

APR 7 2010