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 State Operations
Disabled and Elderly Health Programs Group (DEHPG)

JAN 9 2007

Dear State Medicaid Director:

Recently, the Centers for Medicare & Medicaid Services (CMS) has received some pharmacy related State plan amendments (SPAs) requesting significant changes in methods and standards for setting payment rates without submission of a public notice in the formal SPA package. This letter serves as a reminder of the State Medicaid agency responsibility with regard to issuance of public notice of changes in the methods and standards for setting payment rates.

42 CFR section 447.205(a) provides that, except for certain specified exceptions, the agency must provide public notice of any significant proposed change in its methods and standards for setting payment rates for services, preceding the effective date of the change. All significant changes in payment rates to providers require advance public notice. States must ensure that both the content of the notice and publication of the notice meet the criteria as listed in 42 CFR sections 447.205(c) and (d) for any significant reimbursement changes.

This policy helps to ensure transparency and invites public comment on proposed changes in State Medicaid reimbursement.

Sincerely,

Gale P. Arden

Gale P. Arden
Director